

Governor Walz Releases Budget Recommendations

The Governor released his budget recommendations as a “COVID-19 Recovery Budget” with proposals focused on COVID-19 relief and economic recovery and supports for students and working families, this week. The budget includes a new fifth tier income tax bracket for incomes in excess of \$1 million, an expansion of the first-tier bracket that provides an income tax reduction for lower incomes, an increase in the cigarette tax, a new vapor products tax, and changes to other taxes.

The recommendations are based on the Budget and Economic Forecast from November 2020. A new forecast will be released in late February and may result in adjustments to the recommendations. There are a number of recommendations of interest to Metro Cities. See below for details and links to budget documents.

Click [HERE](#) to read more about the Governor’s budget proposal.

Click [HERE](#) for the COVID-19 Recovery Budget revenue changes.

Click [HERE](#) to see the Governor’s Budget Recommendations by agency.

Housing

The budget includes \$114 million in new spending (over base budget) for housing: \$100 million for housing infrastructure bonds, a \$4 million increase for the Challenge Program, \$1.5 million for the homeownership assistance fund, \$1 million for Homework Starts with Home, \$1.5 million for workforce homeownership, \$500,000 for Bridges Rental Assistance, and \$1 million for manufactured home park infrastructure funding.

Economic Development & Redevelopment

Two key state economic development programs are reduced in the budget proposal. The Minnesota Investment Fund is funded at \$7.75 million (from \$12.3 million) and the Job Creation Fund is reduced from \$8 million to \$7.5 million. There is no appropriation for the Redevelopment Grant and Demolition Loan Program in the budget. Metro Cities is advocating for base level funding for MIF and JCF, as well as a line-item appropriation for redevelopment.

The budget includes \$7 million for the Angel Investor Tax Credit to support technology startups and \$5 million for a new entrepreneurial Launch MN program.

Transportation

The Governor’s budget does not include new funding for transportation.

Local Government Aid

The Governor’s budget supports the current level of Local Government (LGA) funding.

Broadband

The Governor’s budget includes \$50 million in 2022 for the statewide border to border broadband grant program.

Central City Rebuilding

The Governor is proposing using \$150 million in infrastructure bonds for redevelopment in Minneapolis and St. Paul to address rebuilding needs resulting as a result of civil unrest.

Committees began hearings and discussions on the Governor's budget, which marks the beginning of the FY 2022-23 budget setting process. Stay tuned for additional information as proposals are considered, and legislative budget negotiations proceed.

Cap on Restaurant Delivery Fees Passes House Committee

A bill that would cap the amount third party delivery companies could charge a restaurant passed the House Commerce committee this week. The proposal, [HF299](#) sponsored by Rep. Carlie Kotyza-Witthuhn, builds on several recently-enacted city ordinances, and would create a statewide limit on those charges.

The bill limits the amount a food delivery service, such as GrubHub and DoorDash, can charge a restaurant for delivery to 15 percent (10 percent for the delivery and 5 percent for additional fees) of the purchase price of the order. Several restaurant owners testified in favor of the bill, noting their thin margins. The bill does not preclude the delivery service from charging additional fees that would be paid by the customer. An amendment was added during the committee meeting that would limit this cap to the current peacetime emergency related to COVID-19 and would sunset 60 days after the governor's executive order related to the emergency is terminated or rescinded. The bill was referred to the Judiciary committee. A Senate companion has not been introduced. Contact Charlie Vander Aarde at charlie@metrocitiesmn.org or 651-215-4001 with any questions.

House Transportation Committee Hears from Municipal Officials

Thursday's House Transportation Committee hearing was centered on local and statewide transportation needs. Marcus Culver, P.E. is the public works director for the City of Roseville and the Legislative Committee Chair for the City Engineers Association of Minnesota. Mr. Culver provided testimony to the committee on the municipal street system and the challenges cities face in funding transportation projects, including the fact that many cities are not eligible for MSA. He concluded by expressing support for dedicated, reliable sources of funding for local streets, funding for both large and small cities, and bonding investments for local transportation projects. Click [HERE](#) to view Mr. Culver's slides. Oak Park Heights Mayor Mary McComber also spoke to address the lack of dedicated transportation funding for small cities. Chair Hornstein expressed support for small city assistance funding in a transportation finance omnibus bill.

