

Special Legislative Session Update

During a special session of the Legislature, called by Governor Walz on June 14 and lasting over two weeks, state budget bills and a tax bill passed the House and Senate. The setting of the state budget by June 30th averted a July 1 state government shutdown. The Governor's emergency powers, per an agreement with the Legislature during the special session, expired July 1. There was ongoing discussion about an omnibus capital investment bill, but no bill was considered during the special session.

The February budget forecast showing a projected surplus and the newly issued \$2.83 billion in federal fiscal recovery funds, shaped the tenor and content of legislative debates and proposals during the regular and special sessions. The enacted state government omnibus bill appropriates federal fiscal recovery funds in several ways.

After passing the omnibus bills, the House adjourned *sine die*, while the Senate remained in session and held hearings this week to consider the Senate confirmation of appointments for several state commissioners. MPCA Commissioner Laura Bishop resigned just ahead of a scheduled hearing in the Senate Environment Committee Tuesday. Other committees held informal confirmation hearings. The Senate confirmed some commissioners and adjourned *sine die* Wednesday without taking up other appointments, including MN Housing Commissioner Jennifer Ho and DNR Commissioner Sarah Strommen.

With the expiration of the Governor's orders for the peacetime emergency, the Legislature is not required to meet every 30 days to consider renewals of emergency orders, as it did throughout 2020.

Below is information on the content of omnibus of interest to Metro Cities and information on the association's positions and advocacy. Links to bills and summaries are also included.

Taxes

[Chapter 14](#)

[Taxes Summary \(HF9 / SF26\)](#)

An omnibus tax bill passed the House, and shortly thereafter the Senate, during the wee hours of July 1st. The bill is now signed into law. Below are provisions of interest to Metro Cities.

4d Low Income Rental Classification

The tax law requires a study and report of the 4d rental classification program, both of which are supported by Metro Cities. It also freezes the first tier of 0.75 percent at \$100,000 for the next two years (currently indexed at \$174,000 in 2021). The study will examine the effects of a program expansion on local property tax bases.

Public Safety Facilities Sales Tax Exemption

The bill exempts materials and supplies for the construction, remodeling, expansion or improvement of a fire or police station. The bill includes 'related facilities' that applies to access roads, lighting, sidewalks and utilities on or adjacent to facilities that are necessary for safe

access. This provision is effective for sales and purchases made after June 30, 2021. Metro Cities supports this provision.

The bill also includes construction sales tax exemptions for these facilities specifically for the cities of Maplewood and Plymouth, both of which apply retroactively.

Fire Protection and Emergency Medical Service Districts

The bill allows two or more political subdivisions to establish a special taxing district to provide fire protection or emergency medical services. A special taxing district Board may levy a tax or alternatively apportion its levy among the subdivisions, using certain factors such as population, number of service calls, etc. Metro Cities supports this provision.

Utility Assessments

The bill provides a one-time \$30 million appropriation to counties to pay for property tax refunds owed by local governments to utility companies due to state over-assessment.

Local Budgeting Processes

The bill requires local governments to provide additional supplemental information regarding the local notices of proposed property taxes including the certified levy for current taxes, proposed levy, summary budget information (described in the bill) on expenditures, levy percent changes, etc. The language is effective for taxes payable in FY 2023. These requirements do not apply to cities under 500 in population. Metro Cities expressed concerns about this provision as it was considered in the regular and special sessions.

State Tax Credit

A new state housing tax credit was established to encourage private financial support for new affordable housing developments. The tax law created a housing tax credit for contributions to a newly established contribution fund under Minnesota Housing, to support affordable housing investments. It is funded at \$10 million per year. This is supported by Metro Cities.

Supplemental Local Government Aid

The bill provides a one-time supplemental aid for cities that will see reductions in their local government aid in 2022. The aid for each city represents the difference in FY2021 and FY2022 aid. Metro Cities supports this provision.

