

February 22, 2019

## **Governor's Budget**

Governor Walz formally released his [budget](#) on Tuesday, February 19<sup>th</sup>, as required by law. The budget recommends \$2 billion in general fund spending and \$1.2 billion in new revenues and proposes to spend \$49.5 billion over the next biennium. Identified priority areas in the budget include education, health care, transportation and community investment.

The budget recommendations of interest to Metro Cities are outlined below. Metro Cities staff will be monitoring and responding to budget proposals as they are considered legislatively. Legislative rules mandate that any bills necessary to implement a governor's budget must be introduced within 15 calendar days from the release of the budget recommendation. That deadline would be March 6<sup>th</sup>, 2019.

### **Taxes**

Governor Walz's budget includes two areas identified in Metro Cities' 2019 legislative priorities, including simplifying the construction materials sales tax exemption and a \$30 million increase in Local Government Aid.

The budget also reinstates the angel investment credit for \$20 million and reinstates the statewide property tax inflator. The budget also recommends lowering the occupancy requirement from 15 to five years for the Senior Property Tax Deferral program.

Metro Cities will provide further information, including an LGA spreadsheet that outlines increases by city, once it is available.

We will cover transportation and transit tax provisions in a separate section of this newsletter.

### **Transportation**

The Governor's transportation budget includes a number of revenue raisers and appropriations for both roads and transit, including:

- A 20-cent gas tax increase phased in over two years and indexed for inflation beginning in FY 2023, estimated to generate \$6.5 billion over 10 years;
- An increase in registration taxes (license tabs) from 1.25 percent to 1.5 percent, increasing the base fee from \$10 to \$45 and modifying the depreciation schedule, estimated to generate \$4 billion over 10 years;
- An increase in Municipal Street Aid (MSA) to \$113.72 million or \$74.1 million over base funding, with funds covered by gas and registration taxes. To view municipal recipient funding changes, click [here](#).
- Authorization of \$2 billion in trunk highway bonds over eight years starting in 2022;
- Returning auto parts sales and car rental taxes that fund the Highway User Tax Distribution Fund (HUTDF) back to the General Fund, and funds for HUTDF replaced by the gas tax increase;
- An additional \$37.67 million for MNLARS;

- \$11.7 million to advance Connected and Automated Vehicles policy, planning, testing, and implementation;
- An 1/8 cent sales tax levied in the seven-county metro area. Funds would be used to maintain and expand the regional bus and transitway system, and;
- An increase to the motor vehicle sales tax (MVST) from 6.5 to 6.875 percent to generate an additional \$28 million in FY 20-21 and \$38 million in FY 22-23 for metro transit. Funding is proposed to eliminate a \$53 million structural deficit in the regional bus system and pay for 10 planned Bus Rapid Transit (BRT) lines as well as 150 electric buses.

There is no funding for the Small Cities account, or creation of a Large Cities account to address local road needs, in the budget.

The Governor's budget also proposes to address the current \$36 million Metro Mobility deficit by funding Metro Mobility separately. The Governor also recommends changes to state laws to allow the Metropolitan Council and the Department of Human Services (DHS) to share rider information for the purpose of obtaining federal funds.

The Governor's proposal increases the Metropolitan Council's bonding authority by \$92 million for transit capital improvements with bonds repaid by the increase in the Metro Area Transit Tax.

### ***Regional Parks***

The budget recommends that 40 percent of the Parks and Trails Legacy Fund be allocated to the Metropolitan Council for grants to regional parks. This would be an amount of \$40.6 million for the biennium and would bring funding to 10 metro regional park agencies, with a purpose of advancing the [25-year Parks and Trails Legacy Plan](#). The proposal also includes \$2.5 million from the general fund and \$6 million from lottery-in-lieu of taxes funding for operations and maintenance funding for the Regional Park System.

### ***Water***

The Governor's budget includes funding for various water related needs in the metropolitan region, including \$1 million in Clean Water Funds for the Metropolitan Council's Water Demand Reduction Grant Program. These funds would be passed through as grants to municipalities to support water demand reduction measures.

The plan also recommends \$2 million in Clean Water Funds to the Metropolitan Council's Water Supply Sustainability Program, which supports local projects that address drinking water supply issues, local wellhead protection plans, and preventing degradation of groundwater supplies.

### ***DEED – Jobs and Economic Development***

Under the Governor's budget, there are no changes to funding for the Minnesota Investment Fund (MIF) or Job Creation Fund (JCF). MIF was funded at \$25 million for the 2018-19 biennium and would remain at that level under the Governor's budget. JCF was funded at \$17 million in 2018-19 and the base budget would fund it at \$16 million in 2020-21. Metro Cities is supporting a bill that would fund both MIF and JCF at \$21 million each in the next biennium.

