

Omnibus Bills Processed; Conference Committees and Budget Negotiations Begin

This week the Legislature continued to process omnibus appropriations and tax bills with bills now passed off the floors of both bodies. Conference committees have been named for most omnibus bills. See below for the membership of conference committees on bills of interest to Metro Cities, followed by legislative updates.

- Taxes
 - House: Marquart, Loeffler, Lislegard, Gomez, and Davids
 - Senate: Chamberlain, Senjem, Dahms, Howe, Rest
- Transportation
 - House: Hornstein, Koegel, Tabke, Richardson, Torkelson
 - Senate: Newman, Jasinski, Hall, Rarick, Dibble
- Jobs
 - House: Mahoney, Wagenius, Stephenson, Long, Hassan
 - Senate: Pratt, Dahms, Osmeck, Housley, Simonson
- Housing
 - House: Poppe, Hausman, Peloski, Vang, Gunther
 - Senate: Westrom, Weber, Goggin, Draheim, Dziedzic
- Environment
 - House: Hansen, Persell, Fischer, Becker-Finn, Nelson, M.
 - Senate: Ingebrigtsen, Ruud, Eichorn, Johnson, Tomassoni
- State Government
 - House: Nelson, M., Freiberg, Ecklund, Dehn, Kiel
 - Senate: Kiffmeyer, Anderson, B., Koran, Matthews, Carlson

The House has a [website](#) listing all bills in conference committee. There is also a page showing [conference committee details](#), including side-by-side documents. Follow Metro Cities on Twitter [@MetroCitiesMN](#) and bookmark these pages to see real-time updates of conference committee meetings.

The link to budget tracking spreadsheets can be found [here for the House](#) and [here for the Senate](#).

Legislative leaders and Governor Walz have begun discussions to negotiate on the overall budget and conference committee spending targets. Most omnibus budget bills as well as the omnibus tax bills between the bodies are vastly different in funding levels and priorities. As of this coming Monday, the Legislature will have two weeks before it must conclude the regular legislative session on May 20th.

Tax Bills

The House and Senate passed omnibus tax bills last week and this week respectively. A Taxes Conference Committee was appointed for the bills on Wednesday and held a first, brief meeting this morning. Non-partisan staff did a 'walk through' of a spreadsheet showing differences among the House, Senate and Governor in tax related recommendations. Chairs noted the spreadsheet used this morning was preliminary, and side-by-side comparisons of the two tax bills were not

made available this morning. The committee is scheduled to meet again on Monday to do a walk-through of side-by-side language. Metro Cities will provide a link to the side-by-side comparison of the bills once it is available.

Of interest to Metro Cities in the Senate and House versions of HF 2125:

- Local Government Aid increase-House bill (support).
- Expansion of direct property tax relief programs including the homestead credit refund and renter's credit - House bill (support).
- Extending the PERA aid program to local governments - House bill (support).
- Allowing cities to fund local historical societies - Senate and House bills (support).
- Authorizing the establishment of special fire protection taxing districts - Senate bill (support).
- Creation of a housing tax credit/expansion of 4D classification - Senate bill (support).
- New requirements for local option sales taxes are included in both bills, with differences in the provisions. Metro Cities has asked for feedback from city officials but does not have a specific policy position on the proposed requirements. (See below for description of proposed requirements in the bills).

New Requirements for Local Option Sales Taxes

The House and Senate bills contain a number of city-specific provisions for local option sales taxes, special LGA appropriations and sales tax exemptions, and both bills contain new requirements for local option sales taxes. Under the House bill, cities would be required to provide a detailed resolution outlining and limiting projects to be funded and provide specific project costs and documentation of a project's regional significance. The House bill would also require voter approval to be sought only after legislative authority for the tax was granted and would require voters to approve each project separately. Cities successfully passing a referendum in 2018 that did not receive legislative authority in 2019 would be allowed to seek legislative authority without an additional referendum provided they meet the new resolution requirement.