Angel Investor Tax Credit

The Angel Investor tax credit was funded at \$5 million for tax years beginning in 2022. This program encourages private investment in small scale high-tech businesses. This is supported by Metro Cities.

Local Option Sales Taxes

The bill defines "capital project" and authorizes local sales taxes for the cities of Edina, Maple Grove, and Oakdale. Metro Cities does not take positions on individual city bills but supports efforts to expand local revenue diversification.

Tax Increment Financing

The bill provides for the temporary use of unobligated tax increment financing (TIF) increment to provide improvements, loans, subsidies or other assistance to private development to create jobs, to make an equity or similar investment in a company that meets requirements. This authority expires on December 31, 2022 and all transferred must be spent by December 31, 2025. The TIF authority must create a written spending plan that details the use of the transferred increment. Metro Cities supports this provision.

The bill also expands rules on TIF pooling to allow the expenditure of increment on housing projects outside a district and extends the five year rule to eight years for redevelopment districts

certified after December 31, 2017 and before June 30, 2020. The bill also provides a corresponding extension of the six- year rule. Metro Cities supports these provisions.

Historic Tax Credit

The state's historic structure tax credit was extended through 2022. This is supported by Metro Cities.

Contact Patricia Nauman at 651-215-4002 or patricia@metrocitiesmn.org with any questions.

Jobs

[Chapter 10](#)

[Jobs Summary \(HF1 / SF9\)](#)

The omnibus budget and policy jobs bill was signed into law June 30. The [budget funds](#) several economic development, redevelopment, and workforce programs supported by Metro Cities.

Two state programs, the Minnesota Investment Fund (MIF) and Job Creation Fund (JCF), are funded. JCF funding will remain flat at \$8 million. MIF was cut by \$4.7 million, less of a cut than initially proposed in the House bill and will receive \$10 million. Businesses under contract for awards by March 15, 2020 will have additional time to meet hiring, wage, and investment obligations through December 31, 2021. The one-time exception to MIF revolving loan fund uses was renewed, allowing cities broader uses of local MIF dollars, with a 20 percent fee paid for this flexibility.

The redevelopment grant and demolition loan program will continue to be funded through DEED internal transfers in 2022-23 and is included in DEED's 2024-25 base budget at \$2.246 million per year. Base funding for the redevelopment program was a priority for Metro Cities this session. See the related article in this newsletter for details on the September 2021 funding round.

State assistance for businesses affected by COVID-19 and civil unrest was funded in two programs with \$150 million. \$70 million is for the Main Street COVID-19 Relief Grant Program, with funds split evenly between the metro area and greater Minnesota. \$80 million is for the Main Street Economic Revitalization Loan Program. The Main Street COVID-19 Relief Grant Program is targeted to for-profit businesses and nonprofit organizations affected by the pandemic to support payroll, rent/mortgage payments, utility bills and other expenses occurring since March 13, 2020. Funds cannot be used to refinance debt that existed at the time of the state emergency declaration.

Eligible recipients of the Main Street Economic Revitalization Loan Program include businesses, a nonprofit organization, or a developer. Awards will be made in up to three rounds, with the first applications due August 31, 2021. Future rounds will be open in 2022. Eligible projects must be designed to address the greatest economic development and redevelopment needs that have arisen since March 15, 2020. Eligible projects include but are not limited to the construction of buildings, infrastructure, and related site amenities, landscaping, or street-scaping. Eligible projects do not include the purchase of real estate or business operations or business operating expenses, such as inventory, wages, or working capital. DEED will hold a webinar on this program July 15 at 2:30 pm.

The Job Skills Partnership, a Metro Cities-supported program, will receive \$4.2 million each year. \$70 million for broadband is included. The money will be requested by DEED from the US Treasury Department for an award via the American Rescue Plan Act.

