



Join us for a Metro Cities Webinar on Adult-Use Cannabis Rulemaking Updates, Local Impacts

Metro Cities will host an online forum for city officials and staff on **Friday, January 31st from 9AM to 10AM** to hear from the Office of Cannabis Management (OCM) on updates for adult-use cannabis, with a focus on impacts to local government.

Topics will include:

- Highlights from the recent update to the Local Government Handbook.
- Latest rulemaking activities.
- OCM's process for coordinating retail registrations by local governments.
- Proposed budget or policy recommendations for the 2025 legislative session.

The webinar will include presentations by OCM staff, and time for Q/A. Please RSVP to Jennifer Dorn at jennifer@metrocitiesmn.org. A meeting link and information will be provided in advance of the meeting.

2025 Legislative Session Preview

Below is a legislative preview for the 2025 session, which began this last Tuesday. This preview contains highlights of items that may receive consideration this session, as well as a summary of items in the Governor's budget. Each session, Metro Cities provides a weekly "Bills of Note" that contains recently introduced bills of interest to metropolitan cities. A list of introductions of note from this week is included below.

Legislative Leadership and Committees

The Senate, which previously had a 34-33 split with a DFL majority, is now tied at 33-33, following the death of Senator Kari Dziedzic in December. The vacant Senate District 60 seat will be filled via special election on January 28th. The Senate will operate under a shared power agreement until the special election is held, and the parameters of that agreement are now in place, including co-chairs for legislative committees.

Following the November election, the House was tied 67-67, and members had begun to discuss a power sharing arrangement. However, the newly elected member in District 40B resigned following a ruling on his residency, resulting in a split of 67 GOP and 66 DFL members. A special election is scheduled for January 28th to fill this seat.

House DFL members have stipulated there is not presently a valid quorum, and will not recognize efforts to organize the body, and a petition has been filed with the Supreme Court to rule the actions by Republicans on the floor as not lawful.

On Tuesday, Secretary of State Steve Simon gavelled the House to order, with 67 Republican members present, and no DFL members present in the chamber. House Republicans on Tuesday elected Rep. Lisa Demuth as Speaker and have held floor sessions and hearings this week.

Governor's Budget Recommendations

On Thursday, Governor Walz unveiled his proposed budget for FY 2026-2027. The nearly \$66 billion proposed biennial budget attempts to address the forecasted structural imbalance without rolling back much of what was passed into law the last few years. See below for items of note. Metro Cities staff are continuing to review the recommendations.

Adult-Use Cannabis

The proposal recommends repealing the Local Cannabis Aid Account, which comes from the 20% gross receipts tax on cannabis products and is distributed to counties and cities. The aid was projected to be approximately \$13 million in the first year with steady increases into future years as the industry is further established.

Transportation

The budget recommends an increase to the State Road Construction appropriation in the trunk highway, which will enable MnDOT to spend additional projected federal funding in the amount of \$394 million in FY 2026 and roughly \$60 million in each year after through FY 2029. The proposed budget does not contain cuts to Municipal State Aid Streets (MSAS). Cities and other transportation stakeholders will have to wait for bonding discussions to begin to learn how much other key transportation programs (Local Road Improvement, Local Bridge Rehabilitation, and Local Government Road Wetland Replacement) may have allocated to them.

The budget proposal recommends eliminating the existing general fund appropriation for transit system operations at the Metropolitan Council, which totals approximately \$65 million in each biennium. The administration is directing the Metropolitan Council to use reserves and other revenue sources (the regional transportation sales tax) to maintain current service levels on the light rail and commuter rail lines currently in operation.

Public Safety

The Governor is recommending \$4 million in FY 2026-2027 to fund the Intensive Comprehensive Peace Officer Education and Training grant program, which received one-time funding in 2023. The program provides grants to law enforcement agencies that have developed a plan to recruit, educate and train qualified college graduates to become license-eligible peace officers.

The proposal also recommends that an annual amount of \$2.1 million be taken from the Driver and Vehicle Services Operating Account for reimbursements to Full-Service Providers, Deputy Registrars, and Driver's License Agents for certain transactions they complete without a filing fee.