The Redevelopment Grant Program does not receive an appropriation in the Governor's budget. Metro Cities supports House and Senate bills that fund the Redevelopment Grant Program and Demolition Loan Program at \$12 million for the biennium.

The Governor's budget re-authorizes \$20 million (\$10 million each year) in funding for the Angel Investor Tax Credit that supports startup companies. These funds provide a tax credit to investors

or investment funds that put money into early stage companies focused on high technology, a new proprietary technology, or a new proprietary product, process, or service in specified fields. The program was funded at \$15 million in calendar years 2015 and 2016, \$10 million in calendar year 2017, and was not funded in 2018.

A separate bill supported by advocates of the Angel Investor Tax Credit was heard in the Senate Jobs committee February 20. [SF 788](#), P. Anderson, would authorize \$20 million per year for the program and remove the sunset. The bill was passed to the Senate Taxes committee.

The Governor's budget proposes \$70 million for the Border to Border Broadband Grant Program in Minnesota.

A new program, called the Minnesota Innovation Collaborative (MIC), would receive \$9 million in the biennium. The MIC pilot program would support a series of new initiatives designed to accelerate the growth of startup companies.

### ***Housing***

The Governor's budget recommendation for Minnesota Housing includes funding increases of \$28 million. Included are a \$10 million increase (\$5 million per year) for the Economic Development and Housing Challenge Program and a \$2 million match for city and regional local housing trust funds in FY 2020, both supported by Metro Cities.

The Challenge Program provides Minnesota Housing with flexible funds to meet local community-identified needs and priorities. [Another bill](#) scheduled to be heard in the House Housing committee February 27 would fund the program at \$22.425 million in both FY 2020 and FY 2021. Challenge was funded at \$14.925 million in both FY 2017 and FY 2018.

The Governor's budget includes a \$1 million increase in the rehabilitation loan program that helps seniors age in place and \$11 million in funds to increase home stability. The Governor also previewed his housing bonding bill, calling for \$120 million in housing infrastructure bonds to fund privately owned housing and \$30 million in general obligation bonds for public housing preservation and rehabilitation.

### **Jobs Funding Bill for MIF, JCF, Redevelopment Heard in Senate**

State funds critical to local economic development growth were debated in the Senate Jobs committee on February 18. [SF 1076](#), Utke, includes \$21 million for the Minnesota Investment Fund, \$21 million for the Job Creation Fund and \$12 million for the Redevelopment Grant Program.

Metro Cities testified in favor of the bill, noting economic development occurs at the local level and may include zoning and land use changes, infrastructure support and public financing. When state support is needed for existing business expansion or new business development, MIF and JCF provide flexibility to companies who may want access to cash up front in the form of a MIF loan, or a JCF grant once capital investment and job creation markers are met. The redevelopment grant program and demolition loan program help put properties back on the tax rolls by reinvesting in previously developed sites.

A representative from Uponor, a Finnish company with a presence in multiple Minnesota locations, testified how local and state support convinced the company to expand. Additional testimony from the Economic Development Association of Minnesota shared support for all three programs.

The House Jobs committee is expected to hear the companion bills in the next couple weeks. Contact Charlie Vander Aarde at 651-215-4001 or [charlie@metrocitiesmn.org](mailto:charlie@metrocitiesmn.org) with any questions.

## **Bill to Repeal Local Government Salary Cap Receives Informational Hearing**

HF 703, Masin, that would repeal the statutory local government compensation cap, received an informational hearing in the House Local Government Subcommittee this week, with testimony provided by the League of MN Cities and local elected officials including Lakeville City Councilmember Luke Hellier. Metro Cities' policies support allowing local governments to set the terms of employment of local government employees, including compensation and benefits and the organization provided a letter of support to the committee. While state laws governing the local government salary cap provide for a waiver process, the process is highly cumbersome and produces arbitrary and unpredictable results.

The bill does not have a Senate companion at this point. Questions? Contact Patricia Nauman at 651-215-4002 or email [patricia@metrocitiesmn.org](mailto:patricia@metrocitiesmn.org).

## **Metropolitan Council Governance Bill Advances in House**

A bill that would modify the Metropolitan Council's governing structure passed the House Local Government Subcommittee this week. The bill, HF 192, as amended, would provide for staggered terms for Council members and modify the size and makeup of the statutory nominating committee to increase the committee to 13 members, with 5 appointed by a governor, five city officials appointed by Metro Cities, and 3 county officials appointed by the Association of MN Counties. The bill adds public notice requirements and a public comment period and requires a governor to provide an explanation to a nominating committee if he or she does not appoint from the list of identified finalists recommended by the nominating committee.

