



2017

Legislative Session

Summary

June 2017

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## Background

The Minnesota State Legislature operates on a two-year biennial cycle. The first year of the biennium begins in an odd-numbered year and is primarily spent adopting the state budget for the next two-year budget cycle. The second year of a biennium usually involves passage of a capital investment (bonding) bill to fund public works infrastructure projects across the state. However, during the 2015 and 2016 legislative sessions, there was no tax bill, capital investment bill, or major transportation funding bill, and the absence of those bills heightened the anticipation of their passage during the 2017 session.

Setting the stage for 2017, the November 2016 election resulted in Republicans maintaining control of the Minnesota House of Representatives and flipping the Minnesota Senate from Democratic to Republican control, with DFL Governor Mark Dayton in the middle of his second term. In addition, the 2017 February Economic Forecast revealed a \$1.65 billion budget surplus to work with in crafting the state budget for the next two years.

The legislature convened on January 3, 2017 and was constitutionally required to adjourn the regular session by May 22, 2017. In the final weeks of session, the legislature passed ten budget bills which were vetoed by Governor Dayton. Subsequently, legislative leaders negotiated with the Governor in the final days leading to the adjournment deadline, and the Governor called a special session immediately at 12:01 a.m. on May 23 so the legislature could finish their work. Before adjourning the special session in the early morning on May 26, the legislature passed all of the major budget bills, a capital investment bill, and a bill relating to labor standards that prohibits local governments from enacting wage or benefit requirements (a “preemption” bill).

Since adjournment, Governor Dayton signed all of the budget bills and the bonding bill, but he vetoed the “preemption” bill and line-item vetoed funding for the legislature in the State Government Finance Bill. In a letter to legislative leaders, the Governor indicated that he would bring the legislature back in a special session to restore their funding if they would be willing to address five issues: eliminate tobacco tax breaks, cancel the estate tax exclusion increase, remove the frozen inflator for the state general levy, remove a provision that prohibits the Department of Public Safety from changing administrative rules to allow undocumented residents to obtain state identification, and re-negotiate the teacher licensure provision.

On June 13, the legislature filed a lawsuit against the Governor for his defunding of the legislature, challenging the constitutionality of the move. On June 26, a Ramsey County Court judge heard arguments from both sides. While the judge ordered the legislature to be funded until October, resolution of the lawsuit is pending.

This summary contains an update on major topics that were addressed this session, as well as items that were proposed but did not pass into law. The topics are organized according to the [City’s 2017 Legislative Agenda](#), followed by other issues. This summary will be updated if there are developments involving major changes or policies that impact the City of Minneapolis.

## Advancing Racial Equity

In recent years, there have been legislative efforts to try to address racial disparities and enhance racial equity. In 2014, the Senate created the Senate Select Committee on Disparities and Opportunities. During the 2015-2016 biennium, the Senate Subcommittee on Equity was formed, and helped to shape the Equity Article that was included in the 2016 Supplemental Appropriations bill. During the 2017 Legislative Session, there were not any committees or subcommittees with racial equity specifically included in their purview. However, the Jobs and Economic Development bill ultimately signed by Governor Dayton included continuation of some of the appropriations that were passed in 2016. These changes are described on page 13 in the Jobs and Workforce Development section of this document.

## Local Government Finance

### Taxes

Tax relief was among the top stated priorities of the House and Senate leadership during the 2017 session. After two years without a tax bill, the legislature passed and the Governor signed a tax bill containing \$647.8 million in spending in FY 18-19, and \$790.6 million in spending in FY20-21, including a number of provisions that reduce tax revenues to the state, such as exclusions for social security income, tax credits for student loans, reductions in state property taxes for commercial/industrial property, and estate tax changes. Key items in the bill are listed below, though many provisions that impact cities and Minneapolis specifically were proposed but not included in the final compromise; these provisions are summarized on page 18.

