

State Revenues More Than Forecast

Minnesota Management and Budget (MMB) released its most recent revenue report that shows that net general fund revenues in January were 14.1 percent higher than what was anticipated in the November 2020 Budget and Economic Forecast. The largest difference came in the individual income tax. The state collected \$214 million more than expected. A more detailed report on the receipts from January, February, and March will be included in the April Revenue and Economic Update.

MMB will issue a February Budget and Economic Forecast later this month that will inform the setting of the state budget at the Capitol. Metro Cities will provide an overview of that report when it is made available. Click [HERE](#) to view the January Revenue Review memo.

Legislative Updates

The 2021 Legislature is concluding its sixth week, with robust committee schedules and hearings this week in the Senate and House on several bills of interest to Metro Cities. Below are updates on proposed legislation, hearings and Metro Cities' responses, as well as introduced bills of note.

Local Government Aid

[SF 749-Weber](#), that would allow cities that provide unreimbursed mutual aid to another city to seek reimbursement by filing with the Office of the State Auditor, with any reimbursement to the city providing the aid deducted from the aid payment to the city receiving aid. Metro Cities' policies oppose statutory changes to local government aid that single out specific cities, and changes that would use the distribution to influence particular local policy decisions. Metro Cities provided testimony to this effect in the Senate Property Tax Division and Senate Taxes Committee this week, where the bill received hearings. Metro Cities also expressed concerns that the bill could have a dampening effect on cities' efforts to work collaboratively. After debate on the bill and defeated amendments offered by minority members of the Taxes Committee to re-refer the bill to other Senate committees, the bill passed and was sent to the floor.

Several other LGA related bills have been introduced. [HF 597-Freiberg/SF 888-Rest](#) is a 'hold harmless' bill that appropriates \$5.5 million to the local government aid program to prevent any city from a receiving reduction in aid next year. Metro Cities supports this legislation. In addition, several bills that would restrict or mandate the use of aid have been introduced, including [SF 49-Osmek](#) that would make a city ineligible for aid if the city reduces its number of peace officers, [SF 243-Chamberlain](#) that would require Minneapolis and Saint Paul to allocate a portion of their aid to additional peace officer positions, [HF 544-Quam](#), that would dedicate a portion of the LGA appropriation for a rural municipal water treatment account, and [HF 545-Quam](#) that requires cities to dedicate a portion of their local government aid for housing. Metro Cities supports local government aid as a general aid and opposes restrictions or specific mandates on its uses.

State Aid for Emergencies (SAFE)

The State Aid for Emergencies (SAFE) account established in [HF 445 – Mariani](#) had two hearings in the Ways and Means committee. For background, see Metro Cities' newsletter article from [last week](#) and click [HERE](#) to view the bill summary. Metro Cities provided a letter of support for the bill as it was considered by the Ways and Means Committee.

Monday's hearing was informational and after two hours of discussion the bill was laid over. The Department of Public Safety testified in support of the bill. The committee's Republican lead, Rep. Johnson, offered an amendment that would prohibit state agencies from using this account. The amendment also required that a report on the use of the account be given to the relevant committee chairs and lead members. Finally, the amendment would remove a provision that required local law enforcement agencies to adopt a policy on public assembly response.

Local Option Sales Taxes

On Wednesday, the House Property Tax Division, chaired by Rep. Cheryl Youakim-Hopkins, discussed the history of local option sales taxes and new requirements enacted into state law in 2019. The committee heard a presentation from non-partisan research staff, and reviewed a memo outlining the history, uses and recent changes. Metro Cities was asked to provide comment on the memo provided to the committee and spoke to the association's support for allowing cities to impose local option sales taxes for capital public improvements and facilities. Metro Cities provided feedback to the committee on the new law changes, including feedback we have heard from local officials on the new referendum requirements, the needs for cities as they are growing and developing, the continued need for the state to address inequities, and the importance of giving more clarity on what constitutes a regionally significant project.

