

## **February Budget and Economic Forecast**

On Monday, the Office of Minnesota Management and Budget (MMB) released the [February Budget and Economic Forecast](#). MMB is required to release a budget and economic forecast each November and February.

The forecast shows a general fund balance of \$17.5 billion for the next biennium. About \$12.5 billion of the surplus is a leftover balance from the current biennium, and \$5 billion is an increased structural balance. The surplus for the 2026-2027 biennium shows a \$5.4 billion surplus. Total general fund revenues for FY2022-23 are now forecast to be \$753 million more than the November forecast.

A recent new law now requires the forecast to include inflation on forecast expenditures, as an economic indicator of budget pressures. The display of inflation is not an actual spending authorization. The forecast displays increased spending to account for inflation on current expenditures by \$1.4 billion in Fiscal Years 2024-25 and \$3 billion in Fiscal Years 2026-27, with a reduction in the bottom line by these numbers.

The Office of MN Management and Budget (MMB) is showing inflation on expenditures as real, or authorized, spending. As a practical matter, the Legislature could add the inflationary spending number back to the bottom line for the purposes of establishing a budget for those biennia. The non-partisan Office of Senate Council, Research and Fiscal Analysis (SCFRA) has prepared a spreadsheet showing the forecast spending with inflation and without inflation. Click [HERE](#) for the spreadsheet prepared by SCFRA.

Questions? Please contact Patricia Nauman at [patricia@metrocitiesmn.org](mailto:patricia@metrocitiesmn.org).

## **Catalytic Converter Bill Passes Senate**

[HF 30 \(Richardson/Marty\)](#) was passed by the Senate with a vote of 40 to 25. HF 30 makes it illegal to possess or purchase catalytic converters without documentation showing that the catalytic converters were legally obtained. There are also provisions included that prohibit cash payments for catalytic converters, require a five-day delay for payments, and require converters to be held on the dealer's premises for seven days after they are acquired.

Sen. Marty substituted the Senate language in place of what passed the House and several amendments were adopted in the Senate before its passage. The [A9 Amendment](#) exempts scrap metal dealers from some of the bill's requirements for situations where scrap metal dealers are selling converters to other dealers. It also eliminates the waiting period for payment if the part is being purchased from a bona fide business.

The [A13 Amendment](#) gives the Department of Public Safety (DPS) the ability to deny registrations for scrap metal dealers if they are convicted of a felony established in this bill. It also allows for the courts to consider costs beyond the catalytic converter itself when ordering offenders to pay restitution to victims. These changes largely serve to bring the senate language in line with what was passed by the House.

[The bill](#) was passed by the House last week with a vote of 113 to 15. Metro Cities will continue to monitor this bill's progress as the differences between the two versions of this bill are reconciled and the legislation enters the final phase of the process.

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

### **Adult-Use Cannabis Bill Update**

[HF 100 – Stephenson](#) and [SF 73 – Port](#) continue to advance in their respective bodies. These bills would legalize adult use cannabis and establish the regulatory framework for its production, sale, possession, and use. After several hearings this week, SF 73 was passed by the Senate Labor Committee and was re-referred to the Committee on State and Local Government. It is likely to be heard by that committee next week. SF 73 still contains language that preempts local units of government from adequately zoning or licensing for the sale of cannabis within their jurisdiction. It does not allow cities to opt out of retail sales and does not contain revenue sharing for local jurisdictions. The role of city government in an eventual legal cannabis market will undoubtedly be discussed when the State and Local Government committee hears this legislation.

HF 100 currently establishes a local registration process for cannabis retailers (and some other cannabis license holders) and includes the ability of cities to charge a registration fee of up to \$200. The bill still makes the state the entity responsible for licensing cannabis businesses. The House bill also requires that local governments conduct compliance checks for cannabis retailers, with the ability to suspend or revoke a license if it is determined that a cannabis business is not operating in compliance. Local governments are allowed to fine non-compliant retailers up to \$2,000 per violation. On Thursday, the House Public Safety Committee heard HF 100. Metro Cities submitted written testimony outlining concerns regarding insufficient local control in the bill, the lack of funding for local governments to conduct compliance checks, and potential impacts on public health and safety. HF 100 was passed out of the committee and referred to the Committee on Economic Development Finance and Policy.

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### **Bill to Restrict Corporate Entities from Purchasing Single Family Homes Heard**

On Friday, the Senate Housing and Homelessness Prevention Committee heard [SF 365 – Boldon](#), a bill which would prohibit corporate entities from purchasing single family homes and converting them to rental properties. This bill is intended to help address a complex problem that is affecting cities differently. During the hearing, Carolyn Jackson, Councilmember, Edina City Council, testified in support of the bill.