### OMNIBUS TAX BILL (CH. 1, SPECIAL SESSION)

SIGNED 5/30/17

- Local Government Aid (LGA) changes, including:
  - \$15 million increase in the base appropriation beginning with aids in FY 19 (will increase LGA to Minneapolis by \$1.137 million over the current 2018 estimate).
  - One-time partial early LGA distribution (approximately 29% of each city's July 2019 aid will be distributed in June 2019).
  - LGA reductions for cities that operate an unauthorized driver diversion program.
- Renter property tax refund study due March 1, 2018, to determine the actual percentage of rent constituting property taxes by geographic area, including:
  - City of Minneapolis;
  - City of St. Paul;
  - Counties of Anoka, Dakota, Hennepin (except Minneapolis), Ramsey (except St. Paul); and
  - The rest of the state.
- Approval of many specific local government requests such as special tax increment financing legislation, or local provisions related to local option sales taxes. Minneapolis did not have any specific local requests.
- State General Levy modifications including:
  - Exempting the first \$100,000 in value of commercial/industrial property; and
  - Freezing the inflator.

## State Government Finance

The House and Senate State Government Finance Conference Committee report proposed a cut in state funding for the Minneapolis Employees Retirement Fund (MERF). Employers included in MERF are: the City of Minneapolis, Hennepin County, Minneapolis Public Schools, the Minneapolis Park and Recreation Board, Minnesota State Colleges and Universities, the Metropolitan Airports Commission, and at one time, the Metropolitan Council. Until this year, the law required MERF to receive \$16 million in state contributions and \$21 million in employer contributions until 2031. An initial legislative proposal removed \$10 million annually in state funding beginning in July 2017, which would have shifted the burden to the employers. Although that bill was vetoed by Governor Dayton, a version that was signed into law includes reduced funding for MERF beginning in the FY20-21 biennium.

### STATE GOVERNMENT FINANCE BILL ([CH. 4, SPECIAL SESSION](#))

SIGNED 5/30/17

- Cuts to Minneapolis Employees Retirement Fund by removing \$10 million annually in state funding beginning in 2019 (next biennium). If the reduction remains in law, it will amount to a \$5.6 million cut to the City of Minneapolis in 2019 and future years.
- Authorization for some additional long term equity investment authority for cities and counties with a population greater than 100,000, or cities or counties with the highest credit ratings.

## Pensions

The Legislative Commission on Pensions and Retirement (LCPR) approved an Omnibus Pension bill on May 10, 2017. The bill included provisions to provide stability and sustainability to the funds. If the bill became law, the plan's funding levels were anticipated to range between 85-95 percent in thirty years. The bill was passed by the Senate, with some amendments but was not heard in the House during regular session. During the special session, the pension bill was included in SF3, which also included provisions related to "preemption", state labor contracts, state employee benefits and wage theft. The Governor vetoed the bill. It is probable that the pension bill will be debated in the 2018 Session. Below are summaries of the bill as it was passed by the LCPR and the Senate.

### OMNIBUS PENSIONS BILL (SF 545, as passed by the LCPR)

DID NOT BECOME LAW

- Eliminating augmentation on deferred benefits and in the calculation of early retirement benefits.
- Reducing rate of interest on refunds.
- Reducing the cost of living adjustments (COLAs) for retirees.
- Eliminating the COLA triggers.
- Eliminating COLAs for early retirements that occur after January 1, 2023.
- Lowering the investment return assumption from 8% to 7.5% for all funds except the Teachers Retirement Association (TRA); TRA's assumption is currently at 8.5%.
- Increasing employer and employee contribution rates.

- Appropriating state aids to the Public Employees Retirement Association (PERA) Police and Fire fund and St. Paul Teachers fund.

**OMNIBUS PENSIONS BILL (SF 545, as amended by the Senate)      DID NOT BECOME LAW**

- Appropriations were provided for the Minnesota State Retirement System and St. Paul Teachers employer contribution rates.
- Benefit reforms for PERA were deleted from the bill and were replaced by requiring the PERA Board of Trustees to approve a package of reforms that results in a 90% funding ratio by the end of the amortization period (2047).
- TRA sustainability provisions were amended into the bill, effective contingent upon the increase in the employer contribution being funded through an increase in the school aid formula.