Bill Modifies Truth-in-Taxation Processes

[HF 496-Marquart](#), would require several significant modifications by cities to annual truth in taxation hearings and notifications, including requiring that all cities over 500 in population establish a 'citizens property tax advisory committee' with a specified number of members, requiring cities to issue notification on its revenues, expenditures and fund balances, and solicit feedback prior to a city's local levy being certified. Cities would be required to hold meetings on a 'MN Property Taxpayers Day' to share information on the city's proposed budget and levy. The bill was heard on Wednesday and laid over. Metro Cities is seeking feedback from city officials on the bill. Please contact Patricia Nauman at 651-215-4002 or patricia@metrocitiesmn.org. The bill does not yet have a Senate companion.

Housing Preemption Bills

Several bills that would constrain city authorities in residential development and housing were introduced this week. Metro Cities has opposed these bills in previous legislative sessions. Several bills related to state building codes and housing funding were also introduced. Bills introduced this week include:

[SF 801](#) – Koran would require fees for building permits, including any inspection fees, adopted by a municipality must be based on a cost per square foot.

[SF 910](#) – Draheim would prohibit DLI from adopting a new state building code prior to 2026 unless approved by law; would prohibit DLI from adopting a new energy code unless the DLI commissioner has determined that any increased cost to residential construction or remodeling per unit due to implementation of the proposed changes to the energy codes will be offset within five years by savings resulting from the change; and would prohibit a city from requiring an

additional inspection for a particular area of building code competency when a project has been approved for that area of competency by either a certified building official, building official-limited, or construction code inspector.

[SF 912](#) – Draheim would repeal the statutory exception allowing local governments to control rents if approved by the voters.

[SF 913](#) – Draheim would prohibit cities from requiring use of designated building officials for inspections but allow a city to opt out of prohibition by ordinance; and authorize civil action against a city for negligent construction code inspection.

[SF 914](#) – Draheim would cap park dedication fees at five percent and allow land donation as an acceptable payment option. New requirements for expenses related to park fees.

[SF 915](#) – Draheim would limit municipal planning and zoning controls, including adding building permit or written requests to the 60-day rule; encourage cities to zone for smaller lot sizes for single family homes, allow duplexes through fourplexes on previously zoned single family lots and allow mixed-use development; prohibit a PUD; limit aesthetic mandates; and not require more than a single car garage.

[SF 916](#) – Draheim would require MHFA to award point criteria for funding based on how quickly a project can be constructed and prohibit MHFA from financing a housing project when the cost-per-unit of state-financed housing is greater than the cost of a median single-family house in the municipality or township where the housing project is to be constructed. It also requires the state to issue bond proceeds in equal shares across congressional districts for the first eight months. The bill also requires awards funded with the state housing pool allocation and bonding allocation to provide a preference for projects with a lower cost-per-unit of housing.

For more information or questions, please contact Charlie Vander Aarde at charlie@metrocitiesmn.org or 651-215-4001.

Committees Review Housing Infrastructure Bonds

The largest source of state funding for affordable housing development and preservation are receiving reviews by legislative committees. Housing infrastructure bonds fund locally identified housing needs including new construction and rehabilitation of multifamily and single-family homes.

The Senate Housing committee and House Capital Investment committee reviewed Minnesota Housing's use of the program, which was last funded with \$100 million in the October 2020 bonding bill.

Commissioner Jennifer Ho explained to the committees how the agency remains vastly oversubscribed for housing funding requests. In the 2020 funding round, only one of every three project applications was funded. Metro Cities is aware of many metro housing projects, that have local funds and are ready to proceed but for limited state funds.

While no bills on these bonds have been heard this session, Metro Cities will continue to support housing infrastructure bonds as a standalone bill or as part of a larger bonding bill. Contact Charlie Vander Aarde at charlie@metrocitiesmn.org or 651-215-4001 with questions.

Street Impact Fee Bill Passes House Committee

Cities would have statutory clarity to charge for street infrastructure necessary to support new residential development under a bill that passed the House Local Government Division on February 10. The bill is supported by Metro Cities.

[HF 527](#) – Masin would authorize a city to charge for streets infrastructure that is tied to new residential development. A number of restrictions are included in the bill.

- The municipality must place any cash payments received in a special fund which may be used only for costs related to the municipality's approved transportation plan.
- There must be an essential nexus between the fee imposed and the municipal purpose for the fee.
- The fee must bear a rough proportionality to the need created by the proposed subdivision or development.
- A fee appeal process is also included.