Under the Senate bill, cities would be required to adopt a local resolution before they could seek legislative approval for a local sales tax, with the resolution required to include a detailed description of no more than five projects to be funded, documentation showing the benefit to persons outside the jurisdiction, and the amount of revenue to be used for each project as well as the time needed to raise the revenue and the total revenue to be raised for all projects if funded. The Senate bill also requires the ballot question to include specific projects to be funded, the amount of tax revenue for each project and a notice that voting 'yes' may be voting for a property tax increase. The Senate bill also states that capital projects funded with a local sales tax must be of clear regional benefit, and that a political subdivision must have a population of at least 1,000 to impose a local sales tax.

Metro Cities will provide specific information on the distribution of Local Government Aid and the PERA aid extension early next week and will provide a letter to the conference committee outlining the organization's positions on provisions in the bills. Key areas of support will be for the increases in local government aid and direct property tax relief programs as well as the extension of PERA aid.

Questions? Contact Patricia Nauman at 651-215-4002. Stay tuned for additional updates and legislative alerts.

State Government Bill Includes Local Government Salary Cap Repeal and Elections Provisions

A State Government omnibus bill passed the House on Tuesday evening. The bill repeals the local government compensation limit, a provision supported by Metro Cities. During debate on the bill, an amendment to remove the compensation limit repeal was proposed and defeated. In the Senate, a stand-alone bill, SF 1651-Hall, that would have repealed the cap, was amended as the bill was considered in the committee process to increase the salary cap to \$200,000, and the bill language no longer repeals the limit. The bill awaits action on the Senate floor.

Much of the omnibus elections bill has been rolled into the state government finance bill, including automatic voter registration, restoration of voting rights of people who have been convicted of a felony once they complete their incarceration, and authorization of \$6 million in federal Help America Vote Act grants. Several provisions from the elections bill related to local government elections administration are also included. The bill gives local governments the option to elect local officials using ranked-choice voting and establishes uniform procedures and requirements for the conduct of these elections, extends the period for conducting a special election and reimburses local governments for the subsequent costs, and allows cities with fewer than 400 registered voters to use mail balloting. The bill also provides free transit on election day, but at this time it is unclear how this service will be funded.

There was an unsuccessful amendment to remove the elections section of the State Government omnibus bill. The author of the amendment argued that no matter which party is in charge, elections provisions traditionally travel as their own bill. The amendment was defeated. The House approved a separate technical elections bill Thursday.

Transportation Bills

This week the House and Senate passed transportation bills and both bodies named members to a conference committee as noted above.

House

The House bill, HF 1555-Hornstein, includes a 20-cent gas tax increase phased in at 5 cents per year over four years and would generate \$612 million over the biennium. The bill also makes changes to the vehicle registration tab depreciation schedule to generate \$480 million over the biennium, as well as an increase to the Motor Vehicle Sales Tax (MVST) from 6.5% to 6.875% that would generate \$88 million for the biennium for transit. These increases would also provide \$473 million for Municipal State Aid (MSA), \$53 million over base funding. \$300 million for the Corridors of Commerce program are also included. Revenues generated by auto parts sales taxes and rental taxes (\$351 million) that were statutorily dedicated to transportation last session are reallocated to the General Fund.

The House bill also includes new funding for transit. The bill proposes a new Twin Cities Metro area transportation sales tax that would generate \$395 million per year. These funds would be appropriated to the Metropolitan Council and be split evenly between the regional transit system and the Transportation Advisory Board (TAB). The TAB would be directed to distribute 30% to transit, 30% to roadway grants, and 10% to non-motorized grants, and could allocate the remaining 30% to the three modal types. The bill also includes a provision to fund Metro Mobility through the general fund, which would provide \$150 million over the biennium, and expands the Metro Mobility Service area to include Lakeville.

