



Conference Committees

Legislative Session Concludes Without Agreement on Tax, Spending Bills

The House and Senate adjourned the 2022 regular session at midnight Sunday, May 22, without passing the majority of omnibus tax and spending bills. Earlier last week, legislative leaders and the Governor had agreed to budget targets for tax and budget bills and directed conference committees to reconcile items in omnibus bills within the agreed-to budget framework. Over the last week, committees met, some regularly and others sporadically, to trade offers and adopt some provisions in bills. At the time of adjournment, the omnibus agriculture and broadband bill had passed both bodies, and the House had passed the Higher Education omnibus bill. In April, the House and Senate passed unemployment insurance and frontline worker legislation.

It is not clear whether the Governor will call a special session to address budget and tax bills. If there is a special session, new bills will need to be introduced. Metro Cities will provide updates on the status of any special session discussions. Below are brief updates on the status of omnibus bills and provisions of interest to Metro Cities.

Taxes

The Taxes Conference Committee met regularly over the last week, and adopted HF 3669 articles as well as a spreadsheet, but the committee did not close out its work. The taxes agreement, billed as part of a "4-4-4" agreement that included \$4 billion in tax reductions, \$4 billion in spending and \$4 billion left on the state's bottom line. Conference committee chairs indicated that full passage of the tax bill was contingent upon agreement by legislators on the budget bills.

The taxes agreement includes a first-tier income tax reduction, elimination of the social security subtraction, expansion of the child and dependent care tax credit and a reduction in the CI portion of the state property tax levy. The bill includes \$30 million for local government aid but no formula updates, authority for several cities to impose local option sales taxes, clarifications to tax increment financing laws and several local TIF law exceptions, expansion of state property tax relief programs, and a restructuring of the renters' credit program. The bill provided construction sales tax exemptions for several projects, but no overall exemption. The bill also includes changes to the 4d classification rate to .25 from .75 and establishes a two-year transition aid for cities. The bill creates a new housing aid and establishes an affordable housing market value exclusion.

Jobs

The Jobs conference committee completed its work on May 21. The Senate voted to accept the conference committee report, [HF 4091](#), on May 22 but did not send the bill to the House for a final vote. Metro Cities supported several provisions in the bill, including a FY2023 \$1.5 million increase for the redevelopment grant program and an extension of hiring and capital investment requirements for new Minnesota Investment Fund and Job Creation Fund recipients.

Housing

The \$50 million target for housing was included in the conference committee for HF 4366. While the agriculture and broadband portions of that bill were amended into the drought relief, agriculture, and broadband bill (HF 3420), no agreement was reached on the housing policy and

budget provisions in HF 4366. Committee negotiations consisted primarily of budget items, with local zoning preemption also discussed. Metro Cities, with several other city associations, sent [this letter](#) to committee conferees, legislative leadership and the Governor on Sunday, May 22 to reiterate and emphasize support for local decision-making authorities and opposition to local preemption provisions.

State Government/Elections/Transportation/Pensions

The State Government, Elections, Transportation, and Pensions Conference Committee ([HF 4293](#)) reached agreement on the State Government and Elections policy and supplemental budget portions of their bill on Sunday May 22. Click [HERE](#) to view the adopted State Government budget spreadsheet. The supplemental budget agreement includes state matching funds for federal election security funding (HAVA) and cybersecurity grants for local governments. The conference committee also adopted language that appropriates \$30 million to MN Management and Budget to provide state matching funds for the miscellaneous discretionary grant programs authorized in the Infrastructure Investment and Jobs Act (IIJA).

Only a few transportation items were adopted by the conference committee, most being technical in nature. One such change comes from Art. 13, Sec. 20 of the House language. The adopted language from Sec. 20 revises requirements for MSAS cities to submit data on money needs and modifies the composition of the MSAS screening board so that two city engineers from the metropolitan district are included. Late on Sunday, the conference committee considered and adopted language relating to the Independent Expert Review on Driver and Vehicle Services (DVS). The agreed upon language contains several recommendations from the report. A major sticking point in negotiations seemed to be the revenue sharing on DVS transactions with Deputy Registrars. The [language adopted](#) by the committee includes a compromise where Deputy Registrars are allocated \$7 million in FY2023 and \$7 million in FY2024, but not ongoing revenue sharing of the sort that was included in both the House and Senate language coming into conference.

Public Safety

The work of the Public Safety Conference Committee ([SF 2673](#)) continued to occur behind the scenes as the regular session concluded. Click [HERE](#) to view the Senate's most recent public offer and [HERE](#) for the associated spreadsheet. Click [HERE](#) to view the House's counteroffer. Subsequent offers have been exchanged, but the committee had not recently met, and offers were not made public.

Environment and Natural Resources

The Environment and Natural Resources Conference Committee ([SF 4062](#)) finalized its work just before midnight Sunday with no time for the committee report to be voted on in either body. The full conference committee report can be viewed [HERE](#) and the budget spreadsheet can be accessed [HERE](#). The conference committee report spends a total of \$10 million in FY2022-2023 and \$10 million in FY2024-2025. It spends \$750 thousand for ash tree replacement, \$1.5 million in each biennium for the local road wetland replacement program, and \$876 thousand in FY2023 and \$1.5 million in the next biennium is paid back into the Metropolitan Landfill Contingency Action Trust (MLCAT) account. There is also some funding included for metropolitan parks and trails.

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