

Tax Conformity Bills

The Senate last Thursday passed an omnibus tax conformity bill, [HF 4385](#), after a hearing and public testimony on the bill earlier in the week. The House had passed its conformity tax bill last Monday. The bills provide federal tax conformity and reduce tax rates but do so differently so the bills will need to be reconciled in a conference committee. A key feature of the Senate bill is a 'trigger' mechanism that requires income tax rate reductions, subject to certain conditions, if the November budget forecast projects a budget surplus. An emphasis for the Senate and House both was to avoid tax increases for Minnesota taxpayers due to recent changes in federal tax laws. The Senate tax bill spending totals \$176.8 million in FY2018-19, while the House tax bill spends \$110 million. Conferees have now been named, as follows: Senate conferees; Senators Chamberlain; Dahms; Anderson, P.; Pratt; Johnson. House conferees; Representatives Davids; McDonald; Hertaus; Erickson; Marquart.

Items of interest to Metro Cities in the tax bills:

Senate:

- Pre-empts local governments from enacting or increasing excise taxes on food containers, but exempts licensing fees (oppose pre-emption language)
- Clarifies that cities and towns may appropriate funds for historical societies (support)

The Senate bill does not contain any local Tax Increment Financing (TIF) provisions, or the language to simplify the construction sales tax exemption that was initiated by the LMC, and supported by Metro Cities. The bill was amended on the Senate floor to give the city of Excelsior local option sales tax authority but otherwise contains no local option sales tax provisions.

House:

- Reverse referendum provision for enacting or renewing municipal franchise fees (oppose)
- Reverse referendum requirement for lease-purchase agreements (oppose)
- Prohibition on local excise taxes for food containers (oppose)

The House bill provides local TIF provisions for Bloomington, Minneapolis and Champlin, and contains local option sales tax adjustments for St Cloud and Cloquet. The bill also provides one time LGA increases for the cities of Lilydale and Hermantown.

Please stay tuned for additional information.

House Releases Capital Investment Bill

The House Capital Investment Committee heard and took testimony on an omnibus House capital investment bill last Friday. The bill totals \$825 million in general obligation bond spending, and includes some projects to be paid with cash, user financing, trunk highway bonds and appropriation bonds. Language in the bill requires that there be sufficient money from all sources to be able to complete a capital project that receives funding before state capital funding is released. Click here for the [spreadsheet](#) and here for the [bill language](#). Metro Cities, along with cities across the region, have projects of interest included in the bill.

Inflow-Infiltration

The bill includes \$5 million for inflow-infiltration mitigation assistance for cities in the metropolitan area that is supported by Metro Cities. The \$5 million is consistent with the level of funding in the Governor’s capital investment recommendations.

Housing

The bill has \$6.7 million for public housing rehabilitation and preservation and \$50 million for housing infrastructure bonds. Those bonds are used for privately-owned housing construction and rehabilitation across the state. The funds are awarded by Minnesota Housing Finance Agency (MHFA) and complement other funds from the Met Council, Family Housing Fund and Greater Minnesota Housing Fund. The bill also makes low-income senior housing projects and manufactured home parks eligible for the housing infrastructure bonds. MHFA is directed to balance awards between the metro and greater Minnesota.

Transportation

The bill includes \$5 million for the Local Government Roads Wetlands Replacement Program, \$91.9 million for the Local Road Improvement Fund, with \$72.3 million available as undesignated funding. The bill also includes \$10 million for the Transportation Economic Development (TED) program at the Department of Employment and Economic Development (DEED).

Metro Cities expects that the Senate will release its capital investment bill this week.

MnDOT Announces Corridors of Commerce Projects

MnDOT has released its selection of projects for Corridors of Commerce (COC) funding. The Corridors of Commerce program provides funding to improve bottlenecks, reduce barriers to commerce and to make improvements to the movement of freight. \$417 million in total funds were awarded, with two Metro and two Greater MN projects selected. Metro projects received \$204 million, or 48.9% of available funding, while Greater MN projects received \$213 million, or 51.1%. Selected projects are in the table below.