The bill calls for a reallocation of Motor Vehicle Lease Sales Tax (MVLST) funds and would now allocate 75% of these funds to metro counties, including Hennepin and Ramsey. Hennepin would receive an amount based on 20% of its population, while Ramsey would receive an amount based on 35% of its population. This provision also dedicates 15% of MVLST revenue to the Small Cities Assistance account, which is an amount of \$21 million for the biennium.

This legislation also allocates \$10 million for reimbursements to deputy registrars for costs incurred due to the MNLARS rollout and includes an increase to filing fees.

The policy provisions in this legislation include a provision to allow cities to change speed limits on residential roadways and makes residential roadways mean a city street or town road that is either less than one-half mile in total length, or in an area zoned exclusively for housing that is not a collector or arterial street; a directive to MnDOT to aid local governments in bicycle planning activities; authorizes automated vehicle testing on state roads under specific circumstances; requires local governments to make MnDOT aware of changes to local ordinances related to unmanned aircraft; and includes a repeal of the Dan Patch planning and study prohibition.

Amendments added on the House floor include \$210,000 additional funds to Metro Mobility; a provision that allows transportation network companies such as Uber and Lyft to display lighted signs inside vehicles; and a change to a U of M student transit pass that will include an additional LRT stop. The bill was passed on a 74 to 58 vote.

Senate

The Senate passed an omnibus transportation bill, [SF 1093-Newman](#), this week. The bill provides base funding for Municipal State Aid (MSA), County State Aid Highway (CSAH), and regional transit. MSA would receive \$420 million, CSAH would receive \$1.6 billion and transit would receive \$178 million. The bill provides ongoing funding for the Small Cities Assistance Account, with \$250,000 in the first year and \$500,000 per year in following years.

The legislation includes an increase to the electric vehicle surcharge from \$75 to \$200 as well as a \$100 surcharge on hybrid vehicles and levies a tax of 5 cents per kilowatt hour for electric vehicle charging stations and would direct these funds to the Highway User Tax Distribution Fund (HUTDF).

The legislation expands Metro Mobility service to all areas within the existing statutory transit taxing district and allows the Metropolitan Council and Department of Human Services to share data on riders for the purposes of efficiencies in Metro Mobility and other transportation services.

Policy provisions include a prohibition on political subdivisions eliminating or relocating disability parking with a bike way; changes to MnPASS that include changes to how revenue collected must be allocated and increases the number of passengers necessary to use the lane at no cost from two to three; and prohibits the use of trunk highway funds for use on bikeways or pedestrian ways.

The Senate bill contains a provision that would allow all cities to establish speed limits on local city streets. Metro Cities no longer has a specific policy position on speed limits.

Amendments to the bill that were added as the bill was considered by the Senate this week include a provision that changes the approved maximum wheel diameter of a scooter from 12 inches to 16 inches; a provision to move \$95,000 from Metro Transit to fund reimbursements for soft body armor; and a provision to allocate \$5 million from the federal fund at MnDOT to the Active Transportation Account. The bill passed 40-27.

A conference committee has been named and a first meeting is set for next Monday afternoon.

Jobs & Workforce Development Bills

The House and Senate jobs-related bills have passed, and a conference committee on [HF2208-Mahoney/SF2611-Pratt](#) is scheduled to hold its first meeting today, May 3. The bills include funding for key economic development programs supported by Metro Cities, including the

Minnesota Investment Fund, Job Creation Fund and language allowing the funding of grants and loans under the Redevelopment Grant Program. Metro Cities supports base funding levels for MIF (\$25 million) and JCF (\$16 million). The Senate jobs bill funds these programs slightly under but close to base levels, while the House funds the programs at lower than base levels (\$14 million and \$13.5 million respectively).