Automatic sprinklers are now required for public housing buildings. An automatic sprinkler system must be installed in those portions of an existing building in which a sprinkler system would be required if the building were constructed on the effective date of the law. The system must comply

with standards in the State Fire Code and State Building Code and be fully operational by August 1, 2033. The mandate does not come with any direct funding.

Following the debate this year on sprinklers in wedding barns and other event venues, the new law includes a sprinkler requirement in a place of public accommodation. Sprinklers will be required if, on or after August 1, 2008 the facility was constructed, added to, or altered; and the facility has an occupant load of 300 or more.

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

Housing

[Chapter 8](#)

[Housing Summary \(HF4 / SF16\)](#)

The omnibus budget and policy housing bill was signed into law June 29. The budget includes several funding items supported by Metro Cities. It also notably does not include local preemption language that is opposed by Metro Cities and was also opposed by several city officials through contact with their local legislators.

[The budget](#) includes a \$10 million appropriation increase and \$100 million in housing infrastructure bonds for construction and preservation. The general fund increase includes a \$2.8 million increase for the Challenge Program, \$1 million for a new state match for local housing trust funds, \$1 million for the homeownership assistance fund to address homeownership disparities, \$1.75 million for manufactured home park infrastructure grants, \$3.25 million for the Workforce Homeownership Program, and \$200,000 for a shelter provider task force.

The legislation increases the rehabilitation loan amount for existing owner-occupied housing to a maximum of \$37,500 (up from \$27,000). Replacing manufactured homes is a newly eligible use of loans under this law.

The \$100 million in housing infrastructure bonds come with targeted goals for 1/3 of the funding. \$18.33 million must be applied to fund costs related to single-family housing (acquisition, rehabilitation, adaptive reuse, or new construction) and \$15 million must be applied for acquisition of manufactured home parks, park improvements and infrastructure. Metro Cities supports this funding.

Several local preemption policy provisions in the Senate housing bill and opposed by Metro Cities are not enacted, including language regarding local zoning decisions related to allowing duplexes, triplexes and fourplexes and mixed-use development in areas zoned for single-family housing. The Senate bill also preempted certain planned unit development (PUD) conditions, prohibited aesthetic conditions and tied building standards to the State Building Code. Metro Cities opposed these provisions on the basis that they eliminate fundamental areas of local authority and decision making and impose a statewide approach on local zoning matters.

The law also includes a plan for the state to end the eviction moratorium issued by the Governor in March 2020. The phaseout includes several steps tied to the state's emergency rental assistance program funded by the federal government. 15 days after the governor signs the bill into law, evictions can proceed for "material breach of lease" cases. 45 days after, leases may be non-renewed for tenants who do not qualify for rental assistance and after 75 days, evictions may proceed for tenants who do not qualify for rental assistance. And 105 days after enactment, evictions and lease non-renewals return to pre-COVID law. Additionally, the law prohibits an eviction for nonpayment of rent until June 1, 2022 if the tenant has a pending application for rental assistance. One permanent policy change is a required 15-day notice period to tenants before an eviction can be filed for non-payment of rent.

Other housing policy provisions not enacted include requiring MN Housing to award points based on how quickly a housing project could be constructed, a MN Housing preference for lower costs per unit, and a repeal of the exception allowing local governments to control rents if approved by voters. Metro Cities opposed these provisions as they impede local authority and decision-making.

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

Public Safety

[Chapter 11](#)

[Public Safety Summary \(HF63 / SF7\)](#)

An omnibus public safety bill passed the House and Senate and was signed into law on June 30. The bill sets budgets for the Department of Public Safety, Department of Corrections, Minnesota courts, civil legal services, Guardian ad Litem Board, Tax Court, Uniform Laws Commission, Board on Judicial Standards, Board of Public Defense and Human Rights Department. Among these areas is a \$12 million appropriation for crisis intervention and de-escalation training for peace officers.

