



## **Metro Cities Annual Meeting - Mark Your Calendar!**

Metro Cities will hold its Annual Meeting on **Wednesday, April 19th at 5:00 pm**, at the Roseville Oval Skating Center in the Rose Room. The meeting will feature a social hour at 5:00 pm, followed by guest speaker *Dr. Susan Brower, State Demographer*, and the election of Board members and officers. We hope to see you! Please RSVP to Jennifer Dorn at [Jennifer@metrocitiesmn.org](mailto:Jennifer@metrocitiesmn.org)

## **Legislative Budget Targets Set**

This week, legislative leaders and the Governor held a press conference to release overall agreed-to budget targets. The targets address the state's \$17.5 billion budget surplus, with proposed spending of the surplus across state budget areas. The budget targets will serve to set the framework for omnibus budget bills. The setting of budget targets at this point in the session is unusual; global budget agreements usually are negotiated and finalized closer to the finish of the legislative session. For a link to the targets by budget area, click [HERE](#). These are broad targets from which committees will work to set omnibus budget bills over the next few weeks. Today marks the second policy committee deadline; the third deadline, which applies to finance related bills, is Tuesday, April 4th.

## **Adult-Use Cannabis Update**

[HF 100 \(Stephenson\)](#) was heard in the House Commerce Committee on Monday where the bill was amended to include similar language to what was added to the Senate companion, [SF 73 \(Port\)](#). Specifically, the [A83 Amendment](#), which is a rewrite of Article 1 of the bill, includes new definitions and licenses related to hemp and other sub-categories of cannabis businesses. The amendment also sets the local registration fee at half of the amount of the initial state-imposed license fee (previous versions of this bill limited that fee amount to \$200). Unlike SF 73, the House bill was not amended to allow cities to limit the number of licensed cannabis retailers in their jurisdiction according to population-based thresholds nor does it require cannabis license applicants to receive a local land use certification that confirms the requested license is for a land use that is allowable within the given zoning designation. HF 100, was passed, as amended, and rereferred to the House Tax Committee.

Contact Mike Lund at [michael@metrocitiesmn.org](mailto:michael@metrocitiesmn.org) or 651-215-4003 with any questions.

## **Metropolitan Regional Sales Tax Proposed to Fund Housing Programs**

On Thursday morning, a [delete everything amendment](#) that creates a metropolitan regional sales tax was released before a Senate Housing committee meeting in the afternoon. The proposal is also receiving a hearing in the House housing committee Friday afternoon.

The language would impose a metropolitan regional sales and use tax of 0.25 percent and would distribute 25 percent to a new state rental assistance account, and 75 percent to a housing assistance fund for a new local affordable housing aid program.

Metro Cities submitted a letter to the House and Senate committees expressing opposition to funding statewide programs and objectives through a tax mechanism that disparately affects metropolitan taxpayers, and reiterated the association's support for adequately funding statewide programs that support a wide range of local housing needs.

The House and Senate both laid over the bills. Please reach out to Ania McDonnell at [ania@metrocitiesmn.org](mailto:ania@metrocitiesmn.org) if you have any questions.

### **Local Option Sales Tax Task Force Proposed**

The House Taxes Committee on Thursday heard [HF 3069](#)-Gomez, that creates a Local Option Sales Tax Advisory Task Force. Rep. Gomez discussed the increasing number of proposals for local taxes, concerns about the regressive nature of the sales tax, and concerns with moving away from the equalization of tax bases. Some members on the committee noted that there are projects in communities that would be funded by local sales taxes that are ready to go and that state law requires the approval of local voters.

The task force would be comprised of legislators, the commissioner of revenue, and one city and one county representative. A report would be due to the Legislature by January 15, 2024. Metro Cities will provide additional information as the bill is further considered.

### **Bill Would Require Climate Content in Metropolitan Cities' Comprehensive Plans**

A bill that would require climate action plan content be incorporated in local comprehensive plans for metropolitan cities was heard in the House and Senate this week. [HF 2677 \(Kraft\)](#) / [SF 2790 \(Morrison\)](#) requires the Metropolitan Council to develop a climate action plan as part of its regional development guide for the metropolitan area. The bill also instructs the council to incorporate that climate action plan into comprehensive plan content requirements for cities in the region. The bill's proponents argue that without such requirements the state will fail to live up to the promises it has made regarding climate, emissions, and reductions in vehicle miles traveled. Metro Cities has provided both written and oral testimony opposing this legislation, emphasizing that putting this requirement into law would usurp regional and local planning processes, and would not allow for local needs, capacities, and flexibility. Metro Cities also emphasized that many cities in the region are including climate content in local plans absent any requirement to do so.

Metro Cities will continue to articulate that the Land Use Planning Act gives the Metropolitan Council broad direction to set regional requirements, which are determined in collaboration with city officials rather than state law. SF 2790 was heard by the Senate Transportation Committee and laid over for possible inclusion in a transportation omnibus bill. HF 2677 passed the House State and Local Government Committee and was referred to the House Transportation Committee, where it is expected to be laid over for possible inclusion in the House transportation omnibus bill. During discussion in the State and Local Government Committee on Friday, some members including the committee chair stressed the importance of working with cities on any changes to state law in this area.