**Capital Investment**

Historically, the legislature reserved discussion of state capital investments (bonding) to even-numbered years. That tradition has gradually evolved and bonding bills are now frequently a component of negotiations each legislative session. The failure to pass a bonding bill in the 2016 legislative session increased the demand for funds and increased the pressure on legislators to pass a sizable bill in 2017. This year, legislators needed extra time to come to an agreement, with a deal finally being struck in a special session.

In January, Governor Dayton released his \$1.5 billion state infrastructure proposal. The House and Senate responded late in session with their own proposals of \$600 million and \$972 million, respectively. The Senate bill was significantly similar to the bill that almost passed at the end of the 2016 Legislative Session.

**CAPITAL INVESTMENT BILL (CH. 8, SPECIAL SESSION)      SIGNED 5/30/17**

The compromise bill included:

- City of Minneapolis Projects:
  - \$25 million in general obligation (GO) bonds for 35W/Lake Street Transit/Access Project;
  - \$31.875 million in GO bonds for 10th Avenue Bridge rehabilitation; and
  - \$1.029 million in GO bonds for Pioneers and Soldiers Cemetery Fence.
- Other projects of interest:
  - \$1.6 million in cash from the general fund for The Family Partnership;
  - \$2.2 million in cash from the general fund for People's Center;
  - \$5 million in GO bonds for Norway House;
  - \$3 million in cash from the general fund for Hennepin Center for the Arts;
  - \$155,000 cash from the general fund for the American Indian Center;
  - \$1.342 million GO bonds for Minneapolis Workforce Development Center ;
  - \$5 million GO bonds for Metro Regional Parks (Park Board to receive portion);
  - \$1.0 million GO bonds for Safe Routes to Schools;
  - \$3.739 million GO bonds for Inflow and Infiltration Grant Program of the Met Council;
  - \$12.1 million GO bonds for Orange Line BRT;
  - \$10 million GO bonds for Public Housing rehabilitation; and
  - \$35 million for Housing Infrastructure bonds.

## Transportation

Perennial debates about the financing of transportation, transit, infrastructure, and ongoing maintenance of these investments continued into the 2017 legislative session, following little more than a lights-on bill in 2016. When they returned to the Capitol in January, lawmakers faced an estimated \$6 billion shortfall in road and bridge needs over the next 10 years, as well as a rapidly changing transit financing landscape. Debate fell largely along party lines with Republicans favoring the statutory dedication of existing revenues to transportation needs, and Democrats, fearing such an approach would lead to reductions in other budget areas, favored increased revenues from various sources such as the gas tax and vehicle license registration (tab) fee increases. Conflicting positions on the role of the state in supporting transit capital and operations, as well as partisan and geographic differences between legislators often driving the debate, legislative efforts regarding transit were equally contentious.

The Omnibus Transportation bill spends \$2.95 billion in FY18, and \$2.87 billion in FY 19 on transportation and transit infrastructure, maintenance and programming, and establishes biannual budgets for Minnesota Department of Transportation (MnDOT), portions of the Department of Public Safety, and the Metropolitan Council.

### OMNIBUS TRANSPORTATION BILL (CH. 3, SPECIAL SESSION)

SIGNED 5/30/17

Transportation Policy and Finance provisions included:

- Transfers \$300 million in FY18-19, and \$448 million in FY20-21 from the General Fund for transportation purposes.
- \$1.0 billion in FY18 and \$884 million in FY19 for the construction, reconstruction and improvement of trunk highways.
- \$190.66 million in FY18 and \$197.558 million in FY19 for Municipal State Aid roads.
- \$16 million/biennium for the Small Cities (under 5,000) Assistance Program.
- \$340 million in FY18 and \$329m in FY 19 for operation and maintenance of state roads. This is a one-time increase of \$90.6 million over the previous biennium. But the base is reduced in FY20 to \$317 million and to \$310 million in FY21.
- Transfers motor vehicle lease sales tax revenue to the county state-aid highway fund (38%), the greater Minnesota transit account (38%), the Minnesota state transportation fund (13%), and the highway user tax distribution fund (11%).
- Limits grant awards in the Local Bridge program to projects that cost less than \$7 million in total; creates a new Large Bridge account, funded with money left over after all Priority bridges are funded in the Local Bridge (under \$7 million) account.
- Establishes an electric vehicle surcharge of \$75 as part of annual vehicle inspections, with the revenue deposited in the highway user tax distribution fund.