The bill also contains several policy changes including changes to civil asset forfeiture laws, the use of restraints on children appearing in court, jail safety rules, and criminal sexual assault statutes. The bill establishes the crime of child torture. The Office of Missing and Murdered Indigenous Relatives is created along with a task force on Missing and Murdered African Women. The bill also creates the Hometown Heroes program for Minnesota firefighters diagnosed with job-related illnesses or injuries.

The bill includes several policy provisions related to policing. These include:

- Regulation of use of no-knock warrants.
- Requirement that 911 operators to refer calls to mental health professionals in certain situations.
- Requirement that police chiefs report all disciplinary actions taken against police officers to the Peace Officers Standards and Training (POST) Board.
- Establishing a crime for assaulting officers.
- Requiring the use “sign and release” warrants in certain situations.
- Establishing penalties for revealing personal information about an officer if it poses a threat to the officer’s safety.

The bill does not include arbitration measures that would allow for the discipline or removal of officers found to have violated local law enforcement agency policies, which is supported by Metro Cities’ policy. The bill also does not include several reforms put forward by the People of Color and Indigenous (POCI) Caucus including limits on pretextual traffic stops, changes to the statute of limitations on (police involved) wrongful death lawsuits, requiring officers to carry liability insurance, and prohibiting officers from associating with white supremacist organizations. In a [statement](#) released shortly before the bill passed both bodies, Governor Walz committed to using his executive power to advance police reform where he has the authority to do so. This includes the allocation of \$15 million in American Rescue Plan funds toward community violence prevention grants, efforts to increase transparency and accountability at the POST Board, and policy changes that would allow family members to view video footage of officer-involved deaths.

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State Government and Elections

[Chapter 12](#)

[State Government Summary \(HF12 / SF2\)](#)

An State Government omnibus bill was passed as amended during the special session and signed into law by the Governor June 30.

The bill includes \$4.25 million for the Secretary of State Office for local election grants. Grants for cities include \$750,000 for election equipment as well as \$1 million for ballot drop boxes. A one-time appropriation of \$3 million is set aside for local government election grants from the existing Help America Vote Act. The availability of Help American Vote Act funds is extended until December 21, 2028. The bill includes new rules for determining polling place locations and new standards for the use of ballot drop boxes. The Senate bill prohibited ranked choice voting in local elections, but this provision was not included. The bill also does not include Senate language to prohibit public officials from spending public funds to promote or defeat ballot questions.

The bill does not include a repeal of the salary cap for local employees and does not include street impact fee or street improvement district authority. These proposals were supported by Metro Cities.

The [A3 Amendment](#) added to the bill as it was considered in the Senate Finance Committee includes direction for the spending of federal COVID-19 funds: \$663.1 million for general fund revenue replacement in FY 22-23, \$550 million in revenue replacement for FY24-25 and \$1.5 billion to be appropriated by the Legislature in 2022 or prior through a special session. A provision for \$250 million for pandemic bonus pay that will be considered later this year will be paid from these funds. Click [HERE](#) for a spreadsheet on the funding included in the amendment.

Majority Leader Winkler offered an amendment to end the peacetime emergency declaration by the Governor that would allow the Governor to continue authority over COVID-19 vaccination and testing activities. The amendment would also allow the Governor to declare a new peacetime emergency, including an emergency related to COVID-19. The House's adoption of this amendment was ultimately reversed, leaving the language ending the peacetime emergency in the bill. The portion of the amendment allowing for some continuing authority was later amended into the omnibus tax bill.

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Environment

[Chapter 6](#)

[Environment Summary \(HF5 / SF20\)](#)

The omnibus environment bill passed the Senate and House and was signed into law June 28. The bill includes \$1.2 million for local governments to address Emerald Ash Borer and \$3.5 million in one-time grants. A program that provides grants to local governments to evaluate the climate resilience of their infrastructure is also included.