Questions? Contact Patricia Nauman at 651-215-4002 or [patricia@metrocitiesmn.org](mailto:patricia@metrocitiesmn.org)

## Revenue Raising Bills for Transportation Considered

The House and Senate Transportation Committees heard several proposals this week that would raise additional revenue for transportation purposes and provide funding to cities in the metropolitan area.

At Monday's Senate Transportation Committee meeting, members heard two bills that would allocate sales tax revenue from the tax on motor vehicle repair and replacement parts. Both [SF 414 \(Howe\)](#) and [SF 795 \(Jasinski\)](#) allocate 100% of this tax revenue to transportation purposes and both include a dedicated allocation for the small cities assistance account. If passed, these bills would provide cities under 5,000 in population with annual funding for transportation improvements. The House companion to SF 795, [HF 1012 \(Petersburg\)](#) also received a hearing this week. SF [2922 \(Jasinski\)](#) would appropriate \$15 million in 2024 and \$15 million in 2025 for the small cities assistance account. Senator Howe presented two bills at Monday's hearing that would attempt to raise more transportation revenue from the purchase and use of electric vehicles. [SF 2178 \(Howe\)](#) amends the surcharge on all-electric vehicles and [SF 2855 \(Howe\)](#) imposes a tax on electric fuel used to charge electric vehicles (in lieu of the gas tax).

At Wednesday's House Transportation Committee meeting, Chair Hornstein presented the Governor's budget bill. As part of the conversation for [HF 1992](#), Chair Hornstein offered an [amendment](#) that would increase tab fees and distribute revenue to the small cities assistance account and a larger cities assistance account. The large cities assistance account would distribute 50% of the funding available for the account by population and the remainder would be distributed based on need.

The House Transportation Committee heard two bills this week that would assess fees to raise additional revenue for transportation purposes. [HF 2882 \(Hornstein\)](#) imposes a per-ride fee on transportation network companies (such as Uber or Lyft). The fee is less for shared rides or for rides in a zero-emission vehicle. [HF 580 \(Koegel\)](#), as amended, imposes a 75 cent retail delivery fee for each transaction. 45 percent of the revenue is directed to the highway user tax distribution fund, 24 percent is directed to a larger cities assistance account, and 19 percent is directed to the small cities assistance account.

Finally, a [delete everything amendment to HF 2346 \(Hornstein\)](#) was adopted and debated by the House Transportation Committee on Thursday. The bill, as amended, would impose a 0.75 percent sales and use tax within the seven-county metropolitan area. Revenues from the tax would be deposited into the metropolitan area transit account. The amendment language outlines eligible uses for this revenue and explicitly prohibits any of the funds be used on the Southwest LRT project unless substantive governance reforms for the Metropolitan Council are enacted.

All of the bills described here were laid over for possible inclusion in the omnibus budget bills set to be unveiled and debated next week.

Contact Mike Lund at [michael@metrocitiesmn.org](mailto:michael@metrocitiesmn.org) or 651-215-4003 with any questions.

## House Property Tax Division Report Adopted

The House Property Tax Division adopted its [report](#) on Friday afternoon. The bill includes updated local government formula factors and an increase of \$100 million, indexed for inflation. The bill also increases the value thresholds and maximum exclusion amount for the homestead market value exclusion, reduces the homestead credit refund co-pay percentages for all income ranges by five percentage points, converts the renters' credit to a refundable income tax credit, and makes various changes to tax increment financing laws including modifying pooling restrictions

and redefining administrative expenses. The report also grants special TIF authorization to the metropolitan cities of Shakopee, West St Paul, Woodbury, Fridley, and Plymouth. The bill will be considered as part of the omnibus tax bill. Questions? Contact Patricia Nauman at 651-215-4002 or [patricia@metrocitiesmn.org](mailto:patricia@metrocitiesmn.org)

### **Sacred Settlements Bill Heard**

This week, a bill that would authorize religious institutions to provide micro-unit dwellings on their property was heard in the House and Senate Labor Committees. Metro Cities [submitted a letter](#) to each committee expressing concerns with the bill, and requesting that cities be allowed to opt out of authorizing settlements.

In the Senate, [an amendment was added](#) that would require annual certification by a city that ensures the settlement has complied with the eligibility requirements outlined in the bill. However, this language does not go far enough to address Metro Cities' overall concerns with the bill. The bill was laid over in each committee for possible inclusion in an omnibus bill. We will continue to monitor omnibus policy bills for this language.

Please reach out to Ania McDonnell at [ania@metrocitiesmn.org](mailto:ania@metrocitiesmn.org) with any questions.

### **High-Rise Building Sprinkler Grants Bill, Omnibus Tenant Protections Bills Heard**

A bill to provide grants for installing sprinkler systems in high-rise buildings, as well as requiring cities to report high-rise buildings without sprinkler systems, was heard in the House Public Safety committee on Tuesday. The bill was referred back to the House Housing Finance and Policy committee, where it will be laid over for possible inclusion in an omnibus housing bill.