Transit Policy and Finance provisions included:

- \$121 million in FY18 and \$129 million in FY19 to the Metropolitan Council for transit system operations. The base is reduced to \$89.82 million in FY20, and \$89.82 million in FY21.
- One-time funding of \$70 million for Metropolitan Council to help close a projected \$67.5 million budget deficit; maintains current levels of transit service; does not address shortfall in future years.

- Shifting the state’s 50% share of Southwest Light Rail Transit (SWLRT) operating costs to Hennepin County. All other future rail operations maintain current structure (50% state).
- Allowing the five former Counties Transit Improvement Board (CTIB) counties to increase local sales tax to a half cent to pay for transit and transportation.
- Requiring the Metropolitan Council to fund a vibration study for Calhoun Isles condo, which is located along the SWLRT line.
- Capping the liability for freight rail collocated in corridor with SWLRT.
- Establishing an Active Transportation Program within MnDOT to provide grants to local units of government and tax exempt organizations to support bicycling, pedestrian activities, and other forms of nonmotorized transportation. The program is not funded in the bill.
- Defining “bikeway” as a lane, path, or route, regardless of whether designated for the exclusive use of bicycles or shared use.
- \$1 million in FY18 for financial assistance to replacement service providers for a suburb-to-suburb transit demonstration project.
- \$1 million/biennium for Safe Routes to School.

## **Municipal and Regional Governance**

### **Local Government Decision-Making Authority**

In 2017, there were dozens of bills introduced that would have impacted or weakened local government decision-making ability. One high-profile bill, referred to as the “preemption” bill, was vetoed by Governor Dayton. More detail about the preemption bill and other local interference bills that did not become law can be found on page 18 of this document. Changes that became law are summarized below.

#### **ORDINANCE NOTIFICATION BILL ([CH. 77, REGULAR SESSION](#))**

**SIGNED 5/23/17**

This new statute provides notice requirements for proposed ordinances, excluding interim ordinances (see below for interim ordinance changes). The law requires a ten day notice prior to a final vote for proposed new ordinances or a proposed amendment to an ordinance. The notification procedures include providing email notification and updating city websites with the proposed ordinance or amendment language. The bill also requires that if a city has an electronic notification system, the city must share the notification processes with those who are applying for a business license or license renewal.

#### **OMNIBUS JOBS BILL ([CH. 94, REGULAR SESSION](#))**

**SIGNED 5/30/17**

### **Interim Ordinance**

In the Jobs Bill signed by the Governor, changes were made to local interim ordinances related to housing. The provision included a requirement that a public hearing must be held at the next regularly scheduled council meeting or within ten days of notice of the ordinance. The bill also requires a simple majority to adopt an interim ordinance, and provides some additional notification requirements. The final bill ensures that construction activities that would be restricted by the interim ordinance cannot occur prior to the public hearing.



In mid-May, a stand-alone bill, HF 330/SF 201, was passed by the legislature and vetoed by Governor Dayton, as he had concerns with a two-thirds majority voting requirement that was initially included in the bill. Subsequently, the final version as described above was included in the Omnibus Jobs and Economic Development bill that was signed by Governor Dayton.

### Plastic Bag Ban

The provision included in the Omnibus Jobs Bill signed by the Governor prohibits local units of government from banning plastic or paper bags. This change impacts an ordinance passed in Minneapolis, which was set to take effect on June 1, 2017. Earlier in session, a stand-alone bill (HF1504/SF1195) traveling through the legislative process included a prohibition on plastic or paper bag bans, and also prohibited local governments from requiring a tax or fee on plastic or paper bags being provided by a retailer. The provision related to taxes or fees was not signed into law.

### Small Cell Wireless Authority

The installation of small cell wireless facilities in the public right of way has become the subject of public debate in several states including Minnesota. Ultimately, the bill was included in the Omnibus Jobs Bill signed by Governor Dayton, however, during the session the bill had been traveling separately (HF739/SF561). The effort was led by several national telecommunications companies, including Verizon and AT&T. A small cell facility generally refers to a site that supports antennae plus other equipment to add data capacity and transmit wireless signals. The units require a continuous power source to be operative.