Housing Assistance Funds Discussed in House Committee

Minnesota Housing [provided an overview](#) of the state's distribution of funds from last year's Coronavirus Housing Assistance Program (CHAP) and previewed the new federal rental assistance program to a House committee this week.

State Program

The state used \$100 million of its federal CARES appropriation for paying past-due housing bills for Minnesotans.

Minnesota Housing partnered with United Way and 52 local entities to administer the program. 41,000 applications were received – 53 percent from the metro and 47 percent from greater Minnesota. 69 percent of funds were for rent payment, nine percent for mortgage payment, 17 percent for utility payment, two percent for manufactured home lot rent and one percent for homeowner association dues, contract for deed payments, and several other eligible housing-related costs.

The state stopped accepting applications on December 7 and is processing the final applications.

Federal Program

The upcoming COVID Emergency Rental Assistance program was signed into law December 27. \$375 million is estimated to go to Minnesota and be distributed through Minnesota Housing (\$289 million) and seven eligible local governments including Saint Paul, Minneapolis and Anoka, Dakota, Hennepin, Ramsey, and Washington counties.

Eligible uses include past-due and prospective rent, utility and home energy payments. Eligible recipients include rental households with incomes up to 80 percent area median income (AMI) and can demonstrate risk of housing instability. Grantees must prioritize households with incomes at no more than 50 percent AMI and to households where an individual has been unemployed for 90 days.

Landlords and owners may apply on behalf of tenants meeting the eligibility requirements, so long as the tenant co-signs the application. Payments will be made directly to a lessor or utility/home energy provider on behalf of the eligible household unless the lessor or utility/home energy provider does not agree to accept the payment, in which case the grantee may make payments directly to the eligible household.

Minnesota Housing will provide a single point of entry as it did with the CHAP program and provide localized outreach as well as marketing and assistance for households to navigate the program. The federal program requires funds to be obligated by September 30, 2021.

Open Meeting Law Receives Committee Discussion

The Data Practices Office from the Minnesota Department of Administration testified before the Senate Local Government Committee providing an overview of Minnesota's open meeting law. Their presentation included a list of situations that are covered by the law and those that are not. They also described situations in which the meeting must be closed such as those involving certain private medical or education data. The Data Practices Office produced a convenient [one-page document](#) on the open meeting law. Click [HERE](#) for the presentation, which has links to more information on the law.

House Committee on Racial Justice Issues Report

The House Select Committee on Racial Justice released their final report on Monday, January 25. The select committee was authorized via House Resolution 1 during the July 2020 special session. The committee's work focuses on disparities for Black, Indigenous and People of Color (BIPOC) communities in Minnesota, with disparities investigated in the areas of economics, housing, education, health, and public safety. The report describes the historical context of government-sanctioned policies and their role in perpetuating disparities. The report offers a set of recommendations for the Legislature that are intended to shape consideration for race and equity as legislators draft, debate, and enact policy. Click [HERE](#) for a link to an overview presentation and [HERE](#) for the final report.

Metropolitan Council Transportation Committee/Orange Line Study

Metro Transit Service Development staff spoke before the Metropolitan Council Transportation Committee regarding their work on the Orange Line Connecting Bus Study Concept Plan. The goals of their work include the following:

- Link the Orange Line with residents, jobs, and services.
- Retain existing riders and grow ridership in an equitable way.
- Simplify the route network.
- Enhance mobility and connectivity of the transit network.
- Complement existing commuter express service in the corridor.

The presentation includes several maps detailing how the orange line achieves these goals. Special attention was given to equity considerations and an equity analysis was required by the FTA. Click [HERE](#) to view the presentation slides which include the results of that analysis. Metro Transit plans to move into an outreach and engagement phase for the Orange Line project. This effort will involve virtual meetings, postcard mailers, and internal outreach. The public comment period runs from January 25 to February 22.