Additionally, the omnibus tenant protections bill that we have previously discussed in the newsletter was heard in the House Judiciary committee and was referred to the General Register – where the House could take the bill up on the floor and pass it.

Please reach out to Ania McDonnell at [ania@metrocitiesmn.org](mailto:ania@metrocitiesmn.org) if you have any questions.

### **State and Local Government Policy Bills Passed by Committees**

The Senate State and Local Government and Veterans Policy and Finance Committee considered and passed its State and Local Government omnibus policy bill on Thursday. [SF 1424 \(Murphy\)](#), as amended by the [A4 Delete Everything Amendment](#), contains several provisions of note for cities, which are contained in Article 2 of the bill. These include additional investment authority for qualifying local governments, the ability for cities to require additional licensing for hotels, and a repeal of the salary cap for city employees. SF 1424 was passed, as amended, on a party line vote and referred to general orders.

The House State and Local Government Finance and Policy Committee also took action on its omnibus policy bill. [HF 1826 \(Klevorn\)](#), was amended by the [DE 1 Amendment](#) and debated by committee members. Like it's Senate companion, this bill contains language providing cities additional investment authority, the ability to license hotels, and a repeal of the salary cap. HF 1826, as amended, also includes a medical exception to the open meeting law for elected officials to be able to participate in meetings remotely. The bill does contain language from HF 734 which requires cities to allow private property owners to install native landscapes on their property. Metro Cities opposes this provision. HF 1826 was passed, as amended, and referred to the general register.

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## **LMC Housing Spectrum Bill Heard**

On Thursday, the Senate Housing Committee heard the [Housing Spectrum Bill](#) which includes a variety of funding items for cities to address housing needs. Metro Cities supports this legislation, which includes \$50 million in FY 2024 for grants and loans to qualified owners of Naturally Occurring Affordable Housing, \$400 million in Housing Infrastructure Bonds, \$100 million for the Economic Development and Challenge Fund Grant Program, \$100 million in General Obligation bonds for public housing rehabilitation, and \$10 million for Local Housing Trust Fund state matching grants.

The bill was laid over for possible inclusion in the Omnibus Senate Housing bill which will be released next Tuesday and heard next Thursday in Committee.

Please reach out to Ania McDonnell at [ania@metrocitiesmn.org](mailto:ania@metrocitiesmn.org) with questions.

## **Competitiveness Fund Passes House**

[HF 1656 \(Acomb\)](#) was passed, as amended, by the Minnesota House on with a vote of 83 to 47. The bill establishes a state competitiveness fund account for grants to entities applying for federal funds made available as a part of the Infrastructure Investment and Jobs Act (IIJA) or the Inflation Reduction Act (IRA). The competitiveness account can be used to provide required state matching amounts or towards costs associated with grant application development and technical assistance. Eligible entities include cities, counties, townships, tribal governments, institutions of higher education, utilities, and nonprofit organizations. This competitiveness fund is being established exclusively for energy-related projects and programs in the IIJA and IRA. The Senate companion, [SF 1622 \(Frentz\)](#) has not yet been considered by the full Senate.

Contact Mike Lund at [michael@metrocitiesmn.org](mailto:michael@metrocitiesmn.org) or 651-215-4003 with any questions.

## **Bills of Note**

[HF 2979](#), Coulter: Bill clarifies local resolution submission and referendum requirements for imposing new local sales taxes. Bill also imposes a new requirement for projects.

[HF 2997](#), Her/[SF 2598](#), Putnam: Bill establishes the Minnesota forward fund and appropriates money for bioindustrial manufacturing.

[HF 3024](#), Berg/[SF 3126](#), McEwen: Bill appropriates funding for apprenticeship preparation programming.

[HF 3066](#), Richardson/[SF 3083](#), Champion: Bill appropriates money for minority business development.

[HF 3069](#), Gomez: Bill creates an advisory task force to examine the role of local taxes in local government funding.

[SF 2973](#), Xiong/[HF 2831](#), Finke: Bill establishes an emerald ash borer response grant program.

[SF 3036](#), Champion: Bill requires the commissioner of DEED (Department of Employment and Economic Development) to study student loan forgiveness programs and appropriates money.

[SF 3054](#), McEwen/[HF 2604](#): Bill appropriates money for certain transit service improvements.

[SF 3077](#), Draheim/[HF 2285](#), Elkins: Bill allows for industrialized or modular buildings for residential use to the structures that may not be prohibited by regulation.

[SF 3078](#), Draheim/[HF 2283](#), Elkins: Bill increases the threshold for municipal reporting of construction-related and development-related fee collections, requires the commissioner of labor and industry to establish a cost per square foot valuation of certain properties for the purpose of setting municipal building permit fees.

[SF 3080](#), Draheim/[HF 2235](#), Elkins: Local zoning and decision-making authority pre-emption bill language.

[SF 3082](#), Dibble/[HF 1939](#), Sencer-Mura: Bill appropriates funding for workforce development in the fields of construction, clean energy, and energy efficiency.

[SF 3083](#), Champion/[HF 3066](#), Richardson: Bill appropriates funding for minority business development.

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**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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**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](http://www.MetroCitiesMN.org)