The problem of corporate entities purchasing single family homes has been highlighted by metropolitan city officials, as well as in various reports from the [Minneapolis Federal Reserve](#) in recent years, the most recent report published in January. The bill was laid over for possible inclusion in the Senate Housing omnibus bill. Metro Cities will continue to monitor this legislation.

If you have any questions or comments, please contact Ania McDonnell at [ania@metrocitiesmn.org](mailto:ania@metrocitiesmn.org).

### **Construction Sales Tax Exemption Bill Heard**

The Senate Taxes Committee this week heard SF 1519-Maye Quade, that would make modifications to what is currently a cumbersome construction sales tax exemption process. The bill would provide an ongoing refund provision; the Governor's budget includes the modification on

a temporary basis, similar to what has been considered in recent years. Metro Cities, along with a coalition of local governments and other entities, provided written testimony to support the bill. Clint Hooppaw, Mayor-City of Apple Valley and a member of the Metro Cities Board of Directors, provided supporting testimony for the bill on Thursday. The bill was laid over for possible inclusion in an omnibus tax bill. Questions? Contact Patricia Nauman at [patricia@metrocitiesmn.org](mailto:patricia@metrocitiesmn.org)

### **Local Public Safety Aid Bill Heard in House Property Taxes**

A bill to provide \$9 million annually in public safety aid to cities and counties was heard on Friday. [HF 1103](#) – Stephenson, would distribute funds to counties and cities to provide mental health services to firefighters and peace officers. Distributions would be based on each jurisdiction's share of firefighters and peace officers. Jurisdictions would need to use the funds to provide at least one hour of mental health services to firefighters and peace officers every six months. An amendment was added to the bill that would ensure the mental health services would remain confidential. [Here is a run](#) that shows the projected amount of aid to each county and each city, showing counties receiving a total of \$2.4 million, and cities receiving \$6.5 million. The bill was laid over for possible inclusion in the Property Tax Division Report.

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

### **4d Affordable Housing Class Rate Reduction Bill Heard**

On Friday, the House Property Tax Division heard [HF 1808](#) – Howard, which would expand the class rate for 4d low-income rental housing to 0.25%, from the current first tier at 0.75% on the first \$100,000 of value, and 0.25% for the second tier value above \$100,000.

The bill requires each county to identify ten properties that benefit from the rate change, and for property owners to report on how they use property tax savings resulting from the class rate change. The bill also includes transition aid for cities with over 2% of their net tax capacity as 4d housing. The transition aid is provided in 2025 and 2026 to try to offset the property tax shifts to residents and businesses, as a result of the class rate change. [Here is a link](#) to a run for cities that would potentially receive transition aid.

Metro Cities [submitted a letter](#) stating concerns with the property tax shifts as a result of the class rate change, the short duration of the transition aid, and the need for a sunset on the program to further evaluate the impacts of the program on residents and businesses. The bill was laid over for possible inclusion in the Property Tax Division Report. We will continue to monitor this issue, as the bill will likely get a hearing in the Senate Tax Committee next week.

If you have any questions or comments, please contact Ania McDonnell at [ania@metrocitiesmn.org](mailto:ania@metrocitiesmn.org).

### **Local IIJA Assistance Bill**

[HF 1550 – Koegel](#) was heard by the House Transportation Committee on Tuesday. The bill requires MnDOT to provide technical assistance for local and Tribal governments as they apply for federal discretionary grant programs. Under the bill, technical assistance grants can be used for costs associated with hiring consultants, grant writing, analysis, data collection, technical review, legal interpretation, planning, pre-engineering, etc. Grants in this bill may not exceed \$30,000.

The bill also directs MnDOT to create a process to distribute available matching funds for the IIJA and its programs on a first-come, first-served basis. The bill appropriates \$258,400,000 from the general fund for technical assistance and grant matching funds. Of this amount, \$1 million in 2024

and 2025 is for technical assistance, \$214,400,000 is for IJJA discretionary grant matches, and \$42 million is for IJJA discretionary matches for projects on the trunk highway system. HF 1550 was laid over for possible inclusion in a transportation omnibus bill. The Senate companion, [SF 1562 – Dibble](#), has not had a hearing yet.

