

Legislative Update

As the 2019 regular legislative session deadline approached last week, Governor Walz and legislative leaders met privately for several days without disclosing the content of their discussions to negotiate a framework for the state budget. A budget agreement was announced early Sunday evening, and documents outlining the parameters agreed to and signed by the Governor, House Speaker and Senate Majority Leader, were made public.

<https://www.house.leg.state.mn.us/hinfo/leginfo/19Agree.pdf>

The Governor said at a Sunday evening press conference that a special session would be necessary to complete work on bills and indicated the possibility of a Thursday session.

The agreement stipulates broad revenue parameters and overall spending targets for budget jurisdictions. It includes using \$500 million from the state budget reserve in FY 2022-23 and removes the sunset on the health care provider tax and reduces the tax from 2% to 1.8%. The agreement reduces the middle-income tax bracket and reduces the statewide property tax levy (Senate proposals); the House and Governor will negotiate an equivalent of general fund tax expenditures and spending. The agreement does not include a gas tax or other transportation-related taxes or fees. The agreement provides for a \$500 million capital investment bill. The agreement otherwise provided little in the way of details and at the press conference Sunday, Governor Walz said the expectation was for conference committees to finalize the details of bills by 5:00 pm Monday.

Only the Higher Education and Housing/Agriculture omnibus budget bills were close to final by the 5:00 deadline and only the Higher Education bill passed both bodies before midnight, at which time the Legislature was required to adjourn the regular session. The midnight deadline came as the House was debating the omnibus Housing/Agriculture bill and the bill was tabled. The Legislature also adopted an opioids bill before adjourning the session on Monday.

The Governor and legislative leaders met with agency commissioners and conference committee chairs throughout the evening up until midnight Monday to finalize and work out disagreements on specific bills; that work is continuing today. We expect that the Governor will call the special session only once specific details on bills have been agreed to. Only a Governor can call a special session; however, once legislators are in session they control its length and agenda. Whether agreement on all nine omnibus budget bills, a tax bill and capital investment bill will be possible this week remains to be seen. Frustration has been openly expressed by some legislators about the budget negotiations process and details of the budget agreement.

Below are brief updates on omnibus bills of interest to Metro Cities. At this point, complete details on most budget bills are not known. It is our understanding that details of an omnibus E-12 budget bill were finalized and agreed to this morning.

State Government

The State Government budget target is \$63.37 million for the biennium. At this writing, the State Government Conference Committee last met on Saturday and adopted several same and similar provisions. The adopted items did not include provisions supported by Metro Cities, namely the local government compensation cap removal in the House version of the bill in [Article 2](#). Metro

Cities is also tracking the elections provisions in the House version of the bill, [Article 4](#). Leaders have indicated support for the Help America Vote Act (HAVA) funding as part of the final budget agreement.

Transportation

The Governor and legislative leaders agreed to a transportation spending target of \$93.43 million; the agreement includes \$36 million for Metro Mobility. Metro Mobility funds are contingent upon the closing balance for FY 19 exceeding the February forecast estimated closing balance. The agreement also calls for \$13 million for deputy registrar reimbursements and \$55.67 million for the MNLARS replacement, Vehicle Titling Registration System (VTRS). \$20 million is also included for the Disaster Assistance Contingency Account and is contingent upon closing balance for FY19 exceeding the February forecast estimated closing balance.

Environment

A spending target of \$13.78 million for the biennium was agreed to for the Environment budget bill. It is unknown at this time if Emerald Ash Borer (EAB) funding will be included in the final bill. Metro Cities supports funding to mitigate the costs incurred by cities due to the EAB infestation.

Capital Investment

The budget agreement provides for a \$500M bonding bill. At this point, details of a possible capital investment package are not known. Senate Capital Investment Chair Senjem said in a news conference this morning that he expected the bill would focus on basic infrastructure like roads and bridges and wastewater infrastructure. Metro Cities supports funding for metropolitan area inflow and infiltration mitigation in a capital investment bill. The budget agreement also includes \$60 million in housing infrastructure bonds for affordable housing.

Taxes

At the press conference Sunday, the Governor indicated that the tax bill is expected to include an increase for city and county state aid, but any increases are not yet finalized or known. The status of the language to extend PERA aid to local governments for their employer contribution is also not yet known. This extension is included in the House version of the omnibus tax bill. Metro Cities supports both local government aid funding and extending the date by which PERA aid is provided to local governments. The Taxes Conference Committee last week met several times and adopted language on tax increment financing and local option sales tax bills, as well as public finance and other language and provisions.

Housing and Broadband

The budget bill for Housing (combined with Agriculture) passed the Senate late Monday evening, then stalled in the House; ultimately it did not pass before the midnight adjournment requirement. The Senate passed the conference committee report, signed by House and Senate members, 48-17. The House began debate on the bill shortly before midnight. Facing a midnight adjournment deadline, the House “laid the bill on the table” without voting on it, then adjourned the session. The [bill language](#) and [spreadsheet](#) have been posted.

The House budget passed by the Senate includes \$15 million in increased funding for FY2020-21. The new funds were split among several housing programs, including a \$5 million increase for the Challenge Program (for a total of \$17.925 million in the biennium), \$2 million for manufactured home park infrastructure grants, \$500,000 for the workforce homeownership program, \$3.5 million for the Homework Starts With Home program which provides rental assistance for highly mobile

families, \$500,000 for rental assistance for people with mental illness, and \$3.5 million for family homeless prevention grants. The bill does not include state matching funds for local and regional housing trust funds, which was supported by Metro Cities.

The bill also includes \$40 million for the statewide border-to-border broadband grant program, \$20 million in both FY2020 and FY2021.

Jobs and Economic Development

Leaders provided a \$10 million target over base funding for the Jobs Committee budget. While House and Senate conferees met over the past two weeks, little information has been shared on how the additional funds would be spent. Metro Cities supports full funding for the Minnesota Investment Fund, Job Creation Fund and redevelopment grant program. The Senate bill included \$24 million for MIF, \$16 million for JCF and transfer authority for the redevelopment grant program from the MIF appropriation. The House had \$13.9 million for MIF, \$13.5 million for JCF and no appropriation for redevelopment. The [comparison spreadsheet](#) can be found here.

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