Preemption Language

The Senate Jobs bill includes preemption language concerning local decision-making authority on labor policy. Language in [SF2611](#)-Pratt would preempt local governments from setting local wage, leave and benefit ordinances. The language applies to ordinances, local policies, and local resolutions enacted on or after January 1, 2017, nullifying some existing local ordinances. Metro Cities' policies generally support local decision-making authority that allows local officials and citizens to determine what works best for their communities. Metro Cities testimony in committees opposed the preemption language, which is not included in the House bill.

Housing Bills

Omnibus housing bills have passed both bodies and a Housing (and Agriculture) conference committee, [HF2200](#)-Poppe/[SF2226](#)-Westrom, is expected to begin meeting next week. During debate by the House on its housing bill, an amendment was adopted that shifted \$5 million in funds from the local housing trust fund appropriation to two other funds - \$3 million more for the Challenge Program (\$32.85 million for FY2020-21) and \$2 million more for market rate workforce housing in greater Minnesota. This leaves \$2 million for state matching funds for local housing trust funds in the House and Governor Walz' budget recommendations and \$0 in the Senate budget.

The housing policy bill, [HF2542](#)-Hausman, is scheduled to be debated on the House floor May 6. It includes changes to tax exempt bond priorities, tenant law, manufactured home parks and manufactured housing. The Senate's housing policy language is already included in its budget bill.

Legacy Funding Bills; Funding for Metro Private Property I/I and Water Sustainability

The House Legacy bill ([HF 653](#)-Lillie) passed the House on Thursday (100:26). Of interest to and supported by Metro Cities, the bill includes \$1.39 million in FY 2020 to the Metropolitan Council for metro area inflow and infiltration grants for private property owners. An amendment to remove this funding and transfer funds to other programs was defeated on the floor.

Metro Cities also supports the \$2 million to the Metropolitan Council's Water Supply Sustainability Program and \$1 million to the Water Demand Reduction Grant program for grants to local governments. The Legacy bill includes \$40 million over the biennium to the Metropolitan Council to distribute to metropolitan parks implementing agencies for approved projects. The author highlighted the statewide benefit of the metropolitan area parks systems.

The Senate Legacy bill ([SF 836](#)-Ruud) was heard in Finance committee Tuesday. The bill is waiting to be heard on the Senate floor. The Senate proposal does not include funding from the Clean Water fund for inflow infiltration mitigation. The Senate bill provides \$2 million to the Metropolitan Council's Water Supply Sustainability program and \$500,000 to the Water Demand Reduction Grant program for grants to local governments. The bill also includes about \$50 million to BWSR for Clean Water Fund grants to local units of government. It also includes the \$40 million over the biennium for Metro Parks and Trails Grants.

Both the House and Senate bills include \$3 million to the DNR for Conservation Partners Legacy Grant Program matching grants of up to \$400,000 for conservation projects. Cities with a population of 50,000 people or higher are eligible for these grants.

Emerald Ash Borer

The House approved an Environment and Natural Resources Omnibus bill ([HF 2209](#)-Hansen) Tuesday. The bill contains \$2 million for emerald ash borer (EAB) mitigation. \$1 million of EAB funding is for grants to local units of government to develop community ash management plans. The grants cover up to 75% of costs and cannot exceed \$500,000.

The Senate omnibus environment bill ([SF 2314](#), Ingebrigtsen) was heard Tuesday. The Senate Environment bill provides \$199,000 in FY 2020 to the commissioner of natural resources for an agreement with the Mississippi Park Connection to work with Conservation Corps MN, local communities, and volunteers to address the loss of trees due to EAB, by planting 15,000 trees. These are not grants and are limited to areas covered by the Mississippi Park Connection.

The two versions of the bill will be negotiated in the environment and natural resources conference committee.

MNLARS Independent Review Recommends Replacing System

At a press conference this week, Governor Walz and legislators presented the recommendations of an independent review of the troubled MN Licensing and Registration System (MNLARS). The review team recommended replacing MNLARS with packaged software from a private vendor. Legislative leaders and the Governor expressed agreement with the recommendation and said they would work to have any legislation necessary to move forward with the recommendation ready before the end of the session.