Metro Cities supports the bill's provisions including staggered terms, an expanded nominating committee with a majority of local officials that has city officials making up the majority of local official committee appointments, as well as public notice and comment period requirements.

There was no opposing testimony to the bill and it was passed and referred to the House Government Operations Committee. Questions? Contact Patricia Nauman at 651-215-4002 or [patricia@metrocitiesmn.org](mailto:patricia@metrocitiesmn.org).

## **MNLARS Funding Bill Advances in House**

A bill to address funding needs for the MN Licensing and Registration System (MNLARS) was passed by the House Transportation Committee and Judiciary Finance and Civil Law Committee. [HF 861, Hansen](#), appropriates \$15.7 million to the Department of Public Safety (DPS) for the continued development and improvement of MNLARS. Of these funds, \$6.768 million would be for ongoing MNLARS motor vehicle software work, \$5.5 million for work on the drivers' license system, and 3.472 million for Driver and Vehicle Services (DVS) staffing. DPS stated that there is currently a lack of staffing to respond to customer inquiries.

Transportation Committee members urged DPS to make sure fixes are focused on making the system easier to use for deputy registrars. Governor Walz has included an additional \$37.67 million over the biennium for MNLARS.

The bill was amended to add \$10 million for reimbursements to deputy registrars from the general fund. According to the bill, by accepting reimbursement, a deputy registrar agrees to stay open for at least 12 months after receiving payment and waive any state liability related to MNLARS. The bill is scheduled to be heard by the Ways and Means Committee on Monday.

## **House Transportation Field Hearings Scheduled**

The House Transportation Finance and Policy Committee will be conducting several field hearings away from the Capitol, with three hearings in the metro area. The committee will take public testimony on transportation-related issues for these areas. Meeting information is below.

**Tuesday, February 26, 6:00 – 8:30 pm**

**North High School Auditorium**

1500 James Avenue North

Minneapolis, MN 55411

**Friday, March 1, 9:00 am – Noon**

**Blaine City Hall**

10801 Town Square Drive NE

Blaine, MN 55449

**Tuesday, March 5, 7:00 – 9:00 pm**

**Savage City Hall**

6000 McColl Drive

Savage, MN 55378

## **Transportation Bills of Interest**

Three bills related to city street funding have been introduced and await legislative consideration.

[HF 1288](#), Elkins/[SF 1269](#), Carlson would provide funding for city streets through the Small Cities Assistance program and the creation of a Large Cities Assistance program by a \$10 surcharge on vehicle registration and title transfers. This legislation has not been scheduled for a hearing. Metro Cities supports this legislation.

[HF 1095](#), Elkins/[SF 1271](#), Senjem would allow municipal street improvement districts. This bill would grant cities the authority to charge a fee and dedicate the revenue generated to street maintenance. This legislation has not been scheduled for a hearing in either the House or Senate. Metro Cities supports this legislation.

[HF 780](#), O'Driscoll/[SF 1081](#), Howe calls for the creation of a local cost share assistance account within the Local Road Improvement Fund. These funds would be awarded to qualifying cities and would qualify as a local funding match when cities partner with the state on a road construction project. The bill also allocates \$50 million each for the Local Road Improvement and Local Bridge Replacement funds. This bill is scheduled to be heard in the House Transportation Committee Friday, February 22. Metro Cities supports this legislation.

## **Save the Date for the Metro Cities Annual Meeting!**

Mark your calendars and save the date for the Metro Cities Annual Meeting! This year's event will be held on **Wednesday, April 24th** at the Como Park Zoo and Conservatory in the Bullard

Rainforest Auditorium. The evening will start with a social hour, followed by a guest speaker, and will wrap up with a brief business meeting to elect members and officers to the Board of Directors.

All member city staff and elected officials are welcome and encouraged to attend. More information and details will follow.

For questions or to RSVP, contact Kimberly at 651-215-4000 or [kimberly@metrocitiesmn.org](mailto:kimberly@metrocitiesmn.org).

## Metro Cities Board of Directors Openings

Due to term completions, there will be openings on the Metro Cities Board for terms starting on July 1st, 2019, and the organization is seeking interested candidates.

The Metro Cities Board of Directors is comprised of 19 city officials, elected and appointed, from throughout the region. The Board is responsible for overseeing Metro Cities' budget, strategic plan and legislative priorities. It also makes appointments to the Metropolitan Council Transportation Advisory Board (TAB), Technical Advisory Committee (TAC) to the TAB, and Geographic Information Systems (GIS) Board. The Board generally meets the third Thursday of each month, with October meetings held on the second Thursday. Members are elected at the Metro Cities Annual Meeting and serve two, two-year terms. Metro Cities' bylaws require that the slate of Board members be balanced regarding geography and city population.