The bill includes a \$100,000 per year general fund transfer to the Metropolitan Landfill Contingency Account (MLCAT) with a goal of eventually replacing the funds transferred from this account in 2003 and 2007 to solve state budget deficits. The amount transferred from the account totals over \$13.9 million. Sen. Bigham offered [a bill](#) in the 2021 regular session to transfer the full transfer amount back into MLCAT.

Language that banned the use of PFAS in food packaging was subsequently amended to apply only to “intentionally added” PFAS. The bill also includes previously adopted language appropriating funds for an advisory group tasked with developing and implementing strategies to reduce sources of PFAS in the environment that are conveyed to municipal wastewater treatment facilities. The bill does not include a House provision that allowed cities to ban the use of certain pollinator-lethal pesticides. Click [HERE](#) for the budget spreadsheet.

Contact Mike Lund at michael@metrocitiesmn.org or 651-215-4003 with any questions.

Transportation

[Chapter 5](#)

[Transportation Summary \(HF10 / SF10\)](#)

An omnibus transportation bill passed the House and Senate and was signed into law June 24. It funds the Department of Transportation, portions of the Department of Public Safety, and the Metropolitan Council’s transit services.

Municipal Street Aid funding (MSA) received a slight increase (\$430M total), and the Corridors of Commerce program is appropriated \$200 million from trunk highway bond proceeds. The House bill included several revenue raisers including the indexing of the fuel tax, with none of this funding included in the final bill. There is one-time funding for cities, including \$5 million for the Active Transportation program, \$10 million for a second daily Amtrak train between St. Paul and Chicago, \$14 million for the Local Bridge Program, \$5.5 million for the Local Road Improvement program; and \$18 million for the Small Cities Assistance program.

During the regular session, bills with various proposals to fund the small cities assistance account were considered. [HF 1620/SF 1991](#), reallocated revenue from the motor vehicle rental tax to the small cities assistance program from the highway user tax distribution fund (HUTDF). Based on last year’s tax data this change would deposit \$24 million in the account. [HF 1147](#) appropriated money to the account directly from the general fund. As introduced, the bill would provide \$8 million in one-time transfers to small cities in 2022 and 2023. The final bill appropriates \$18 million in 2022. This is a historically high amount but is one-time funding.

The Metropolitan Council is funded at base levels, plus \$57.5 million for arterial bus rapid transit projects, \$250,000 for a zero-emission transit vehicle transition plan, and \$250,000 for an analysis of transit in a Trunk Highway 55 corridor. The BRT funding will advance the E and F Line projects. The bill also makes Metro Mobility a forecasted line item for future budgets. One Metropolitan Council priority not included was the authority for the issuance of administrative citations for fare evasion. There was also no direct funding for the Council’s transit ambassador program.

The bill establishes several task forces. One focuses on transportation project selection, transparency, and legislative input. Another will analyze the effects of the COVID-19 pandemic on public transportation. Finally, a legislative task force is established to examine the issue of Trunk Highway Fund (THF) and Highway User Tax Distribution (HUTD) Fund expenditures on non-highway purposes, a priority for the Senate Chair. The Senate omnibus bill from the regular session includes several general fund replacements for MnDOT spending out of these funds. That replacement is still present in the final transportation bill, but to a lesser extent. The bill lists several new limitations on spending out of the HUTD Fund and the THF.

The bill passed the House with a vote of 112-21 and the Senate 67-0. Click [HERE](#) for the budget spreadsheet.

Legacy

[Chapter 1](#)

[Legacy Summary \(HF13 / SF21\)](#)

The Legacy bill was signed into law June 24. The package appropriates \$128.4 million in FY2022-23 from the Outdoor Heritage Fund. It appropriates \$256.8 million from the Clean Water Fund, \$110.6 million from the Parks and Trails Fund, and \$149.7 from the Arts and Cultural Heritage Fund. It includes an appropriation of more than \$3 million to the Metropolitan Council for projects that address threats to the drinking water supply and over \$43 million for regional parks and trails.

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