As introduced, the bill restricted local authority to regulate companies installing small cell wireless technology in the public right of way. The bill encountered strong opposition from cities and city organizations, and modifications were discussed throughout session. Provisions in the final bill included:

- Approval Process - Local governments will have 90 days to issue or deny an application. If there is no decision within the permitted time the application would be deemed to be approved.
- Numerous Permit Requests at One Time (Batching) - The submission of 15 or more locations in one application is permitted, but the facilities must be located within a two-mile radius, have substantially similar equipment, and be placed on similar types of wireless support structures.
- Rent - The amount of rent specified in the statute is a flat amount, not adjusted for inflation. The rate is \$150 per year per pole plus \$25 for maintenance. In addition there is an allowance for electricity (\$73/month).
- Height of Poles - Poles cannot be more than fifty feet in height unless the city provides an exemption.

- Small Cell Applications for New Poles or Non-City Owned Poles Located within the Public Right of Way - The statute permits companies to locate small cell facilities on new poles or on poles owned by a third party such as Xcel Energy.
- Zoning - City zoning approval can be required for the location of facilities in single family zones or state, federal or local historic districts.

The City of Minneapolis has adopted and implemented an ordinance regarding use of the public right of way. The passage of the changes to the statutes for the installation of small cell facilities within the public right of way will require the City to revise its ordinance and policies.

### **Metropolitan Council Reform**

A number of Metropolitan Council governance reform provisions were considered by the House and Senate this legislative session, though ultimately none of them passed into law. The governance reform bills moved as stand-alone bills, where the House passed its version (HF1866) through several committees before sending it to the Ways and Means Committee, and the Senate passed its version (SF 1490) through all committees and off of the Senate floor. Although the provisions were not included in either the House or Senate Omnibus Transportation Bills, they were subsequently included in the version of the Transportation Bill that was agreed on by a House and Senate conference committee which was ultimately vetoed by the Governor. In his veto letter, the Governor called the changes “ill-advised” and noted that although he appreciated the Legislature’s interest in governance reform, he wouldn’t sign a transportation bill that included such drastic changes, instead favoring changes that are overwhelmingly supported by most entities that would be impacted by the changes.

#### **MET COUNCIL GOVERNANCE REFORM ([CH. 62, REGULAR SESSION](#))**

**VETOED 5/15/17**

- Removal of a governor’s authority to appoint members to the Council.
- Increase the size of the Metropolitan Council from 17 to 27 members, of which 23 would be locally elected officials, including:
  - The MnDOT Commissioner;
  - Three appointees of the MnDOT Commissioner representing various transportation modes;
  - One elected county official from each of the seven metro counties; and
  - One locally elected official from each of the 16 Met Council districts (officials from each district would be selected by a newly established municipal committee in each district, where each committee is comprised of a representative from each city or town in the district).
- Elimination of the Transportation Advisory Board (TAB).

### **Public Safety and Criminal Justice Reform**

A significant driver of the Judiciary and Public Safety Finance Omnibus bill is always funding for the state’s courts and corrections systems, much of which is dedicated to employee salaries, benefits and pension costs. In his budget, the Governor proposed increases to all of these

funding areas, and the legislature's initial budgets provided significantly lower levels of investment.

Additionally, there was a significant disparity between the House and the Senate as to the scope of their omnibus bills. In its original 114-page bill (HF 896), the House included both finance and policy items. In its 15-page bill (SF 803), the Senate included very few policy change items and, as a result of a relatively small spending target, significant cuts to the budgets of the Department of Corrections and the court system. The merged bill approved by the conference committee and repassed by the legislature maintained many of these large budget cuts and controversial policy items, leading the Governor to veto the initial Judiciary and Public Safety Omnibus bill.