Local Government Aid

The proposal does not make any cuts to Local Government Aid (LGA).

Housing

The Governor's budget recommends maintaining funding levels for Minnesota Housing Finance Agency and its programs for fiscal years 2026 and 2027.

Economic Development

The Governor's budget recommends adding \$8 million each year in FY2026 and FY2027 for the Drive for 5 Workforce Initiative in the Workforce Development Fund. This program focuses on filling workforce gaps in high-growth industries through skills-based training programs.

Environment and Water

The Governor recommends amending Minnesota laws to authorize the MPCA to list municipal wastewater projects for PFAS planning, pilot testing, design, or treatment on its project priority list (PPL) to make local projects more directly eligible for federal clean water funds. The Governor is

recommending an appropriation of \$8.3 million in FY 2026 and FY 2027 from the Clean Water Fund to the Public Facilities Authority for municipal clean water infrastructure. The proposal calls for the increase of groundwater permit application fees and certain water use rates to support the Dept. of Natural Resources groundwater management work.

The Governor's proposal includes several items at the Dept. of Health related to clean and safe drinking water. One of these is a \$5.9 million appropriation (in each year of the biennium) from the Clean Water Fund for MDH to respond to new studies and information related to the health effects of PFAS. This funding would support staffing and laboratory capacity.

The proposal recommends appropriating \$1.375 million each year of the FY 2026-2027 biennium from the Clean Water Fund for the Metropolitan Council's Metropolitan Area Water Supply Sustainability Program (a 22% increase from the last biennium). The Governor also recommends a \$750,000 appropriation each year from the same source for the Metropolitan Council's Water Efficiency Grant Program.

Metropolitan Regional Parks

The Governor recommends that 40 percent of the Parks and Trails Legacy fund be appropriated to the Metropolitan Council for the Regional Parks and Trails system. This is consistent with past appropriations that divide the legacy funds between the metropolitan area, state parks, and greater Minnesota parks.

Elections

The Governor has included a one-time \$200,000 appropriation for the Office of Secretary of State to provide matching funds for \$1 million in federal Help America Vote Act (HAVA) funds to secure and improve Minnesota's election systems.

Metro Cities' 2025 Legislative Priorities

2025 Metro Cities policies were adopted by the full membership in November and the Metro Cities Board of Directors adopted 2025 legislative priorities in December. Priorities encompass several key issues of importance to metropolitan cities in the areas of taxes, bonding, housing, economic development, transportation, infrastructure, public safety, local control, and others. Staff contacts and issue areas are included later in this article.

Anticipated Legislative Issues of Note

Adult-Use Cannabis

The Office of Cannabis Management continues working toward implementation of state laws that legalized adult-use cannabis. This includes rulemaking and licensing activities. Major changes to cannabis law is not expected, but the proposed repeal of the Local Government Cannabis Aid will need addressing from cities and counties this session. Metro Cities will monitor other cannabis-related proposals as they are introduced with a particular focus on preserving local control and zoning authority around cannabis retailers and other license types.

Annexation

The topic of annexation has been brought to the capitol by townships every few years and it is expected that some attempts to change statute in this area will occur this session. Metro Cities supports changes to these laws that will lead to better land use planning, energy conservation, greater environmental protection, fairer tax bases, clarification of fee reimbursement, and fewer conflicts between townships and cities.

Capital Investment

While the first year in a biennium is typically not a bonding year, the lack of a capital investment package last session means that demand is extremely high. The [Debt Capacity Forecast](#) produced by MN Management and Budget last December assumes a general obligation debt amount for a FY 2025 bonding bill of no more than \$790 million.

Inflow-Infiltration Assistance for Metropolitan Cities

Metro Cities will pursue legislation for inflow-infiltration mitigation assistance for eligible cities, which are those that have been found to be contributing 'excess' levels of I/I into the regional wastewater system.

Housing, Preemption, HOA bills

During the 2024 Legislative session, there was a significant focus on zoning preemption legislation in the House and the Senate. Ultimately, no zoning preemption bills passed. This session, Metro Cities anticipates the preemption conversation to return and to see several bills. Metro Cities will continue to oppose preemption bills and will provide information on any bills as they are introduced and considered.

