



WEEKLY SESSION UPDATE

April 27, 2015

OMNIBUS JOBS BILL

On Wednesday, the House passed an Omnibus Jobs and Energy Bill, HF843 (Garofalo), on a vote of 73-56. Included in the bill were \$11 million in cuts over the next biennium to several high-demand state programs aimed at boosting job creation and expanding Minnesota businesses, cutting appropriations to the Job Creation Fund and Minnesota Investment Fund. While DEED requested \$30 million for the Minnesota Investment Fund and \$25 million for the Job Creation Fund, the House bill only set aside \$23 million and \$20 million, respectively.

Conversely, the Senate, in a bill sponsored by Sen. Tomassoni, SF2101, would appropriate \$30.85 million for the Minnesota Investment Fund and would provide \$25 million into the Job Creation Fund. The bill was passed off the Senate floor on Wednesday on a vote of 37-22.

Also included in the Garofalo bill is a provision that would prohibit local governments from setting their own minimum wage. During the floor debate, Rep. Winkler introduced an amendment to remove this provision, but it failed on a vote of 56-73.

SPRINKLER AMENDMENT

The House approved an amendment to HF843 (Garofalo) that would get rid of the law requiring fire sprinkler systems on homes larger than 4,500 square feet. This issue has been controversial for several years. The amendment passed the House on a vote of 85-43.

The Senate approved a similar amendment earlier this week. Sen. Senjem offered an amendment to the State Government Finance Omnibus Bill, SF888 (Saxhaug). The amendment was adopted on a vote of 48-15.

MET COUNCIL

The House Government Operations Committee took up HF2236 (Albright) on Tuesday. This bill would change the composition of the Metropolitan Council from 16 members appointed by and serving at the pleasure of the governor to 14 county commissioners, two from each metropolitan county appointed by the respective county boards and serving no more than two, two-year terms (staggered). It would

change council member compensation from \$20,000 per year to per diem and expenses that are not otherwise paid for by the county. It would change the vote required for the council to adopt any policy, plan, or budget. It would eliminate the authority of the Metropolitan Council to require local comprehensive plan amendments in response to council policies, plans, and system statements. Finally, it would create a Blue Ribbon Commission to study and make recommendations on the governance structure, powers, and duties of the Metropolitan Council.

The bill passed on a party-line roll call vote, and the bill was sent to the General Register.

OMNIBUS TAX BILL

The House Tax Committee passed the Omnibus Tax Bill on Tuesday and is being debated in the Ways and Means Committee today.

Only seven amendments were presented during the Tax Committee debate, and all were accepted, including three presented by the DFL minority. Among the amendments added to the bill were:

- two sponsored by Rep. Simonson related to extending the tax-increment financing district in Duluth's west end;
- language of HF1565, sponsored by Rep. Slocum, to extend the duration of a TIF district in Richfield; and
- a study of the impact of additional health-related costs incurred by counties as they deal with the 2014 rollout of the MNsure system. Rep. Anderson offered the amendment.

Despite the low number of amendments, the minority party still expressed a number of concerns with the bill before it was passed out of committee on a voice vote. Rep. Davids recognized that the bill is not a finished product, and that it will most likely change significantly as it moves off the House Floor and into conference committee.

Currently, the bill includes over \$2 billion in tax cuts, including a \$1,000 exemption for all income tax filers. It includes a modest form of the Governor's proposal for a child care tax credit as well as breaks for families with significant estates, Social Security recipients, retired military veterans, doctors who perform charity care, and more.

Additionally, the legislation would provide a sales tax exemption for construction materials. It would repeal the political contribution refund program. And it would expand the mandated information that must be included in the Department of Revenue's biennial tax incidence study to include incidence information on federal taxes paid by Minnesota residents.

The Omnibus Bill also includes all provisions from Rep. Drazkowski's Property Tax Division Report, which will cost \$363 million over the next biennium. As such, the Omnibus Tax Bill includes a provision to change the preliminary levy date for special taxing districts, as well as a number of clarifying and minor changes in the tax increment financing statute as requested by LMC's Development Finance Task Force. The bill also includes problematic language related to the reverse referendum, including language that:

- Establishes the Property Tax Payers' Empowerment Act which provides that if a county or city with a population of 500 or more increases its property tax levy in any year, the citizens may, through a reverse referendum, petition to vote on the levy increase for the following year at the general election
- Requires elections on city, county, and school district referenda questions related to spending be conducted on the first Tuesday after the first Monday in November

This Division Report received three days worth of hearings in the Property Tax and Local Government Division and was discussed for over 15 hours. The most contentious items in that Report were large cuts in LGA funding to Minneapolis, St Paul, and Duluth.

The Omnibus Tax Bill will require significant offsetting cuts in government or increases in different revenue in the long term because the cost of many provisions will increase over time. For a complete summary of this bill, here is a link to the House Research Bill Summary:

<http://www.house.leg.state.mn.us/comm/docs/8c50c30c-717f-4431-a343-d1d8e5f6575f.pdf>

The Senate is anticipated to release their Omnibus Tax Bill on Monday, which will likely have significant differences from the House bill. Ultimately, these provisions will be negotiated by both bodies during conference committee.

SENATE TRANSPORTATION

The Senate Transportation Finance bill has been making its way through the committee process this week. It passed out of the Transportation Finance Division on Tuesday, the full Finance Committee yesterday, and the Taxes Committee today. It will likely be taken up on the Senate floor on Monday.

