

Governor Releases Supplemental Budget

Governor Walz this week released supplemental budget recommendations: [Governor's Revised Budget](#). Key changes include a reduction of the corporate franchise tax rate increase to 10.8% from the original proposal of 11.25%, including a subtraction of \$10,200 for unemployment insurance benefits, adopting partial federal conformity of PPP loan forgiveness, removing proposed cigarette and estate tax increases, extending full Section 179 expensing beginning in tax year 2020, increasing the Working Family Credit, expanding the renter property tax refund and excluding veteran benefits from household income in calculating property tax refunds. There are no changes in state aids to local governments in the supplemental (or original) budget recommendations. Neither the Governor's original nor supplemental budget addresses an extension of PERA aid, or modifications to the local government construction sales tax exemption. Today marks the second legislative committee deadline and discussions on setting legislative committee budget targets has begun. The Legislature will take an Easter/Passover recess beginning next Friday, March 26th after which point omnibus tax and finance bills will be considered.

Two Local Preemption Proposals Heard in Three Committees This Week

Two bills were heard this week. First, companion bills that would replace valuation as the standard for city building permit and inspection fees and replace it with a cost per square foot basis, were heard in the Senate Housing Committee and House Labor Committee this week. SF 801 – Koran and HF 1085 – Stephenson, both [amended with this language](#), would require building permit fees for new one- and two-family dwelling and townhouses be based on a cost per square foot. This would also apply to inspection fees.

Metro Cities has told legislators that city officials who work in this space recognize valuation-based methodology more accurately reflects the complexity and value of the work involved in a particular construction project. City officials set fees for cost mitigation and recognize the inspection work needed to comply with state building code.

Metro Cities and other city associations [submitted this letter](#) to the Senate and House committees outlining specific concerns with the legislation.

Second, a bill that would limit city zoning authority was debated by and passed the Senate Local Government committee this week. [SF 915](#) – Draheim, encourages cities to authorize smaller lot sizes for single-family homes and allowance of the construction of duplexes, triplexes and fourplexes on single-family-style lots as well as allow for mixed-use development. It would restrict the use of planned unit developments (PUDs), prohibit aesthetic considerations, and prohibit PUD agreements that exceed the state building code.

City officials from Prior Lake and Elko New Market testified in opposition to the bill, explaining how PUDs are usually requested by a developer to access flexibility and benefits outside a city's zoning ordinance. Metro Cities provided testimony in opposition to the bill, explaining how local decision-making authority rather than a one-size-fits-all mandate provides cities necessary flexibility to address local needs and considerations. The bill passed and was referred to the

Senate floor. Contact Charlie Vander Aarde at charlie@metrocitiesmn.org or 651-215-4001 with any questions.

Committees Discuss Redevelopment, Economic Development Funding

A bill funding state redevelopment and economic development programs that is supported by Metro Cities was heard in the Senate Jobs Committee this week. [SF 585](#) - Dornink funds the state Redevelopment Grant and Demolition Loan Program at \$8 million per year. Metro Cities, working with the Economic Development Association of Minnesota, is working to secure an appropriation in the next state budget. The bill also includes \$12.37 million for the Minnesota Investment Fund and \$8 million for the Job Creation Fund. These are the base funding levels signed into law in 2019.

City officials from Fridley and Worthington provided examples on the need for funds, the number of jobs that were created and the private capital that has been leveraged. The bill was laid over.

The House Jobs Committee passed a bill providing additional flexibility to cities and businesses that have received business funding through the MN Investment Fund (MIF) and Job Creation Fund (JCF). [HF 1630](#) – Noor, has three provisions. The first would allow cities a onetime exception to the rules that apply to locally held revolving loan funds created by repayments of Minnesota Investment Fund (MIF) loans. It allows transfer of 20 percent of the balance of the local fund to the state general fund in exchange for permission for the local government to use the remaining 80 percent of the money for any lawful expenditure. Similar flexibility has been part of the past two state budgets.

The second provision, added to the bill with [this language](#), would provide Job Creation Fund recipients an additional 12 months to meet minimum capital investment and minimum job creation requirements for projects that must meet signed agreements with the state within 12 months of the governor's declaration of a peacetime emergency. It provides an additional 12-month for MIF recipients as well.

The third provision allows DEED to approve a MIF or JCF award up to \$2 million for qualified applicants through July 1, 2021. Questions? Contact Charlie Vander Aarde at 651-215-4001.

Bill to Reimburse Metropolitan Landfill Account

[HF836](#), Richardson was heard in the House Environment Committee on Tuesday. The bill would transfer funds from the general fund to the Metropolitan Landfill Contingency Action Trust (MLCAT) account. In 2003, \$13M was transferred to the state General Fund from the MLCAT account and this bill would partially restore those funds. These funds would be used for maintenance of closed landfills in the metro-area, which are not eligible for financial support from the Closed Landfill Investment Fund (CLIF). Proper funding and support prevent closed landfills from becoming public health and environment risks such as, contaminated ground and surface water or greenhouse gas. The bill was laid over and the Senate companion bill is [S.F. 857](#), Bigham.