The independent review was part of a deficiency funding bill ([HF 861](#)- Hansen) for MNLARS signed by the Governor in early March. The review team was chaired by Rick King, VP of Operations at Thomsen Reuters, who is also the current Chair of the Governors Blue Ribbon Council on Information Technology. The team met with state staff and contractors working on MNLARS, MNIT and Department of Public Safety (DPS) staff, and end users of the system, including twelve public and private deputy registrars. The team was directed to review keeping and completing the current system as well as a packaged software replacement of the current system. As part of their recommendation to replace MNLARS with a packaged software, the review team submitted five steps that would be key to maximizing the benefits and minimizing the risks of the recommendation. These steps are rapid procurement of the software, a freeze of current MNLARS development after June of 2019, ownership of the software by DPS, a technical partnership between DPS and MNIT, and DPS and MNIT collaboration on staffing and system testing.

It is estimated that a packaged solution will cost the state \$85 million over two years. While this is higher than the estimated cost of \$71 million to complete MNLARS over a similar time frame, the review team found that this will save the state money in the long-term operation of the system.

To view the Independent Expert Review of MNLARS, click [here](#).

EVENT: Metropolitan Council Environmental Services (MCES) Open House & Budget Workshops

The Metropolitan Council invites MCES customers to participate in one of two Metropolitan Council Environmental Services (MCES) Open House and Budget Workshops. Topics covered will include proposed 2020 MCES Budget and Municipal Wastewater Charge, MCES Capital Improvement Program, and MCES Customer Survey Results and Customer Portal. Workshop dates, times, and locations are listed below.

Thursday, May 23

9:00-10:30 am

Minnetonka Community Center

Banquet Room

14600 Minnetonka Blvd

Minnetonka, MN

Thursday, June 6

1:30-3:00 pm

League of MN Cities

St. Croix Room

145 University Ave W

St. Paul, MN

Please RSVP by contacting Sara Running at 651-602-1531 or sara.running@metc.state.mn.us by Friday, May 17.

2019 Metro Cities Policy Committees

It's time to start thinking about Metro Cities' Policy Committees! Policy Committees meet in July, August, and September and cover four different policy areas: Transportation and General Government, Municipal Revenues, Metropolitan Agencies, Housing and Economic Development. Policy Committees recommend legislative policies for the next legislative session, and those policies serve as a foundation for our work at Metro Cities. Being part of a Policy Committee is a great opportunity for your city to have a voice in the processes for the policies as well as at the legislature.

Policy committees are open to city staff as well as elected officials and the form to sign-up can be found on our website on the [Policy Committees page](#). Whether you are new to the process or have participated in a committee in the past, we welcome your participation in one or more of the committees in 2019.

Remember:

- Committees will meet either Monday, Tuesday, or Wednesday in the morning from 9:00-11:30 am or the afternoon from 1:00-3:30. The committees and dates are listed on our website [here](#), and updates and additional information will be posted on these pages as it becomes available.
- Please actively sign up for the committee(s) you wish to attend, even if you have been on the committee in the past. This will help us keep our rosters current and correct!
- All meetings take place at the Metro Cities/League of MN Cities building at 145 University Avenue West, St. Paul.

We look forward to seeing you this summer!

Metro Cities Breakfast at the June LMC Annual Conference

If you're attending the 2019 League of MN Cities' Annual Conference in June in Duluth at the Duluth Entertainment Convention Center (DECC), plan to join your metro colleagues for breakfast on **Thursday, June 27th at 7:30 am**. This is a great chance to mingle with other Metro Cities members and to hear a brief update from Metro Cities staff.

If you're able to join us, please let Kimberly know at 651-215-4000 or kimberly@metrocitiesmn.org as soon as possible. We hope to see you there!

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.

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