Thank you to the many city officials that responded to this week's Action Alert and contacted their state representatives to indicate support for the bill and oppose amendments considered during the committee hearing. The bill passed the Local Government Division and is scheduled to be heard February 18 in the House State Government Committee. Contact Charlie Vander Aarde at charlie@metrocitiesmn.org or 651-215-4001 with any questions.

Economic Development Bills

Bills providing funding for city redevelopment and economic development have been introduced in the House and Senate. These Metro Cities-supported initiatives would fund three programs through the MN Department of Employment and Economic Development (DEED) that cities and businesses utilize to grow a local tax base, expand an existing business, and start a new business in Minnesota.

The Redevelopment Grant Program and Demolition Loan Program allow cities to reuse previously developed land and turn it into a newly productive use. The bills call for \$8 million each year in the biennium. The Job Creation Fund is a grant that requires hiring and capital investment obligations be met before state funds are released. The Minnesota Investment Fund is an up-front loan for businesses making investments in Minnesota. The bill includes \$8 million each year for JCF and \$12.37 million for MIF.

The House language also includes a set aside of \$50,000 each year of the MIF and JCF appropriations for outreach and technical assistance for businesses where at least 51 percent of the business is cumulatively owned by minorities, veterans, women, or persons with a disability. Contact Charlie Vander Aarde at charlie@metrocitiesmn.org or 651-215-4001 with any questions.

The amendment was not adopted. No Republican members voted in favor of the bill when it passed out of committee on Wednesday and four DFL members from districts outside of the metropolitan area passed on voting. HF 445 is expected to be up for a vote on the House floor Monday, February 15. Metro Cities provided written testimony in support of the bill as it was considered by the Ways and Means Committee.

Bill Commits Tax Revenues to HUTDF

[SF 625 – Howe](#) modifies the allocation of revenue generated by the auto parts sales tax. Under current law a flat amount is taken from the tax revenues and deposited into the highway users tax distribution fund (HUTDF) each month. SF 625, as introduced, allocates 60 percent of the tax revenue for deposit into the HUTDF. An amendment offered during the hearing changed the bill by taking 6 percent from the 60 percent allocation to fund the small cities assistance account and the township road improvement account. Each account was allocated 3 percent of the tax revenues.

As the revenues from the auto parts sales tax grow over time, so will the contributions to the HUTDF. If the revenues drop it could mean that the portion dedicated to the HUTDF drops below

what is allocated under current law, but that scenario is not anticipated based on current projections. Some in attendance noted that dedicating more revenue from this tax to the HUTDF means less money will be available in the general fund areas such as human services or education. Several members on the committee also pointed out that this change alone will not meet the state's transportation needs. SF 625 passed and was re-referred to the Tax committee.

Bills of Note

[HF 820](#), Koegel/[SF 852](#), Jasinski: Bill allows a member of a public body to attend a meeting from private location more than three times in calendar year 2021.

[HF 836](#), Richardson: Bill transfers \$13.9 million to the metropolitan landfill contingency action trust account.

[HF 839](#), Hansen/[SF 778](#), Klein: Bill appropriates \$5 million from the clean water fund to the Metropolitan Council for grants to cities to address the problem of inflow and infiltration.

[HF 852](#), Koznick: Bill requires a report on transportation revenue sources and expenditures.

[HF 864](#), Hollins/[SF 234](#), Biggam: Bill classifies law enforcement mental health unit data as private data.

[HF 870](#), Bernardy/[SF 345](#), Dibble: Bill establishes the metropolitan area active transportation program.

[HF 896](#), Bernardy: Bill permits manufactured homes affixed to certain property to be deemed an improvement to real property.

[HF 905](#), Gomez: Bill repeals restrictions placed on the authority of law enforcement civilian review boards to discipline peace officers.

[HF 906](#), Gomez: Bill classifies municipal identification card data as private data.

[HF 914](#), Fischer: Bill prohibits any nonwoven disposable product from being advertised, packaged, or labeled as flushable, septic safe, or sewer safe unless it meets certain criteria.