New Business Assistance Funds Considered

A bill that would provide \$50 million to counties to assist businesses closed as a result of Executive Order 20-99 was heard in the House Tax committee this week. [HF 1914](#) – Youakim would authorize counties to distribute the grants. Distributions would be equal to each county's proportional share of the state's population or \$100,000, whichever is greater. The proposal may be included in a larger tax bill later this session.

The Senate Jobs committee considered two bills to support event centers and entertainment venues impacted by shutdowns due to the COVID-19 pandemic. [SF 1935](#) – Housley would award eligible entertainment venues up to \$500,000 or 25 percent of 2019 gross revenue. The bill would also provide an undetermined property tax credit to eligible venues, funded through the state's general fund. An income tax subtraction and sales tax exemption, plus refunds for taxes paid are also part of the legislation which was re-referred to the Tax committee.

[SF 1419](#) – Housley would allow event centers forced to reduce capacity due to the pandemic, to operate at up to 50 percent capacity. The legislation would also provide grants to event centers with a capacity of less than 1,500 but more than 200, that is not part of a hotel, restaurant, bar, university, or retail mall, or a publicly owned facility and is primarily used as a music venue, a wedding venue, or for private parties and receptions. The author explained this grant program was meant to target event centers too small to be helped by the assistance initiated in the December 2020 special session and signed into law. The bill may be considered as part of a larger bill later this session.

Bills Propose Funding for Small Cities Assistance Account

Two bills that would fund the Small Cities Assistance Account were heard in the House Transportation Committee on Tuesday. [HF 1620 – Lippert](#) reallocates revenue from the motor vehicle rental tax to the small cities assistance program from the highway user tax distribution fund (HUTDF). The bill as amended splits the revenue between small cities and townships. Based on last year's tax data this change would deposit \$24 million in the small cities assistance account. A second bill, [HF 1147 – Olson](#), appropriates money to the small cities account directly from the general fund. The bill, as introduced, appropriates \$8 million in FY 2022 and another \$8 million in FY 2023. An amendment adopted in committee upped that figure to \$15 million in both years.

Both bills seek to address a lack of transportation funding for cities under 5,000 in population, but there are important differences in their approach. HF 1147 appropriates one-time money. HF 1620 makes a change that would mean sustained funding for the small cities assistance account but takes money from the HUTDF and in doing so, takes transportation dollars from other jurisdictions. Both testifiers and committee members expressed concerns about this method of funding and instead called for raising new revenue for local transportation needs. Both bills were laid over for possible inclusion in a transportation omnibus bill. Contact Mike Lund at michael@metrocitiesmn.org or 651-215-4003 with any questions.

Local Homeless Prevention Aid Considered

A House proposal for preventing homelessness and assisting Minnesotans facing housing instability was heard in the Tax committee this week. [HF 1791](#) – Gomez would establish a new state aid to counties, with \$55 million available annually.

Counties that receive a distribution would be required to use the proceeds to fund family homeless prevention and assistance projects. Projects may be administered by a county, a group of contiguous counties jointly acting together, a city, a group of contiguous cities jointly acting together, a tribe, a group of tribes, or a community-based nonprofit organization. Projects would have to include plans to target families with kids in pre-K through 12th grade facing housing issues; unaccompanied youth in need of housing; connecting families with social services; and rental assistance and housing navigation. The proposal may be included in a larger tax bill later this session.

Bill Restricts Peacetime Emergencies

[SF 4](#) - Osmeck, was heard and passed during the Senate Floor Session on Monday, March 15. The bill would limit the duration of a peacetime emergency issued by the governor and would include the legislature in nearly every step. A governor would have to notify the majority and minority leaders of both houses of the legislature and the Executive Council could extend the resolution for up to 30 days. Past those 30 days, an extension would have to be passed by a majority vote of each house of the legislature. Members voiced concerns regarding how slow the process would be, especially during an emergency. Points were made where the bill would merely engage the legislature while not ending nor eliminating future emergency powers. The bill was adopted on a 39-28 vote. The companion bill ([H.F. 124](#) - Hertaus) was introduced and referred to the Rules and Legislative Administration.

Bill Allows City-Adopted Pesticide Ordinances

[HF718](#), Vang, ([S.F. 1642](#), Dziedzic) that would allow cities to adopt pesticide control ordinances, was heard and passed in the House Agriculture Committee on Wednesday, March 17. The bill would allow cities the option to enact these ordinances to either prohibit all pesticides or provide a list of pre-approved pesticides. The Department of Agriculture would create the list and cities would not be allowed to make individual determinations. On an 8-5 vote, the bill was re-referred to Environment and Natural Resources. Metro Cities supports local decision making authority and allowing cities to make these and other local ordinance decisions.

Peace Officer Statute of Limitations Bill

[HF 717 – Vang](#), that eliminates the statute of limitations in cases of sexual assault and wrongful death involving peace officers, was heard and passed in the House Judiciary Committee on Thursday morning. For most sexual assault or wrongful death cases the current statute of limitations is six years. Rep. Novotny offered two amendments that would expand the scope of the bill to include other people in positions of power such as doctors, coaches, and legislators. Neither amendment was adopted. HF 717 passed out of committee and was referred to the general register on a party-line vote. Contact Mike Lund at michael@metrocitiesmn.org or 651-215-4003 with any questions.