Geographic Region	Trunk Highway	Project Description	Project Budget	Earliest Likely Contract Date
Greater Minnesota	T.H. 169	In Elk River, from TH 101 to 197th Avenue, convert to a freeway.	\$157 million	2022
Greater Minnesota	I-94*	From St. Michael (Trunk Highway 241) to Albertville (County Road 37), add an auxiliary lane.	\$56 million	2020
Metro District	I-494	From France Avenue to Trunk Highway 77 eastbound and from Trunk Highway 77 to I-35W westbound, add MnPASS lanes in both directions.	\$134 million	2021
Metro District	I-494/I-35W	Complete Phase 1 of the I-494/I-35W turbine interchange, northbound to westbound directional ramp.	\$70 million	2021
TOTAL			\$417 million	51.1% G.M. 48.9% Metro

Metro projects are selected from the MnDOT Metro District, an area that includes the seven-county metro area and Chisago County. A total of 172 projects were scored, with 77 projects located in the Metro. For more information on the Corridors of Commerce selection process, click [here](#). To view a spreadsheet with all projects submitted and scoring, click [here](#).

A provision in the Senate Omnibus Transportation article in the omnibus supplemental finance bill, SF 3656, would set a 49/49% split of future Corridors of Commerce funding between Greater MN and the Metro area. House and Senate Transportation Committee chairs, as well as groups representing Greater MN, said that they are disappointed that projects selected for communities in greater Minnesota are in close proximity to the Metro region. Some groups have called for additional changes to the program, including changes to the definition of what constitutes the metro area for the purposes of this program.

Supplemental Finance Bills

The House and Senate have passed omnibus supplemental finance bills that will be rolled into two large bills and reconciled in a conference committee. That committee will begin work this afternoon, with a “side by side” walk through. Conferees for the supplemental finance conference committee are: Representatives Knoblach, Loon, Torkelson, Garafalo, Pelowski, and Senators Rosen, Benson, Kiffmeyer, Limmer and Newman. Metro Cities will provide an update on the supplemental finance bills and conference committee later this week. Below are provisions of interest to Metro Cities in the transportation and jobs budget bills that passed last week.

House Omnibus Transportation Bill Passes House

The House passed an omnibus Transportation bill and included the bill with the Health and Human Services omnibus bill as it was passed on the floor. The House Bill, [HF 3138](#) was passed on a vote of 82-43. The House set its transportation budget target at \$101 million (general fund revenue).

Amendments adopted on the floor to HF 3138 include:

- Removal of a proposed requirement that CTIB counties report local sales tax uses to the legislature.
- Making it a crime for individuals or entities who recruit, train, aid or conspire to either trespass or damage critical infrastructure, and make them liable for subsequent damages.
- Preventing governing bodies, including cities, from establishing bikeways in a segment of public road right-of-way that would eliminate or force the relocation of disability parking.
- Prohibiting motorists from using electronic mobile communication devices for any reason while driving through a construction zone when workers are present.

Transportation Funding provisions in HF 3138 include:

- \$75.2 million to the Highway User Tax Distribution Fund. This includes:
 - \$6.6 million new Municipal Street Aid (MSA) funding in FY 2019
 - \$7 million for Small Cities Assistance Account in 2019 and \$16 million in FY 2020-21)
 - \$25.2 million for CSAH (county state aid highway) in FY 2019
- \$2.5 million to Suburban Transit providers for capital costs and \$1 million in operating costs. (Funds are for a suburb to suburb project).
- \$9 million in FY2018-19 and \$18 million in 2020-21 for reimbursements to deputy registrars for costs related to the MNLARS rollout.
- \$5 million in 2019 for a new Freight Rail Economic Development program. All government units, including cities, would be eligible to apply.
- \$145 million in trunk highway bonds for the Corridors of Commerce Program.

Policy provisions in HF 3138 include:

- Provisions to improve data sharing between the Department of Human Services and Metropolitan Council to create efficiencies in special transportation services, including the Metro Mobility program.
- Defining allowable state funded operating costs related to light rail transit for daily operations and maintenance only; disallows costs for new buildings or facilities, new vehicles, or technology.

- Prohibiting state funding for capital costs related to light rail projects.