Additionally, the 2024 Legislature created a Working Group on Common Interest Communities (CICs) and Homeowners Associations (HOAs) that has been meeting throughout the interim. This working group will be submitting a report to the Legislature on their findings to inform legislation in 2025. We anticipate legislation to provide statutory clarity regarding HOAs and CICs this session.

Transportation

Given that 2025 is a budget-setting year, Metro Cities will work to protect against cuts to core transportation funding for cities including Municipal State Aid Streets (MSAS) as well as revenue sources for the broader transportation system (statewide taxes that contribute to the Highway User Tax Distribution (HUTD) Fund). Transportation Advancement Account (TAA) funds must also be preserved as they contribute to the Small Cities Assistance Account and the Larger Cities Assistance Account. Finally, Metro Cities will advocate for additional funding for the Local Road Improvement Program, Local Bridge Program, Corridors of Commerce Program, and Local Government Road Wetland Replacement Program. These transportation programs have historically been included in either a capital investment bill or an omnibus transportation finance bill.

Economic Development

There has been a growing interest from both cities and legislators in creating new tools to address the re-use of underutilized commercial space to housing or other uses, through tax credits, tax increment financing, or state funding. Metro Cities expects legislation to gain traction this session to provide support for these projects.

Metro Cities Newsletter and Bills of Note

Each week, Metro Cities publishes an online newsletter for its members, with timely information and updates on legislative bills, hearings, debates, and activity of interest to metropolitan area cities. During the session, the newsletter contains a "Bills of Note" section with information on recently introduced bills of interest to metropolitan cities.

Action Alerts

During the session, Metro Cities may ask city officials to reach out to their legislators on a specific bill or issue. These are usually time sensitive requests for action. Many legislators value hearing directly from city officials on what they think on a particular bill or topic. Thank you in advance – your responses are important and greatly appreciated.

City Advocacy at the Capitol

City officials are encouraged to get to know your local legislators and to stay in touch with them as bills affecting cities are considered, and on individual city bills and issues. Please click [HERE](#) for a guide on advocating at the Capitol and click [HERE](#) for a helpful resource on which legislators represent your city.

Sharing your city's unique perspective on how legislation or a budget item would impact local residents, businesses, and property taxpayers is important. Metro Cities also makes resources and background information available to cities. If you have questions about how to contact your legislator, please reach out directly to Metro Cities staff.

Contact Information for Metro Cities Staff

Staff contacts and issue areas are listed below:

- Patricia Nauman, Executive Director: patricia@metrocitiesmn.org (taxes, aids, bonding, regional issues)
- Mike Lund, Government Relations Specialist: michael@metrocitiesmn.org (transportation, local decision making, cannabis, elections, public safety, environment)
- Ania McDonnell, Government Relations Specialist: ania@metrocitiesmn.org (housing, economic development, redevelopment, community development, local decision making)
- Amy Bendtsen, Legislative Session Intern: amy@metrocitiesmn.org (legislative monitoring of taxes, elections, housing)
- Jennifer Dorn, Office Manager: jennifer@metrocitiesmn.org

Local Housing Trust Fund 2025 RFP Opening Soon

Minnesota Housing has announced application dates for the Local Housing Trust Fund Grant Program. The program has \$5.8 million in one-time funding for communities who have established or plan to establish Local Housing Trust Funds by the application due date. This program provides matching funds up to \$225,000, for a wide range of eligible uses for housing. View eligible uses and other program information [HERE](#). Minnesota Housing announced that they anticipate opening the Intent to Apply for the program on Friday, January 24, 2025. This is required to apply for the program, and the Intent to Apply will close on Tuesday, February 11th, 2025. The RFP will officially open on Wednesday, February 12th, 2025. The application due date will be Wednesday, March 19th, 2025.

Additionally, Minnesota Housing is looking for feedback on the Single Family RFP application to find ways to improve the application process. This feedback session will take place on Tuesday, February 4th, 2025 from 10:30 am to noon. You can register for this session [HERE](#).