The conference committee reconvened to debate a new omnibus package. After negotiations between the committee leaders and the Governor, the final bill did not include a provision that would have increased penalties on protesters. However, a section that was added to the bill late in the process that was included in the final compromise prohibits the Department of Public Safety from changing administrative rules that relate to the requirements for obtaining a driver's license or Minnesota identification. This was one avenue for undocumented immigrants to potentially obtain state driver's licenses, and the inclusion of this provision effectively eliminates that path for the time being. The deletion of other controversial policy changes and an agreement between the legislature and the Governor on funding levels much closer to the Governor's original proposal led to the passage of a second Judiciary and Public Safety Omnibus Finance bill before the end of the regular session (HF 470).

#### OMNIBUS PUBLIC SAFETY BILL ([CH. 95, REGULAR SESSION](#))

SIGNED 5/30/17

Provisions in the Public Safety Omnibus Bill included:

- Additional 16 continuing education credit hours required in crisis intervention and mental health crisis, conflict management and mediation, and recognizing and valuing community diversity and cultural awareness, including \$6 million/year for four years (funding sunsets after 4 years).
- Extending the Driver Diversion Program (DDP) through June 30, 2019; requires audits of programs and expands reporting requirements to the legislature.
- Establishing a misdemeanor for the willful violation of a geographic restriction.
- Prohibiting the Department of Public Safety from changing administrative rules that relate to the requirements for obtaining a driver's license or Minnesota identification.
- Clarifying policy that off-duty peace officers have the right to carry firearms in, and cannot be prohibited from entering, private establishments.
- Modifying the Driving While Intoxicated (DWI) law including changes to ignition interlock, affirmative defenses, warrant requirements for certain tests, and license revocation (Chapter 83).
- Clarifying that body camera evidence cannot be excluded from evidence on the basis that there is no written transcript prepared and available before trial.
- Creating a new *Alternatives to Incarceration* pilot program including chemical dependency treatment.
- \$4.7 million/biennium from the Trunk Highway Fund for lab analysis related to DWI cases.
- \$2.6 million/biennium to build the predatory offender registration system.
- \$850,000/year for hazmat and chemical assessment teams.

- \$400,000 in FY19 and ongoing for Local Pathways to Policing programs to recruit officers with nontraditional backgrounds.
- \$250,000 year for combatting terrorism recruitment grants.
- \$180,000 year for sex trafficking prevention grants.
- \$100,000 year for training in crisis de-escalation techniques.
- \$50,000 year for reimbursement to local governments for bomb squad services.

## Affordable Housing and Homelessness Prevention

The Homes for All Coalition, of which the City of Minneapolis is a supporting organization, advocated this year for \$100 million in new bonding dollars for affordable housing (\$80 million for Housing Infrastructure Bonds, and \$20 million in general obligation bonds for public housing rehabilitation). In addition, the Coalition was also advocating for additional housing appropriations from the Minnesota Housing Finance Agency (MFHA) and the Minnesota Department of Human Services (DHS). Pertaining to appropriations, there was a \$2 million one-time increase for Homework Starts with Home in the Omnibus Jobs Bill (Chapter 94), which aims to end student homelessness, and a \$2.5 million one-time increase for various programs at DHS to address homelessness (Chapter 6, Special Session).

### CAPITAL INVESTMENT BILL (CH. 8, SPECIAL SESSION)

SIGNED 5/30/17

- \$77m in housing-related funding including:
  - \$10m in general obligation bonds for public housing rehabilitation;
  - \$35m in housing infrastructure bonds;
  - \$20m from 2014-2015 housing infrastructure bonding authorization; and
  - \$12m in general obligation bonds for Dorothy Day phase two.

### OMNIBUS JOBS BILL (CH. 94, REGULAR SESSION)

SIGNED 5/30/17

- Local Housing Trust Funds policy changes, including:
  - Authority for local governments or housing and redevelopment authorities to establish a Local Affordable Housing Trust Fund was passed this legislative session. Initially, the bill included matching funds from the Minnesota Housing Finance Agency, but that funding ultimately did not become law.

