



## **2015 WEEKLY LEGISLATIVE UPDATE**

*February 13, 2015*

### **PRELIMINARY LEVY DATE CHANGE FOR SPECIAL TAXING DISTRICTS**

HF 457 (Applebaum) was heard in the House Property Tax and Local Government Finance Division on Wednesday. The MLC-supported bill would change the levy certification date for special taxing districts like economic development authorities (EDAs) and housing and redevelopment authorities (HRAs) from Sept. 15 to Sept. 30. The bill was laid over for possible inclusion in the Committee's Division Report.

### **THIS OLD HOUSE/THIS OLD SHOP**

On Wednesday, the House Property Tax and Local Government Finance Division heard HF 473 (Youakim), which would reinstitute a previous state program called "This Old House." This is an old state tax credit meant to help owners of older homes.

This Old House was in place from 1993 to 2003 and was used in 86 of Minnesota's 87 counties. Under the bill, a residential homestead property at least 30 years old would receive a valuation exclusion on improvements that increase the market value over \$5,000. The exclusion would last for 10 years and be added back over two years for valuation increases under \$10,000 or added back over five years for valuation increases over \$10,000. The value exclusion would be lost if the property is sold, transferred or loses its homestead status.

The bill was laid over for possible inclusion in the Committee's Division Report.

### **SUBCOMMITTEE ON METROPOLITAN COUNCIL ACCOUNTABILITY AND TRANSPARENCY**

On Thursday, the Subcommittee on Metropolitan Council Accountability and Transparency held their second meeting. Pat Born, Met Council Regional Administrator, presented an overview on Thrive MSP 2040. The committee also took public testimony, where many expressed criticisms of the Met Council process and concerns that local elected officials have no power and were not heard. For more information on this meeting, full notes are attached.

### **GOVERNOR'S TRANSPORTATION BUDGET**

On Wednesday, the House Transportation Policy and Finance Committee heard an presentation on the Governor's Budget Proposal for MnDOT (not to be confused with the Governor's Transportation

Proposal). Commissioner Zelle provided an overview and spoke about what's in store for our state's transportation system. He highlighted that state highways are in poor condition and traffic congestion trip reliability will continue to get worse. He also made clear that a long term and dedicated funding source is needed to focus on the system as a whole, pointing out that the \$6 billion dollar gap is derived from considering all sources of reserves.

Chair Kelly asked Commissioner Zelle about the use of dedicated funds, commenting that 33 other states use general funds. Commissioner Zelle said that if you look at those 33 other states, the general fund accounts for 5% of their transportation programs and does not provide that dedicated ongoing stream.

### **GOVERNOR'S DEFICIENCY BILL**

Politics are over an emergency funding bill are escalating. Both the House and Senate have versions of a deficiency funding bill aimed at dealing with unanticipated emergencies. The House is moving a version of the bill with language that would decrease the agencies' budgets by the same amount that Governor Dayton has proposed increasing each agency commissioner's pay. On Thursday, the Senate passed the bill with an amendment that delays Governor Dayton's authority to give out raises until July 1. Governor Dayton has now threatened to veto this legislation. Agencies impacted include the Department of Health, the Department of Revenue, the Department of Human Services, and the Minnesota Zoo.

### **SALES TAX EXEMPTION ON CONSTRUCTION MATERIALS**

The sales tax clarification bill for construction materials was heard in the House Government Operations and Elections Policy Committee this week. HF 531 (Swedzinski) would simplify the process by which a city, county, school district or other eligible non-profit entity can secure the sales tax exemption on construction materials. Under HF 531, contractor purchases on behalf of cities will be subject to the sales tax, but a city would now be able to apply to the state for a refund of the sales tax paid after completion of the project. The refund process is not as simple as an up-front sales tax exemption, but because of concerns raised by the Minnesota Department of Revenue (DOR), the bill was drafted as a streamlined refund process. This will allow cities to receive the benefit of the exemption while allowing the DOR to ensure that the sales tax savings are realized by the exempt entity and not the contractor.

The MLC wrote a letter of support for this bill, which was initiated by the League of Minnesota Cities. The House Government Operations Committee passed and re-referred the bill to House Taxes Committee, where it is now scheduled for a hearing on next Tuesday, February 17.

### **DUAL TRAINING GRANTS PROGRAM**

SF5 (Bonoff) continues to move through the Senate. It was heard in Senate State and Local Government Committee on Wednesday, was amended and passed to the Finance Committee. This bill would allow high school students to take vocational training in return for academic credit. It would include a partnership with local employers interested in providing training opportunities to students. The bill has not yet been heard in the House.

**REP DRAZKOWSKI VISITS MLC OPERATING COMMITTEE**



**BILL INTRODUCTIONS THIS WEEK**

HF #	Author	SF #	Author	Short Description
723	Lucero			Municipal liquor store related provisions modified.
752	Uglem			Metropolitan Council member staggered terms provided.
763	Nash			Statutory cities authorized to set candidate filing fees by ordinance.
782	Runbeck			Reverse referendum approval of debt issuance provided.
826	Murphy M			Volunteer firefighter working group state auditor recommendations implemented, disbursement and accounting issues addressed, benefit issues addressed, volunteer fire state aid references updated, and relief association establishment and membership issues addressed.
847	Kelly			Governor's budget for transportation established; funding provided for transportation, Metropolitan Council, and public safety activities; gross receipt motor fuel tax established; metropolitan area transit sales tax modified; governing transportation finance provisions amended; trunk highway bonds issued; reports required; and money appropriated.
848	Davids	826	Skoe	Middle class family tax reductions provided, loopholes closed, tax fairness provided, and money appropriated.
		667	Franzen	State economic forecast rate of inflation inclusion requirement
		744	Dibble	Metropolitan council members appointments by cities and towns authorization; transportation advisory board elimination; grant evaluation and ranking system (GEARS) committee repeal

		747	Rosen	Transportation economic development grants bond issue and appropriation
		758	Ortman	Statutory cities candidate filing fees set by ordinance for municipal elections authorization
		778	Carlson	Municipal street improvement districts establishment
		780	Dibble	Metropolitan council members election; grant evaluation and ranking system (GEARS) committee elimination
		799	Carlson	Cities civil penalties and fees collections as special assessment authorization