

## 2018 Legislative Session Recap and Outcomes

The Legislature adjourned the 2018 legislative session *sine die* just before midnight, Sunday, May 20<sup>th</sup>, after the Senate and House passed a supplemental finance, tax conformity/education, pensions and capital investment bills as the clock ticked toward the midnight deadline to pass bills. Below is an update of legislative activity and outcomes of interest to Metro Cities.

### Omnibus Tax Conformity - Education Bill

On Sunday morning, May 20<sup>th</sup>, a conference committee met and passed a second tax conformity bill that included education funding provisions and the bill was sent to the floors for final passage that evening. [HF 947](#) – Loon addressed federal tax conformity in a manner similar to a previously passed and vetoed tax conformity bill, and transferred \$50 million from the state budget reserve for K-12 education. The bill also provided a re-purposing of existing K-12 funds. \$189.7 million of the state's budget surplus was allocated to the tax bill. See a summary of the bill [here](#). The bill was vetoed by Governor Dayton last week. See the Governor's letter [here](#).

The vetoed bill contained tax related provisions of interest to Metro Cities. The bill contained a pre-emption provision prohibiting local governments from imposing excise taxes on food containers that Metro Cities opposed. The bill also clarified that cities and towns may appropriate funds for historical societies, a provision Metro Cities supported. City-specific provisions in the vetoed bill included one-time LGA increases for the cities of Lilydale and Hermantown, tax increment financing (TIF) provisions for the cities of Champlin and Bloomington, and allowing Excelsior to impose a local option sales tax.

### Omnibus Capital Investment (Bonding) Bill

The Legislature passed a \$1.43 billion capital investment bill, with \$825 million funded by general obligation bonds. Governor Dayton signed [Chapter 214](#) into law on Wednesday, after line-item vetoing a \$1 million provision relating to added water quality standards that the Governor characterized as unnecessary bureaucracy. The Governor's letter can be viewed [here](#).

A spreadsheet of the bill's provisions can be found [here](#).

The bill includes \$500 million for roads and bridges, \$300 million for state lands and buildings, \$120 million for housing, \$120 million for sewer and water projects, and \$210 million for higher education facilities. The bill includes \$5 million for inflow-infiltration mitigation assistance for cities in the metropolitan area, an initiative of Metro Cities.

The bill includes \$63.6 million for Local Road Improvement Fund grants. This amount includes \$35 million in undedicated grants, with the remaining funds going to projects in Dayton, Inver Grove Heights, and Carver County. The bill also includes \$5 million for the Local Bridge Replacement Program.

### *Transportation Provisions*

The bill includes an additional \$416 million to the Trunk Highway Fund through bonds and a direct appropriation. This amount includes \$400 million in Trunk Highway Bonds for the Corridors of

Commerce program. MnDOT is directed to select at least two additional projects in Greater Minnesota from the 2018 selection. MnDOT has recently announced that the additional projects selected are \$160 million for Highway 14 near Owatonna, \$105 million for Highway 23 near New London, and \$163 million for a MnPASS project on Highway 252 and I-94 in Brooklyn Park.

The bill includes funding through the Department of Employment and Economic Development as grants to political subdivisions in the metro area. The bill also includes \$6.7 million for the Local Government Roads Wetlands Replacement Program.

### *Housing Provisions*

The bill includes \$10 million for renovation and preservation of publicly owned housing. Additionally, there is \$80 million in appropriations for Minnesota Housing, including \$50 million in housing infrastructure bonds (HIB) for privately owned housing and \$30 million in HIB for housing for persons with behavioral health needs. There are also two new authorized uses for housing infrastructure bonds – housing for low-income seniors (age 55+ with an income up to 50% AMI) and the improvement and infrastructure of manufactured home parks. There is \$30 million in general obligation bonds for Mental Health Crisis Centers, including \$28 million for a mental health crisis center grant program and \$2 million for a crisis center in Scott County.

The bonding bill also makes several changes to how Minnesota Housing issues tax exempt bonds. These provisions restrict what the Qualified Allocation Plan (QAP) can include, and excludes any per-unit cost limitations, cost reasonableness, or other similar restrictions for residential rental housing projects financed with an allocation of tax-exempt bonds. The QAP is the framework for how a tax-exempt bond allocating authority awards bonds and is developed with public input.

### *Land Use Policy Provisions in Capital Investment Bill*

The bonding bill contains two policy provisions related to state laws regulating regional systems and local planning. A provision relating to a local government's ability to challenge or appeal their system statement was modified to allow a local government to question the 'reasonableness' of a metropolitan systems plan. The bill also requires the Metropolitan Council to conform its metropolitan development guide, system plans and the system statement for the city of Nowthen to implement any changes requested by the city relating to its community designation, for the purposes of systems plans, statements and the community's comprehensive plan. This provision was added to the final bill before passage. Metro Cities opposes statutory or other regulatory changes that interfere with established regional and local processes to manage growth, as such changes erode local planning authority and disregard and create different guidelines for communities that may result in financial, environmental and other impacts on surrounding communities.

### **Omnibus Supplemental Finance Budget Bill**

The 2018 session began with a \$329 million surplus. It was not a budget setting year. The Legislature passed a supplemental finance bill that included spending and policy provisions across all budget areas. Of the surplus, \$132.6 million was allocated to the spending jurisdictions. The bill, [Chapter 201](#), was vetoed by Governor Dayton. The veto letter can be viewed [here](#).