The Senate's transportation proposal would provide \$800 million in funding in 2016 and \$1.1 billion annually starting in 2017. Among other things, the provisions in this package include:

- Funding Source:
 - New 6.5% wholesale gas tax with \$2.50 floor (\$580M/yr)
 - Vehicle registration fee increase from 1.25% base tax to 1.5% and \$10 fee increase (\$1.45 B)
 - \$1.001 B in trunk highway bonds
 - Metro-area sales tax increase (.75%) for transit projects (\$232M/yr), five counties only
 - Motor vehicle lease tax closed (\$32M/yr)
 - Includes provisions on railroad taxes and assesses the railroads up to a total of \$32.5 M/yr. Proceeds are deposited into the rail grade crossing safety improvement account and used for highway-rail grade crossing improvements on corridors where crude oil and other hazardous materials are transported.
- Appropriates \$800 M between 2016-2019 for Corridors of Commerce
- Creates a surcharge on vehicle registration and title transfer to be divided equally between the small city and larger city street and bridge accounts (\$3.35 M/yr to each account)
- Redistributes 5% of the HUTDF to be apportioned to the CSAH for:
 - Town road account (30.5%)

- Town bridge account (16%)
- County municipal account (10%)
- The remaining 43.5% is directed to the municipal state-aid street fund.
- Builds out transit lines, funds transit operations, and bus expansion. Includes a 1/8 % new metro sales tax increase for counties for transit and transportation.
- Appropriate \$46 million per year for bike/ped purposes
- Requirement that MnDOT identify and implement an efficiency gain of an unspecified amount.

HOUSE TRANSPORTATION

The House took up their Omnibus Transportation bill, HF4 (Kelly), on Tuesday, where it passed on a vote of 73-59. The bill focuses on fixing Minnesota’s roads and bridges with more than \$6 billion in proposed spending over the next two years, but provides no new significant dollars for metro area mass transit. To fund these investments, the bill would rely on existing vehicle-related sales taxes, General Fund dollars collected through taxes on auto parts, vehicle rentals, and leases.

The House transportation proposal includes the following provisions:

- Creation of the Transportation Stability Fund, which contains multiple sub-accounts and dedicated revenues, including:
 - Highway Allocation Account—dedicates existing revenues from the sales tax on motor vehicle repair and replacement parts to the Highway User Tax Distribution Fund (HUDTF).
 - Transit Allocation Account—dedicates a portion of existing revenues from the motor vehicle lease sales tax to the Greater Minnesota Transit Account.
 - County Highway Allocation Account—dedicates a portion of existing revenues from the motor vehicle lease sales tax to County State Aid Highway Fund (excludes Hennepin and Ramsey from distribution of new revenues).
 - Metropolitan Transit Capital Account—dedicates general sales tax on rental motor vehicles to transit in metropolitan counties (prohibits spending on light rail, commuter rail, or streetcars).
 - Small Cities Assistance Account—provides \$25 million per year from the general fund, distributed under a formula, for cities under 5,000 for construction and maintenance of roads located within the city.
- Appropriation of \$7 million per year for Greater Minnesota Transit.
- Appropriation of \$125 million per year for the Corridors of Commerce program from 2016 through 2021, plus \$62.5 million in 2022 (\$812.5 million total).
- Appropriation of \$5 million per year for the Transportation Economic Development program from 2016 through 2021, plus \$2.5 million in 2022 (\$32.5 million total).
- Appropriation of \$70 million per year for state road construction from 2016 through 2021, plus \$35 million in 2022 (\$455 million total).
- Prohibition on spending state and federal funds on aesthetic enhancements if they increase the cost of projects (aesthetic enhancements include monuments, markers, memorials, sculptures, statues, decorative fixtures, alternative materials, specialty signage, and other treatments designed to impact the perceived beauty or visual appeal of the infrastructure).
- Requirement of “traffic signal timing optimization” on all roadways with an average daily traffic greater than 20,000 vehicles per day (by Dec. 30, 2015).

- Expansion of list of products that are exempt from truck weight restrictions, including portable toilets.
- Requirement that MnDOT identify and implement an efficiency gain of 15 percent.
- Requirement that MnDOT work with local units of government to develop a new cost participation policy (due Sept. 1, 2015).
- Implementation of a public-private partnership pilot program involving toll facilities, build-operate-transfer (BOT), build-transfer-operate (BTO).

The bill contains no new funding for transit. The bill eliminates funding for the Met Council budget, which is phased in through FY18-19. It backfills these reductions by taking CTIB resources and allows the Met Council to realize the growth in MVST. The bill also contains policy language, but reduces the role of local governments in the planning process for transit lines and allows very limited action absent a legislative appropriation. Many of the transit provisions are being carried in the House Tax bill.

The proposal is significantly different from the Governor's plan and the Senate DFL plan. Both of these proposals support new transit investments in addition to road and bridge funding, and contain a 6.5% increase in the gas tax at the wholesale level.

For a full summary of the revenues and expenditures from this bill, here is a link to the spreadsheets released by the House Fiscal Department: <http://www.house.leg.state.mn.us/comm/docs/f94c0ebe-6fdc-453c-96b7-4c6cffadcedf.pdf?inline=true>