Policy changes in HF 3138:

- Changing the frequency that the Metropolitan Council must report transportation financial records to the Legislative auditor from quarterly to biannually.
- Directing the Council to report any changes to its budget to the Legislature.
- Requiring the Metropolitan Council to develop a financial overview and forecast in conjunction with state budget forecasts and specifies financial overview content, including identification of budget numbers for the previous four years and anticipated financials for the forecast period.
- Extending the required coverage area of Metro Mobility to include Lakeville.
- A change to trip frequency on the Northstar Commuter Rail that would shift funding for expanded service to St. Cloud. Directs MnDOT to negotiate with BNSF Railway to extend the line to St. Cloud.

House Passes Supplemental Finance Bill with Jobs and Housing Provisions

The Jobs bill, included as part of a larger omnibus supplemental finance bill, passed the House last week. It includes cuts to the Minnesota Investment Fund (MIF) and Job Creation Fund (JCF), leaving only \$4 million for MIF and \$1.5 million for JCF in FY 2019. Rep. Mahoney from St. Paul offered an amendment to increase funding in the next budget cycle (FY 2020-21), which would not increase the funding beginning July 1 but would create a higher starting point for budget negotiations next legislative session. The amendment was not adopted.

A provision in the bill that would require the legislature to be notified if a proposed state building code rule would cost \$1,000 or more sparked debate on residential construction costs. Without citing specifics, legislators called out cost drivers including local policies related to new residential subdivisions, and fees for new construction and remodeling.

Metropolitan Council Committee Approves Comp Plan Amendment Deadline Extension

The Community Development Committee (CDC) approved revising the deadline for review of amendments to 2030 comprehensive plans at its Monday meeting this week. Communities planning for upcoming amendments to local comprehensive plans notified Metro Cities and the Council that the deadline on amendments would be challenging. <https://metro council.org/Council-Meetings/Committees/Community-Development-Committee/2018/May-7,-2018/2018-95.aspx>

[The proposal](#) that was approved proposes to revise the June 30, 2018 deadline for review of amendments to 2030 comprehensive plans to December 31, 2018. The deadline, set as part of the regional development framework, Thrive MSP 2040, is proving challenging for several cities facing logistical and development challenges due to the Council's policy, which in effect, disallows comp plan changes for six or more months, depending on when a city submits its 2040 plan, as the Council will allow for administrative extensions. The proposal will be considered in the Met Council meeting this Wednesday.

If you have concerns, or need more information, please contact Patricia Nauman at 651-215-4002 or patricia@metrocitiesmn.org.

Constitutional Amendment for Transportation Funding Moves in House

A bill that would put a constitutional amendment on the 2018 ballot proposing to dedicate automobile related sales taxes to transportation continues to move and was passed by the House Rules Committee. [HF 4437](#) – Torkelson, would constitutionally dedicate all sales tax revenue on auto repair and replacement parts to transportation related purposes. The sales tax dedication would be under a phased in schedule from 2021 to 2024. The proposal would dedicate 4.5 percent

of these funds to the Small Cities Assistance program. The bill was passed on a 13-6 roll call vote to the House Taxes Committee, where it is being heard today. Should it pass the Taxes Committee, it will likely be sent to the Ways and Means Committee. The Senate version, [SF 3837](#) – Newman, is currently in the Senate Taxes Committee.

Metro Cities Policy Committees

It's time to join 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. **Please note there are NEW times for committees, as well as a NEW date change for the Housing and Economic Development Committee.**

Policy committees are open to city staff as well as elected officials and the form to sign-up can be found on our [website](#). 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 2018.

Changes This Year:

- **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.** We hope this change will be beneficial for planning your schedules! 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.
- **This year we ask that you actively sign up for the committee(s) you wish to attend, even if you have been on the committee in the past.** You are NOT automatically signed up for this year if you were on a committee last year. 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.

Please consider serving, and encourage other staff and officials within your city to do the same!

Email or call Kimberly with questions at kimberly@metrocitiesmn.org or 651-215-4004.

Metro Cities Breakfast at the June LMC Annual Conference

If you're attending the 2018 LMC Annual Conference in June in St. Cloud at the Rivers Edge Convention Center, plan to join your metro colleagues for breakfast on Friday, June 22nd 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.

We hope to see you there!

Bills of Note

[HF 4475](#), Runbeck: instructs the state auditor to review city inspection fees and report to the legislature.

[SF 4063](#), Little: appropriating money to the Metropolitan Council for regional park and open-space land acquisition and improvements.

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