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## **Local Government Housing Aid Bill**

On Wednesday, the House Housing Committee heard [HF 1419](#) – Howard, which creates a local affordable housing aid program. This program provides funding to counties at \$210 million, \$60 million to cities. The program also provides for grants of up to \$25,000 for cities under 10,000 for local housing projects. The bill allows for cities to transfer funds to a local housing trust fund if they cannot expend funds on a qualifying project by the deadline due to factors outside of the control of the city.

[Here is a run](#) for how much cities over 10,000 would receive if this program was enacted.

Metro Cities [submitted a letter](#) in support of the legislation, but suggested this aid is more appropriate placed in housing statutes rather than the local government aid statute. The bill was referred to the House Taxes Committee.

If you have any questions or comments, please contact Ania McDonnell at [ania@metrocitiesmn.org](mailto:ania@metrocitiesmn.org).

## **Early Voting Bill Heard**

[SF 1434 – Westlin](#) was heard by the Senate Elections Committee this week. The bill establishes a system for early voting (18 days prior to an election) for federal, state, and county elections. The bill authorizes cities to use early voting for city-only elections in certain circumstances. As part of the bill, municipal clerk's offices are required to remain open during certain hours and additional polling locations must be designated at least 46 days before the election. The bill also requires counties or cities that administer early voting to establish a ballot board. After committee discussion, SF 1434 was laid over for possible inclusion in a future elections omnibus bill. Click [HERE](#) for a summary of the bill.

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## **Governor Announces Metropolitan Council Appointments**

Governor Walz and Lieutenant Governor Flanagan have announced their appointments for the 16 seats on the Metropolitan Council. Click [HERE](#) for information on each council district. Nine members of the appointees are reappointments with seven appointed as replacements for outgoing members. You can read the full press release, which includes the names and home cities of all 16 appointees, [HERE](#).

## **Metro Cities Board of Directors Openings**

The Metro Cities Board of Directors has openings for terms beginning July 1. The Board is 19 members and comprised of elected and appointed officials. The association's by-laws require the Board to be balanced by city size and population. The Board is responsible for overseeing Metro Cities' operational budget, strategic goals and legislative policies and priorities. The Board also has statutory authority for appointing municipal officials to the regional Transportation Advisory

Board (TAB). A nominating committee will meet in March to recommend candidates for election at the April 19th annual meeting. Interested applicants are asked to provide a (1) resume, (2) cover letter and to complete an (3) [application form](#). Applicants may also provide letters of reference. For more information, contact Patricia Nauman, Executive Director at [patricia@metrocitiesmn.org](mailto:patricia@metrocitiesmn.org). Applications should be sent to Jennifer Dorn at [Jennifer@metrocitiesmn.org](mailto:Jennifer@metrocitiesmn.org) by March 10th.

## **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 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)

## **Bills of Note**

[HF 2183](#), Elkins/[SF 2099](#), Jasinski: Bill contains a number of provisions related to deputy registrars including some that deal with fee increases and revenue sharing.

[HF 2194](#), Agbaje/[SF 2000](#), Champion: Bill provides funding for a grant to the Black Women's Wealth Alliance.

[HF 2204](#), Freiberg/[SF 2171](#), Rest: Bill provides for redistricting of the Metropolitan Council districts.

[HF 2235](#), Elkins: Bill provides for preemption over local decision making authority on zoning and land use, requires comprehensive plans and zoning to align identically, titled the Legalizing Affordable Housing Act.

[HF 2263](#), Koznick: Bill provides funding for the small business growth acceleration program.

[HF 2271](#), Sencer-Mura/[SF 2040](#), Mohamed: Bill provides funding for the family homeless prevention and assistance program.

[HF 2273](#), Sencer-Mura/[SF 2031](#), Mohamed: Bill authorizes the termination of a lease upon the loss of income of a tenant and modifies landlord obligations and liabilities.

[HF 2279](#), Kozlowski/[SF 1091](#), Mohamed: Bill limits early renewals on certain rental leases, requires landlords to provide a tenant with a notice of the option to inspect the rental unit at the beginning and end of the tenancy.

[HF 2283](#), Elkins: Bill increases the threshold for municipal reporting of construction-related and development-related fee collections, requiring 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.

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

[HF 2290](#), Curran/[SF 2259](#), Oumou Verbeten: Bill prohibits the use of no-knock warrants.

[HF 2304](#), Curran/[SF 2047](#), Seeberger: Bill prohibits modification of water use permits for cities impacted by the White Bear Lake court case and establishes a work group to study the issue.

[HF 2313](#), Pursell/[SF 2169](#), Seeberger: Bill modifies the border-to-border broadband grant program and appropriates money.