Candidates are asked to provide a (1) cover letter, (2) résumé and (3) completed [application form](#). Candidates may also provide letters of reference. A Nominating Committee will meet in March to make recommendations on candidates for election by the membership in April.

Applications can be submitted to Kimberly Ciarrocchi at [kimberly@metrocitiesmn.org](mailto:kimberly@metrocitiesmn.org). The deadline for application is **Monday, March 4th, 2019**. If you would like additional information, please contact Patricia Nauman at 651-215-4002 or [patricia@metrocitiesmn.org](mailto:patricia@metrocitiesmn.org).

## Metropolitan Council PlanIt News

The Metropolitan Council periodically issues **PlanIt** News Blasts that provide resources, updates and answers to FAQs for comprehensive plan reviews and amendments. This month's update included a [podcast](#) discussing renewable resources, the council's [handbook](#) for local planning and updates for their regional Climate Vulnerability Assessment (CVA) project [website](#).

The most recent NewsBlast also noted two upcoming events:

### Affordable Homeownership Models for Suburban Communities

**Thursday, February 28, 8:00am – 1:00 pm**

**New Brighton Community Center**

400 10<sup>th</sup> St NW, New Brighton MN 55112

[Register Here](#)

### Minnesota Women in Public Finance

**Wednesday, March 20, 2019, 11:30am-1:00pm**

**Dorsey & Whitney**

[Register Here](#)

## Bills of Note

[HF 1268](#), Kotyza-Witthuhn: Bill reauthorizes Angel Investor Tax Credit and appropriates \$20 million per year.

[HF 1275](#), Garafalo: Bill modifies the procedures for placing candidates on the ballot at a presidential nomination primary.

[HF 1280](#), Becker-Finn: Bill allows two or more political subdivisions to establish a special taxing district to provide fire protection or emergency medical services in the district.

[HF 1288](#), Elkins: Bill establishes a larger cities assistance account for transportation purposes.

[HF 1308](#), Hansen: Bill appropriates money for wastewater infrastructure improvements in West St. Paul.

[HF 1319](#), Bahner: Bill appropriates money for local road connections related to the highway 610 project in Maple Grove.

[HF 1328](#), Bahner: Bill provides for automatic voter registration of applicants for a driver's license, instruction permit, or identification card.

[HF 1339](#), Ecklund: Bill appropriates \$10 million for the biennium for shade tree replacement, including for trees that have been impacted by Emerald Ash Borer.

[HF 1358](#), Elkins: Bill appropriates \$200,000 over two years from the general fund to the commissioner of administration to be used for grants to cities to improve website accessibility.

[HF 1364](#), Runbeck: Bill requires consultation with and approval by affected municipalities before approval or implementation of a change in services provided by an ambulance service.

[HF 1372](#), Long/[SF 1410](#), Kent: Bill allows voters to join a permanent absentee voter list, requiring ballots to be sent before election to voters on permanent absentee voter lists.

[HF 1401](#), Howard: Bill provides funding for Minnesota Housing.

[HF 1402](#), Howard: Bill appropriates \$10 million in state matching funds for local and regional housing trust funds.

[HF 1409](#), Torkelson: Bill requires verification software in contracts related to the Minnesota Licensing and Registration System (MNLARS) and requires a report to the legislature.

[HF 1434](#), Vang: Bill increases the local government aid appropriation.

[HF 1438](#), Dehn: Bill establishes a prohibition on the presence of firearms at a polling place and provides criminal penalties.

[HF 1439](#), Dehn: Bill provides free public transit on election day.

[HF 1440](#), Christensen: Bill authorizes towns in a metropolitan county with fewer than 2,000 registered voters to conduct elections by mail.

[HF 1447](#), Tabke: Bill appropriates \$6 million for replacement transit service providers in the metropolitan area in grants in amounts specified by the Suburban Transit Association.

[HF 1466](#), Fischer: Bill requires the Metropolitan Council to provide a minimum level of service between downtown St. Paul and the Maplewood Mall Transit Center.

[HF 1492](#), Halverson: Bill permits individuals who are at least 16 years of age to preregister to vote.

[HF 1507](#), Stephenson: Bill raises the Minnesota Investment Fund grant limit from \$1 million to \$2,000,000 for projects with at least \$25,000,000 in capital investment and 150 new employees.