Additional 2020 Regional Solicitation Data

A planner from the Metropolitan Council presented the results of the 2020 Regional Solicitation Surveys to the Transportation Advisory Board this week. These yearly surveys are sent to applicants and scorers as well as members of TAB and TAC. Click [HERE](#) to view the Council's report, which includes summaries of applicant responses. Click [HERE](#) to see the accompanying slide deck. The report also includes a sensitivity analysis for the 2020 Regional Solicitation Measures. This analysis seeks to evaluate individual measures in terms of their impact on the overall project rankings. Next steps in the solicitation process are listed at the end of the presentation including the timeframe for the introduction of any process changes, the public comment period, and the eventual approval of the Regional Solicitation.

Equity Presentations to Metropolitan Council Transportation Advisory Board

The Transportation Advisory Board and the Metropolitan Council continue to engage in discussions around equity, inclusion, and how to ground the work of the Council in these areas. University of Minnesota Professor Edward Goetz, who is the Director of the Center for Urban and Regional Affairs, presented on the concept of whiteness and its intersection with urban planning.

The [presentation](#) by Dr. Goetz was followed by two researchers from the Metropolitan Council and a discussion of their work around Areas of Concentrated Poverty (ACPs) and their relative utility and limitations in the transportation planning space. Click [HERE](#) to view those slides.

Bills of Note

[HF 2200](#), Vang: Bill establishes a grant program to provide financial assistance to cities to address climate change.

[HF 2251](#), Torkelson/[SF 2088](#), Lang: Bill temporarily prohibits modifications to the public water inventory and requires the commissioner of natural resources to submit a report to the legislature on the modification process.

[SF 2039](#), Ingebrigtsen/[HF 1366](#), Mariani: Bill clarifies legislative intent for the Peace Officers Standards and Training Board's discipline review committee.

[SF 2135](#), Osmek: Bill requires the Metropolitan Council to distribute federal funds pursuant to a federal formula.

[SF 2141](#), Fateh/[HF 1769](#), Frazier: Bill expands the grounds that justify the POST Board to take licensure action against peace officers.

[SF 2152](#), Champion/[HF 1374](#), Frazier: Bill requires chief law enforcement officers to report certain peace officer misconduct data to the POST Board.

[S.F. 2063](#), Bigam / [H.F. 344](#), Masin: Bill relates to membership processes for the Metropolitan Council.

[S.F. 2067](#), Bigam / [H.F. 1511](#), Hanson, J: Bill establishes the Cannabis Management Board and Advisory Councils and legalizes the possession and use of cannabis by adults.

[S.F. 2071](#), Dibble / [H.F. 2212](#), Hornstein: Bill authorizes a temporary deferral of commercial-industrial property taxes.

[S.F. 2118](#), Torres Ray / [H.F. 1919](#), Gomez: Bill makes Minnesota a sanctuary state for immigration enforcement purposes and restricts restricting state and local officials from cooperating with federal immigration enforcement efforts.

[H. F. 2281](#), Heintzeman / [S.F. 622](#), Howe: Bill modifies conditions on water appropriations and wells.

[H. F. 2282](#), Mekeland / [S.F. 1969](#), Kiffmeyer: Bill modifies orderly annexation and detachment provisions.

[HF 2308](#), Garofalo: Repeals the rent control process for cities.

[HF 2201](#), Agbaje: Bill repeals crime of falsely reporting police misconduct.

[HF 2264](#), Mekeland/[SF 2185](#), Kiffmeyer: Bill prohibits cities from banning new natural gas or propane service to buildings.

[HF 2267](#), Johnson: Bill establishes the State Aid for Emergencies (SAFE) account to reimburse local governments for expenses incurred in responding to emergencies.

[SF 2079](#), Johnson Stewart/[HF 1566](#), Bernardy: Bill includes various finance and policy provisions related to nonmotorized transportation.

[SF 2139](#), Fateh/[HF 1762](#), Hollins: Bill regulates no-knock search warrants.

[SF 2152](#), Champion/[HF 1374](#), Frazier: Bill requires chief law enforcement officers to report certain peace officer misconduct data to the POST Board.

[SF 2159](#), Kunesh: Bill authorizes jurisdictions to adopt ranked-choice voting.

[SF 2199](#), Bigham: Bill establishes the Metropolitan Transportation Planning Board as a part of the Dept. of Transportation, eliminating the Metropolitan Council's authority over transportation, transit planning, and construction.

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.

If you'd like to sign up to receive Metro Cities News, please email newsletter@metrocitiesmn.org and provide the following: Name, Title, Employer and Email address. Thank you!

Metro Cities (Association of Metropolitan Municipalities)
145 University Ave W, St. Paul, MN 55103-2044
Phone 651-215-4000 · Fax 651-281-1299 · www.MetroCitiesMN.org