[HF 2333](#), Youakim: Bill modifies statute relating to light rail operating costs.

[HF 2346](#), Hornstein/[SF 1625](#), Dibble: Bill requires MnDOT to be the responsible authority for light rail projects.

[HF 2399](#), Johnson/[SF 2028](#), Limmer: Bill establishes the crime of carjacking and includes new criminal penalties for this offense.

[HF 2405](#), Koegel: Bill establishes an Infrastructure Resilience Advisory Task Force.

[HF 2406](#), Koegel: Bill appropriates money for a federal infrastructure funds coordinator.

[HF 2411](#), Sencer-Mura/[SF 2200](#), Port: Bill appropriates funding to WomenVenture to establish a business expansion program for women food entrepreneurs.

[HF 2415](#), Noor: Bill establishes a high-rise sprinkler system grant program and requires certain cities to report buildings that do not have a sprinkler system.

[HF 2423](#), Huot: Bill establishes a new department to replace the existing Emergency Medical Services Regulatory Board.

[HF 2428](#), Elkins: Bill imposes a road usage charge.

[HF 2431](#), Curran/[SF 2454](#), Seeberger: Bill appropriates money for the Metropolitan Emergency Services Board.

[HF 2455](#), Kozlowski/[SF 1481](#), Boldon: Bill allows for the establishment, expansion, or enlargement of special service districts and allows multiunit residential property to pay service charges.

[HF 2465](#), Huot: Bill includes provisions related to peace officer training and education for individuals with college degrees. It also includes an open appropriation for outreach and recruitment.

[HF 2486](#), Frazier/[SF 2270](#), Morrison: Bill establishes a ranked choice voting system for federal and state officers and authorizes local jurisdictions to adopt ranked choice voting for local offices.

[HF 2492](#), Norris: Bill amends the economic development and housing challenge program to add certain schools as eligible recipients and adds funding requirements.

[HF 2499](#), Koegel: Bill appropriates money for small community partnerships on infrastructure projects.

[HF 2501](#), Koegel: Bill appropriates \$4.7 million from the general fund to backfill the municipal state-aid street fund.

[HF 2541](#), Noor: Bill requires certain cities to report buildings that do not have a sprinkler system.

[SF 2080](#), Limmer/[HF 2506](#), Vang: Bill establishes the affordable housing tax capacity reduction program.

[SF 2092](#), Koran: Bill prohibits local governments from accepting certain contributions for election expenses.

[SF 2093](#), Koran: Bill repeals authorization of absentee ballot drop boxes.

[SF 2144](#), Hoffman: Bill appropriates \$500,000 for grants to local governments to improve access to polling places for individuals with disabilities.

[SF 2159](#), Fateh/[HF 2004](#), Jordan: Bill clarifies application of environmental review statutes as they relate to the adoption of regional and local comprehensive plans.

[SF 2175](#), Dornink: Bill establishes the crime of unauthorized possession of a catalytic converter.

[SF 2178](#), Howe: Bill amends the surcharge on EVs and plug-in hybrids.

[SF 2191](#), McEwen/[HF 1390](#), Fischer: Bill appropriates money to develop a statewide drinking water safety action plan.

[SF 2214](#), Boldon/[HF 1472](#), Hassan: Bill establishes a homeownership investment grants program and provides funding.

[SF 2231](#), Fateh: Bill provides funding for job training, income support, and business development programs focused on Black-owned businesses.

[SF 2233](#), Mohamed/[HF 1215](#), Agbaje: Bill creates a stable housing mediation grant program and provides funding.

[SF 2234](#), Mohamed: Bill authorizes the termination of a lease upon loss of income of tenant and modifies landlord obligations and liabilities.

[SF 2303](#), Draheim/[HF 1241](#): Bill provides funding for the creation of an online hospitality training program.

[SF 2360](#), Mohamed/[HF 1920](#), Kozlowski: Bill provides funding for redevelopment grants and demolition loans.

[SF 2416](#), Gustafson: Bill establishes public safety aid program for cities and counties.

[SF 2446](#), Morrison/[HF 1972](#), Brand: Bill allocates 5% of motor vehicle registration taxes to small cities.

[SF 2461](#), Boldon/[HF 1255](#), Hussein: Bill establishes a state rental assistance program for low-income, cost-burdened households.

[SF 2470](#), Kreun: Bill appropriates money for additional Metro Transit Police officers.

[SF 2471](#), Mohamed/[HF 1872](#), Hollins: Bill authorizes micro-unit dwellings on religious properties.

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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)