[HF 1510](#), Runbeck: Bill makes modifications to the Metropolitan Council financial reporting requirements related to transportation and calls for the creation of a new revenues and expenditures forecast report.

[HF 1533](#), Olson: Bill earmarks \$2 million from the Minnesota Investment Fund to a paper mill project.

[HF 1550](#), Becker- Finn: Bill extended the amount of time the city of Roseville may expend increment captured within the hazardous substance subdistrict.

[HF 1556](#), Elkins: Bill makes changes to the airport zoning requirements and allows cities to

[HF 1563](#), Richardson: Bill provides a construction exemption for a fire station in the city of Mendota

[SF 1320](#), Rest: Bill increases the number of days during which in-person absentee voters may deposit a ballot in the ballot box.

[SF 1321](#), Rest: Bill allows local governments to require write-in candidates to request votes for the candidate to be counted.

[SF 1323](#), Abeler: Bill appropriates money from the general fund to the Metropolitan Council for grants to operate and maintain metropolitan area regional parks.

[SF 1326](#), Draheim: Bill appropriates money to the Minnesota Housing Finance Agency for the challenge grant program.

[SF 1327](#), Isaacson: Bill makes appropriations for the Minnesota Licensing and Registration System (MNLARS) and certain reimbursements to deputy registrars.

[SF 1336](#), Howe: Bill appropriates \$100,000,000 in fiscal year 2020 from the general fund to the commissioner of employment and economic development for deposit in the border-to-border broadband fund account.

[SF 1362](#), Abeler: Bill modifies the highway-rail grade separation project in the city of Ramsey.

[SF 1365](#), Relph/ [HF 1480](#) Hausman: Bill appropriates money from the parks and trails fund to the Metropolitan Council for a grant to Ramsey County to design and construct a competition and winter recreation area.

[SF 1368](#), Housley: Bill modifies expiration of metropolitan agricultural preserves. Under this bill an agricultural preserve expires immediately when a state agency or other governmental unit purchases the property or obtains an easement over the property for the purpose of creating or expanding a public trail or public park.

[SF 1381](#), Limmer: Bill appropriates money for local road connections related to the highway 610 project in Maple Grove.

[SF 1402](#), Torres Ray: Bill authorizes the Metropolitan Council to finance private infrastructure improvements to reduce inflow and infiltration in the regional wastewater collection system.

[SF 1440](#), Dehn: Bill appropriates money from the general fund to the commissioner of employment and economic development for redevelopment grants and demolition loans.

[SF 1458](#), Ingebrigtsen: Bill prohibits a mayor, city council, county board, of chief law enforcement officers from disarming a peace officer who is in good standing and not currently under investigation or subject to disciplinary action.

[SF 1485](#), Isaacson: Bill extends the amount of time the city of Roseville may expend increment captured within the hazardous substance subdistrict.

[SF 1491](#), Kent: Bill appropriates money for an interchange at Highways 94, 494, and 694.

[SF 1493](#), Newton: Bill appropriates money for safety improvements and an engineering evaluation on a segment of the marked Trunk Highway 47 corridor in Anoka County.

[SF 1504](#), Lang: Bill would allow concealed weapons on city property.

[SF 1507](#), Draheim: Bill establishes an unserved areas broadband development pilot program.

[SF 1519](#), Klein: Bill appropriates money for wastewater infrastructure improvements in West St. Paul.

[SF 1552](#), Laine: Bill provides for payment of city charter commission expenses.

[SF 1566](#), Nelson: Bill modifies provisions related to electronic voting systems, permitting alternative ballot style.

[SF 1570](#), Limmer: Bill authorizes the city of Rogers to impose a local sales and use tax and excise tax for a series of projects.

[SF 1577](#), Draheim: Bill appropriates money to the Housing Finance Agency for housing programs, including \$10,000,000 to Local Housing Trust Fund grants.

[SF 1589](#), Rarick: Bill includes a sales tax exemption on construction materials for cities.

[SF 1597](#), Pappas: Bill provides for earned sick and safe time.

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**Metro Cities News** is emailed periodically to all Metro Cities member mayors, councilmembers, city managers and administrators to keep officials abreast of important metro city issues. This information is also intended to be shared with city staff.

If you'd like to sign up to receive Metro Cities News, please email [newsletter@metrocitiesmn.org](mailto:newsletter@metrocitiesmn.org) and provide the following: Name, Title, Employer and Email address. Thank you.

**Metro Cities 145 University Ave W., St. Paul, MN 55103-2044 Phone 651-215-4000 Fax 651-281-1299**  
**[www.MetroCitiesMN.org](http://www.MetroCitiesMN.org)**