Please contact Ania McDonnell with any questions at ania@metrocitiesmn.org.

Metropolitan Council Receives Additional Round of Federal Housing Funding

On Tuesday, the US Department of Housing and Urban Development (HUD) announced the winners of their round 2 funding for the Pathways to Removing Obstacles (PRO) Housing grant program. This program is intended to support communities who are actively taking steps to remove barriers to affordable housing, and to provide for gaps in available resources. The Metropolitan Council was awarded \$5 million in funding for this second round, adding to their previous award under this grant program of \$4 million. The Council plans to use the funds to boost capacity to address planning and policy needs for local governments, as well as to provide technical assistance and support for localities updating local regulations, policies, and processes. To learn more about the PRO Housing program, click [HERE](#).

Please contact Ania McDonnell with any questions at ania@metrocitiesmn.org.

Bills of Note

[SF 7](#), Rest: Bill modifies tax increment financing to change the eligibility for redevelopment districts to include underutilized, obsolete buildings not suitable for improvement or conversion, repealing renewal and renovation districts, and shortening duration limits.

[SF 29](#), Nelson: Appropriating money for the small cities assistance program; authorizing the sale and issuance of state bonds.

[SF 33](#), Rest: Bill adds technical modifications to class 4d(1) low-income rental housing.

[SF 37](#), Howe: Bill requires the commissioner of transportation and the Metropolitan Council to request approval to discontinue Northstar passenger rail operations.

[SF 39](#), Howe: Bill establishes a temporary moratorium on certain light rail expenditures.

[SF 72](#), Jasinski: Bill amends project assessment criteria and mitigation activities for vehicle miles traveled requirements; modifying transportation policy goals and greenhouse gas emission targets.

[SF 108](#), Drazkowski: Bill amends and repeals certain transportation-related taxes.

[SF 128](#), Farnsworth: Bill establishes a sparsity factor in the city aid formula and appropriates funding.

[SF 191](#), Gustafson: Bill modifies crime of fleeing peace officer in motor vehicle to add heightened penalty for fleeing in culpably negligent manner; establishing crime of fleeing in motor vehicle and failing to obey certain traffic laws.

[SF 203](#), Port: Bill authorizes the issuance of housing infrastructure bonds and appropriates funding.

[SF 217](#) Jasinski: Bill appropriates money for the small cities assistance account.

[SF 219](#), Abeler: Bill modifies the electric-assisted bicycle rebate program; requiring a report.

[SF 222](#), Draheim: Bill permits criminal history background checks for nonresident tenant organizers.

[SF 223](#), Draheim: Bill revises requirements related to municipal dedication fees, sets a cap on total value of the dedication, and limits the width for dedication of land for streets.

[SF 224](#), Draheim: Bill imposes requirements to approve or deny building permits within 60 days.

[SF 225](#), Draheim: Bill limits municipal powers to require planned unit developments and regulates planned unit development agreements.

[SF 227](#), Draheim: Bill creates a tax-stressed cities demolition grant program, creates an account in the special revenue fund and appropriates funding.

[SF 228](#), Draheim: Bill modifies appropriations from the workforce development fund.

[SF 229](#), Draheim: Bill includes county labor force participation rates as an economic indicator for workforce development grants.

[SF 230](#), Draheim: Bill requires consultation and reports on grants that exceed a certain dollar threshold.

[SF 251](#), Jasinski: Bill appropriates money for the corridors of commerce program.

[SF 252](#), Jasinski: Bill requires a cost-benefit analysis for proposed guideways.

Metro Cities Welcomes Legislative Intern

Metro Cities is excited to announce that Amy Bendtsen is joining Metro Cities as a legislative intern for this session. Amy is completing her master's degree in science, Technology and Environment Studies at the Humphrey School of Public Affairs at the University of Minnesota and received bachelor's degrees in Psychology, Environment and Sustainability, Hispanic Studies and Latin American Studies from the University of MN Duluth. Amy will assist Metro Cities staff with its legislative work, including monitoring bills, writing newsletter articles, and researching legislative and policy issues. Welcome, Amy!

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!

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