## City Livability and Community Wellbeing

Before discussions related to the Health and Human Services (HHS) budget got underway this session, initial debate related to HHS was dominated by health insurance premium relief to assist Minnesotans who would be seeing large health insurance premium increases this year. Once the budget work began, preliminary House and Senate budget targets in the HHS area proposed reductions of \$600 million and \$335 million respectively. Though at first the House proposed reductions to the Statewide Health Improvement Partnership (SHIP), and the Senate proposed a delay in a portion of the funding for Local Public Health Grants, those proposals were not included in the final bill.

Although a bill (HF1326/SF1136) was introduced to provide enhanced asthma care to children on medical assistance with poorly controlled asthma, the bill was not given a hearing in the House or the Senate.

In addition, while supporters of the Good Food Access Program and Urban Agriculture were advocating for \$10 million in funding respectively, initial budget targets in the House and Senate Agriculture Finance Committees meant there was little to no funding for program increases. However, the final negotiated agreements included a nearly \$5 million increase in total funding, including increased funding to the Agricultural Growth, Research and Innovation Program (AGRI). The final bill included authority for the Commissioner of Agriculture to allocate some AGRI funds for the Good Food Access Program and Urban Agriculture.

#### OMNIBUS HEALTH AND HUMAN SERVICES BILL ([CH. 6, SPECIAL SESSION](#)) SIGNED 5/30/17

Investments in Safe Harbor for Sexually Exploited People included:

- \$2.1 million for sexually exploited youth for shelter, supportive services, and training.
- \$73,000 and policy direction to complete Safe Harbor for All strategic plan to develop a response for adult victims of sex trafficking.

Provisions related to Local Public Health included:

- New policy language for SHIP, requiring at least two grants for opioid prevention.
- \$5 million in FY18 to a Public Health Response Contingency Account for public health activities in response to pandemic influenza or outbreak of a communicable or infectious disease.
- New investments in home visiting:
  - \$12 million in FY18-19 (\$33 million in FY20-21) for grants from the Minnesota Department of Health to start or expand evidence-based programs.
  - \$163,000 in FY18 and \$451,000 in FY19 for medical assistance \$140 per visit reimbursement for Nurse Home Visiting.

#### OMNIBUS AGRICULTURE FINANCE BILL ([CH. 88, REGULAR SESSION](#)) SIGNED 5/30/17

Specified language in the Agriculture Bill was included for:

- Good Food Access Program:
  - Allows the Commissioner of Agriculture to appropriate up to \$250,000 in FY18 and in FY19 for the Good Food Access Program. The program aims to increase access to affordable, nutritious, and culturally appropriate foods in underserved and low and moderate income communities.
- Urban Agriculture:
  - Allows the Commissioner of Agriculture to appropriate up to \$250,000 in FY18 and in FY19 for urban youth agricultural education and urban agriculture community development.

### Jobs and Workforce Development

In response to calls to reduce racial disparities, Governor Dayton and the 2016 legislature included an Equity Article in the 2016 Supplemental Budget Bill, which included funding for specific organizations as well as competitive grants. The \$35 million package was appropriated to the Minnesota Department of Employment and Economic Development (DEED) and Minnesota Housing Finance Agency (MHFA). While some of the programs were identified to be one-time funding, many were intended to receive funding in the following budget as well.

Although the 2017 Jobs Bill (Chapter 94) does not have an Equity Article, the bill provides funding for several of the organizations and the competitive grants funded in the 2016 Equity Article, including \$1 million in General Fund dollars for FY18-19 for Youth at Work. This funding is reduced from the anticipated \$2 million in funding that was included in the 2016 spreadsheet.

There are several differences between the 2016 Equity Article and the 2017 bill, including:

- The 2017 bill reduces the general fund appropriation for the equity programs and increases the Workforce Development Fund contribution. The 2016 Equity Article appropriated approximately \$35 million funding from the General Fund for FY17.
- Appropriations to most of the organizations identified in the 2017 bill were one-time.
- The competitive grants identified in the 2017 bill are funded with General Fund or Workforce Development Fund or a combination of the two.
- Base funding is identified for the competitive grants for FY20 and future years.