Bills of Note

[HF 270](#), Elkins/[SF 433](#), Jasinski: Bill regulates personal delivery devices including driverless delivery devices.

[HF 274](#), Elkins: Bill authorizes political subdivisions to impose a local sales tax on motor fuels to fund construction, reconstruction, and maintenance of transportation infrastructure.

[HF 293](#), Gruenhagen/[SF 173](#), Newman: Bill requires photo ID to register to vote and to vote.

[HF 299](#), Kotyza-Witthuhn: Bill limits third-party delivery fees.

[HF 301](#), Daudt: Bill prohibits local units of government from disarming peace officers who are in good standing.

[HF 325](#), Masin/[SF 33](#), Cwodzinski: Bill repeals the salary cap for employees of political subdivisions.

[HF 326](#), Masin: Bill authorizes municipalities to charge a street impact fee.

[HF 344](#), Masin: Bill expands the membership of the nomination committee for the Metropolitan Council, establishes staggered terms, and makes the selection process more transparent.

[HF 366](#), Green: Bill prohibits an increase in property value for homesteads owned by persons age 65 or older.

[HF 402](#), Hansen, R.: Bill appropriates money for inflow and infiltration grants in the metropolitan area.

[HF 422](#), Lucero: Bill penalizes local governments that fail to enforce state and federal immigration laws.

[HF 440](#), Hollins: Bill requires professional liability insurance for peace officers.

[HF 445](#), Mariani: Bill establishes a State Aid For Emergencies (SAFE) account and aid program to reimburse local governments and state agencies for expenses incurred in responding to emergencies.

[HF 489](#), Koegel: Bill modifies calculation of the motor fuels tax.

[HF 496](#), Marquart: Bill establishes a citizens' property tax advisory committee and requires additional information to be sent with the notice of proposed property taxes.

[HF 499](#), Marquart: Bill appropriates money for emergency management readiness grants for local planning and preparedness efforts.

[HF 507](#), Lee: Bill authorizes the issuance of redevelopment appropriation bonds for areas damaged by civil unrest.

[HF 523](#), Elkins: Establishes a road usage charge for all-electric vehicles.

[SF 277](#), Pratt: Bill authorizes municipalities to charge a street impact fee.

[SF 279](#), Osmek: Bill prohibits use of state funds for operating costs of future light rail lines in the seven-county metropolitan area.

[SF 270](#), Osmek: Bill Prohibits the colocation of light rail transit and freight rail.

[SF 298](#), Torres Ray: Bill repeals the prohibition on local ordinances governing plastic bags and similar items.

[SF 314](#), Senjem: Bill imposes an alternative fuel vehicles tax.

[SF 316](#), Senjem: Bill modifies the class 4d property tax rate.

[SF 329](#), Carlson: Bill regulates access to certain lists of voter data related to the presidential primary and allows voters to request that their data be excluded from the lists.

[SF 334](#), Dibble: Bill requires certain peace officer-initiated use of force cases be prosecuted by a special prosecutor, establishes the Board of Special Prosecution and a special prosecutorial office and prohibits the use of grand juries in certain peace officer-initiated use of force cases.

[SF 341](#), Dibble: Bill requires racial impact screening of certain legislation.

[SF 345](#), Dibble: Bill establishes the metropolitan area active transportation program for cycling, pedestrian activities and other forms of nonmotorized transportation.

[SF 348](#), Dibble: Bill requires local units of government to establish law enforcement citizen oversight councils.

[SF 424](#), Torres Ray/[HF 105](#), Davnie: Authorizes cities to create land-value taxation districts.

[SF 436](#), Jasinski: Bill appropriates money for small cities assistance program.

[SF 437](#), Jasinski: Bill appropriates money for local roads and bridges.

To fund these and other initiatives in the recommendations, Gov. Walz is also proposing changes to the income tax that include a new fifth-tier income tax bracket for family incomes in excess of \$1 million. That increase is partly offset by an expansion of the first income tax tier that will provide an income tax reduction for those with lower incomes.

The recommendations also include changes in the estate tax, corporate taxes, the capital gains tax, and an increase in the cigarette tax and a new vapor products tax.

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