

2021 Legislative Session Ends with Budget Deal

On Monday, the 2021 legislative session concluded as constitutionally required, with global budget parameters agreed to and announced by the Governor and legislative leaders Monday morning. The budget agreement sets general budget targets by spending area. The agreement does not include policy items. This session, legislation containing consequential policy is under consideration, including on police accountability, clean car emissions, and local zoning authorities.

The conclusion of the session was atypical in that the Legislature did not run out the clock. Both bodies had adjourned *sine die* by mid-afternoon and well ahead of the midnight deadline, after passing an omnibus pensions bill, and a few smaller scale omnibus bills with non-controversial “same and similar” positions.

The budget agreement outlines [agreed-to](#) spending targets for budget categories and includes agreement to spend of a portion (\$1 billion) of the state’s allocation of federal American Rescue Plan (ARP) funding. The agreement outlines expectations for ‘working groups’ (likely comprised of omnibus bill conference committee members) to decide specific spending, with groups required to have a spending plan by May 28th and agreement on policy items by June 4th. Bills under consideration during a regular session do not carry over into a special session, and conference committees are disbanded.

The budget agreement does not include capital investment spending. The agreement also states that the targets do ‘not ensure approval of any omnibus bills.’

It is expected that a special session could be called June 14th, which coincides with the need for a special session to address the Governor’s emergency order. Below is information on budget targets for areas of interest to Metro Cities.

Housing

The agreement includes \$100 million in housing infrastructure bonds. A caveat in the agreement notes that if Congress passes a federal infrastructure bill in 2021 that includes funding for the same purpose, these bonds will not be sold. The joint targets provide the Housing budget a \$10 million general fund increase in FY22-23 and \$12 million in FY24-25.

Metro Cities remains concerned about the local planning, land use and zoning policy preemption provisions included in the Senate’s omnibus housing bill. Metro Cities [submitted this letter](#) to legislative leaders and the Walz administration last weekend to reiterate concerns with this language. The letter, submitted with several other city associations, highlighted several cities’ examples from their own letters highlighting the need for local decision-making authority in residential development and redevelopment.

Jobs & Labor

The Jobs budget target is \$125 million over the base budget, and \$17 million in the tails. This includes funding for DEED, Labor and Industry and Mediation Services, as well as COVID-related business assistance. Metro Cities supports key redevelopment and economic development program funding and workforce training in this budget. The agreement also includes \$70 million for broadband funding.

Transportation

The agreement includes \$200 million in above-base spending for transportation in FY 22-23 with \$15 million in the tails (FY 24-25). For context, the Governor’s initial recommendation for additional spending totaled just over \$25 million and the House omnibus bill spent \$38 million above base. The Senate language included \$220 million above base. The increased spending in the Senate bill is largely due to the Senate’s position on spending Trunk Highway Funds and Highway User Taxes on non-highway purposes. To shift MnDOT spending for other costs and programs away from those funding sources the bill replaces

much of it with general fund money. Click [HERE](#) to view the fiscal spreadsheet used by the Transportation Conference Committee.

Taxes

The agreement includes a net reduction in taxes of \$754 million in FY 22-23 and \$180 million in FY23-24. The expectation is that the tax target will include paying for conformity on PPP loan forgiveness and unemployment benefits. As with other omnibus bills, it is expected that a tax working group will consider provisions contained in the 2021 session bill.

Environment

The agreement includes \$30 million above base spending for environment in FY 22-23 with \$10 million in the tails. While the House and Senate bills were substantially different in spending levels, the biggest source of disagreement exists in policy positions, particularly the proposed adoption of clean car standards by the MPCA. The latest Senate proposal calls for a two-year delay on the department's proposed action, which the House and Executive Branch remain opposed to. Click [HERE](#) to view the fiscal spreadsheet used by the Environment Conference Committee.

Public Safety

The agreement includes \$105 million in above base spending for public safety for FY 22-23 with \$110 million in the tails. This target is more than the proposed increase included in the Governor's recommendations and Senate language, and less than the \$167 million increase in the House bill. Much attention has been focused on police reform provisions in the House bill. Now that a target has been set for budget items, legislators are poised to take up the reform debate. In comments on Monday, Majority Leader Gazelka and Speaker Hortman spoke to the importance of passing reforms that rebuild trust and make the job of law enforcement easier. For now, the task will be to identify which policies accomplish those goals and whether there is agreement to get them passed by both bodies. Click [HERE](#) to view the fiscal spreadsheet used by the Public Safety Conference Committee.

State Government and Elections

The budget agreement includes \$67 million above base spending for state government in FY 22-23 with \$63 million in the tails. These figures put the above base spending right around the level proposed in the House language and slightly above the Governor's initial recommendations. Click [HERE](#) to view the fiscal spreadsheet used by the State Government Conference Committee. On Monday, the conference committee met to adopt and pass a committee report containing same and similar provisions and other language agreed to by both sides. The [conference committee report](#) was subsequently passed by both the House and the Senate. Most of the provisions were technical in nature, but the report's passage is a highlight in an otherwise uneventful session finale.

Deadline for Transportation Project Requests

Both of Minnesota's US Senators are accepting earmark requests for possible inclusion in a new surface transportation authorization act. Cities can submit requests via an online form on the member's website. Requests must have demonstrated community support and submissions must be complete to be considered. The deadline for requests is this **Friday, May 21**. Click [HERE](#) to submit your request to Senator Klobuchar's office and [HERE](#) for Senator Smith's office.

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