[HF 932](#), Fischer: Bill establishes a grant program to provide financial assistance to local units of government to control water volume and rates to protect infrastructure, improve water quality and related public benefits, and mitigate climate change impacts.

[HF 943](#), Neu Brindley: Bill prohibits individuals from being compensated for the solicitation, collection, or acceptance of absentee ballot applications from voters.

[HF 957](#), Nash: Bill creates a commission to investigate and determine facts surrounding government responses civil unrest of May and June 2020.

[HF 958](#), Torkelson: Bill appropriates 10 percent of the trunk highway fund to the corridors of commerce program.

[HF 1047](#), Nash: Bill prohibits electioneering in or near a polling place.

[SF 708](#), Koran: Bill prohibits political subdivisions from establishing or enforcing ranked-choice voting.

[SF 749](#), Weber/[HF 1052](#), Nash: Bill authorizes the commissioner of revenue to adjust local government aid amounts for cities with unpaid local assistance amounts.

[SF 752](#), Abeler/[HF 619](#), Urdahl: Bill modifies the maximum grant or loan amount for workforce housing projects and appropriates \$2 million to the Minnesota Housing Finance Agency for transfer to the housing development fund for the workforce housing development program.

[SF 754](#), Draheim: Bill proposes a constitutional amendment that places limits on the terms of office of legislators and executive officers.

[SF 801](#), Koran: Bill requires municipalities to base construction permit fees on a cost per square foot.

[SF 805](#), Fateh: Bill imposes rules around the retention of video and audio recordings of use of deadly force incidents by peace officers.

[SF 844](#), Champion: Bill prohibits local governments from contracting with the federal government to provide facilities to receive a person into custody when the basis for detention is a civil violation of federal immigration law.

[SF 856](#), Johnson-Stewart/[HF 489](#), Koegel: Bill modifies the calculation of the motor fuels tax.

[SF 883](#), Eaton: Bill prohibits nonwoven disposable products from being advertised, packaged, or labeled as flushable, septic safe, or sewer safe unless it meets certain criteria.

[SF 888](#), Rest/[HF 597](#), Freiberg: Bill increases the total LGA appropriation and modifies the minimum payments for 2022.

[SF 911](#), Draheim: Bill establishes a pilot program to provide grants to municipalities for up to 50 percent of the costs of infrastructure that would otherwise be required to be paid by the developer for new housing developments.

[SF 912](#), Draheim: Bill prohibits rent control.

[SF 913](#), Draheim: Bill prohibits municipalities from requiring the use of a designated building official or inspector unless the municipality adopts an ordinance allowing such a requirement.

[SF 914](#), Draheim: Bill caps park fees at five percent of the appraised value of the land at the time of application.

[SF 915](#), Draheim: Bill limits municipal authority in their use of planned unit development agreements. The bill also prohibits a municipality from imposing aesthetic requirements for building permit approval.

[SF 938](#), Dibble: Bill provides for the election of Metropolitan Council members.

[SF 968](#), Dziejdzic/[HF 1066](#), Davnie: Bill authorizes the creation of tourism improvement special taxing districts.

Executive Order Modifies Restrictions on Activities and Businesses

The Governor's latest order loosens restrictions on restaurants, entertainment venues, wedding receptions, and gyms. Most of the changes increase the total capacity limits for these establishments. Specifically, [Executive Order 21-07](#):

- Increases capacity in restaurants to 250 while leaving the maximum capacity at 50 percent. Restaurants will also be allowed to remain open until 11:00pm.
- Increases limit for indoor entertainment venues to 250 while leaving the maximum capacity at 25 percent.
- Increases limit for private events to 50 while leaving the maximum capacity at 25 percent.
- Increases capacity in gyms and pools to 250 while leaving the maximum capacity at 25 percent.

These changes come after an encouraging spell for the state in terms of new COVID-19 cases. Governor Walz highlighted the state's progress in slowing the spread of the virus as a contributing factor in his decision to adjust these restrictions. Click [HERE](#) for more information on COVID-19 and Minnesota's response.

Metro Cities News is emailed periodically to Metro Cities member mayors, councilmembers, city managers/administrators, and city staff to keep officials and staff abreast of important metro city issues.

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