The bill, which did not become law, would have appropriated from the Minnesota Investment Fund (MIF) for two projects at \$1 million each, leaving a \$10.5 million MIF appropriation in FY19, and transferred \$1.5 million from the Job Creation Fund in 2019. The bill would have provided \$15 million for broadband grants, and included language to re-prioritize tax exempt bonds for affordable housing for senior and multifamily housing. The bill also preempted a city's authority to

have a ballot vote in a general election on allowing a city to implement a rent control policy.

The bill contained several transportation provisions, including authorizing the sharing of data between the Department of Human Services and the Metropolitan Council to recover federal reimbursement for services for eligible Metro Mobility riders, and the bill also extended Metro Mobility service to Lakeville. The bill would have prevented a local unit of government from creating a bikeway route that eliminates or moves a designated disability parking space. It also restricted state funded operating costs related to light rail transit for daily operations and maintenance only. The bill also prohibited state funding for capital costs related to light rail projects.

### **White Bear Lake Enforcement of Water Appropriation Permit Conditions Signed into Law**

A bill related to a court decision on lake levels on White Bear Lake, Chapter 181 [HF 4003](#), was signed by the Governor. The new law will temporarily prohibit the DNR from enforcing groundwater appropriation permit limits related to White Bear Lake, as directed by the court. Enforcement of the Court order related to groundwater permits within the 5-mile radius of the lake will be delayed for one year. DNR will be able to issue permits during that one-year time frame for impacted cities.

### **Organized Waste Hauling Bill Sent to Governor**

A bill that would modify organized solid waste collection laws, [HF 3095](#) – Hall was signed by the Governor this week. The legislation stipulates that when a local government convenes a committee to examine solid waste collection options, the committee must include an examination of the existing system of collection. An evaluation may include an examination of the potential impacts of collection methods on the ability of residents to choose the level of service and costs. It also changes the length of the initial collection agreement from three to seven years. This legislation would not apply to collection agreements in process or completed.

### **3M Lawsuit Settlement Bill Sent to Governor**

A bill that addresses the 3M lawsuit settlement was sent to the Governor and awaits his action. The bill creates a fund for the settlement funds to be deposited to, mandates creation of a stakeholder group, and provides for a biannual report to be submitted by the MN Pollution Control Agency to the Legislature. The lawsuit was initiated by the Minnesota Attorney General in 2010 in response to the determination that perflourinated compounds, or PFC's, were detected in drinking water wells in the east metro.

### **Deputy Registrar Reimbursement Bill Vetoed**

A bill to provide \$9 million in funding to deputy registrars affected by the MNLARS system was vetoed by the Governor on May 19th. Dayton stated that he supported the funding but wanted to bill to include additional funds to fix the MNLARS system, calling the bill a partial fix. To see the Governor's veto letter, click [here](#). The House attempted to override the Governor's veto but did not have the required 90-vote margin.

### **Pensions and Retirement Bill**

The Legislature passed an omnibus pensions bill that has been signed by Governor Dayton. The pensions bill has been in the works for three years, and includes sustainability changes to the state's major public pension plans, including the Public Employees Retirement Association (PERA) General Plan and Police & Fire (P&F) Plan. The bill includes a number of PERA General

and Police and Fire (P&F) plan modifications, including employer and employee contribution increases for PERA P&F Plan participants. A summary of the bill can be viewed [here](#).

## **Metropolitan Council Governance Bill**

A proposal to restructure the governance of the Metropolitan Council to make the Council a body of county and city officials and increase the size of the Council to 29 members as well as eliminate the Transportation Advisory Board (TAB) passed the Legislature and was vetoed this week by Governor Dayton. Metro Cities opposed this legislation. Metro Cities supports staggered terms for Council members, enhancing local official engagement in the selection of members, and increasing transparency in the appointment process.

## **Housing Performance Score Methodology Updated**

The Metropolitan Council on May 23 approved a [revised methodology](#) for Housing Performance Scores. The Council made several changes, including: removing the hold harmless provision established in 2015, delinking available points for new construction and rehab based on a city's community designation (all cities now can score up to 25 points for new construction and substantial rehabilitation), recognizing a broader range of affordable units in mixed-income projects (at least five percent of the units affordable at 60% AMI), eliminating scoring for performance based on a city's ten-year LCA goal for affordable housing (to be revisited upon new goal negotiation in 2020), recognizing local property tax dollars (including those levied by a county) for affordable housing as credit toward the city's Affordable and Life-Cycle Housing Opportunities Amount (ALHOA), and clarified recognition of local programs and policies around affordable housing.

Metro Cities policies' support Housing Performance Score criteria that recognize varying local resource capacities, tools, programs and policies to support housing production and the market nature of housing development, and that do not limit cities to a prescriptive list of tools and policies. Metro Cities provided a memo in support of recognizing local policies that represent efforts to meet local affordable housing needs.

The revision was spurred by a biennial Council review of the methodology through a convened work group of city and county officials as well as Metro Cities this spring. The housing scores are used to determine the Council's distribution of federal transportation funds as part of the Regional Solicitation, counting for seven percent of that evaluation. The HPS also inform awards of the Council's Local Housing Incentives Account which awards funds to support affordable housing development across the metro region.

Contact Charlie Vander Aarde at 651-215-4001 or [charlie@metrocitiesmn.org](mailto:charlie@metrocitiesmn.org) with any questions.

## **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](mailto: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. The Metro Cities breakfast will be held in the Weidner Room on the first floor of the River's Edge Convention Center. 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 by June 10<sup>th</sup> at 651-215-4000 or [kimberly@metrocitiesmn.org](mailto:kimberly@metrocitiesmn.org).

We hope to see you there!

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