## Other Issues that Passed into Law

### Environment

Below is a summary of select provisions related to the environment from the 2017 session:

- SCORE - Although the vetoed Environment and Natural Resources bill (Chapter 44) increased funding for the Governor's Select Committee on Recycling and the Environment (SCORE), the bill that became law (Chapter 93) did not include the increase. SCORE funds are granted to counties to assist local governments with recycling programs, and the funding level has not increased for several legislative sessions.
- Surface and Groundwater Protection - The Legacy Bill (Chapter 91) provides funding for initiatives related to the outdoors, clean water, parks and trails and arts and culture. Clean water provisions in the bill appropriated funds to the Minnesota Departments of Health, Natural Resources, and Agriculture, as well as the Pollution Control Agency, the Board of Water and Soil Resources, the Public Facilities Authority, the University of Minnesota and the Metropolitan Council to conduct research and implement projects to protect the state's surface and ground water.
- Drinking Water Protection - The Met Council received \$950,000 in FY18 and FY19 to implement projects to address emerging drinking water threats, provide solutions, and work cooperatively with local governments. The projects are envisioned to:
  - Leverage regional water use through use of surface water, storm water, wastewater, and ground water to develop workable solutions;
  - Conduct an analysis of the infrastructure requirements for the different alternatives;
  - Prepare preliminary cost estimates pertaining to capital and operations; and
  - Identify funding mechanisms, including equitable project cost sharing.

## Liquor

The House and Senate Commerce Committees have jurisdiction over legislation governing the production, distribution and sale of alcoholic beverages in the state. The committees usually approve an Omnibus Liquor Bill, which typically amends liquor-related statutes, and often includes special laws for liquor licenses in specific cities. This year, although the legislature did work on an Omnibus Liquor Bill, the bill did not pass into law. Instead, select liquor-related provisions were included in the State Government Finance Bill signed by the Governor. The legislature also passed a separate bill earlier in session (Chapter 6, Regular Session) that permits the sale of alcoholic beverages on Sunday. The Sunday sales provision is effective July 1, 2017.

STATE GOVERNMENT FINANCE BILL ([CH. 4, SPECIAL SESSION](#))

SIGNED 5/30/17

Select liquor-related provisions passed during the special session included:

- Allowing the City of Minneapolis to issue an on-sale liquor license to an anchor tenant for a food hall located at 501 30<sup>th</sup> Avenue SE;
- Allowing the City of Minneapolis to issue an on-sale liquor license to a restaurant located at 4312 Upton Avenue S; and
- Allowing special closing times for on-sale liquor licenses statewide for the 2018 Super Bowl.

## Elections

The Omnibus Elections Bill, having received bipartisan support and support from local government organizations representing cities, counties, townships, and school boards, was signed by the Governor. The bill does not include provisions that implement a provisional balloting system, move the state primary to June, or authorize an automatic voter registration process.

In addition to the Omnibus Elections Bill (Chapter 92), the State Government Finance Omnibus Bill that passed in the special session includes \$7 million to establish a grant program for cities and counties to purchase election equipment.

OMNIBUS ELECTIONS POLICY BILL ([CH. 92, REGULAR SESSION](#))

SIGNED 5/30/17

- Allows cities to canvass primary results on the second or third day after the primary.
- Permits the use of an electronic polling place roster system that allows a voter to sign in to vote electronically.
- Authorizes political parties to provide a list of election judges who are willing to travel to a precinct outside of their jurisdiction.
- Adopts five uniform special election dates, including: the second Tuesdays in February, April, May, or August; and, the first Tuesday after the first Monday in November.



- Requires the relevant state agency to report the status of guardianships, legal incompetence, felony convictions and citizenship status changes of individuals who are 17 years of age or older to the secretary of state.
- Codifies into statute that “I Voted” stickers can be distributed to those who have voted.

#### STATE GOVERNMENT FINANCE BILL [\(CH. 4, SPECIAL SESSION\)](#)

SIGNED 5/30/17

The bill contains a \$7 million appropriation for grants to cities and counties to purchase election equipment. The appropriation requires an annual report to the Legislature describing the grants awarded. Grants for an electronic roster system can be authorized for up to 75% of the total cost, while grants for other eligible equipment can be up to 50% of the total cost. Grants can be used to purchase or lease:

- An electronic voting system or individual components of a system;
- Assistive voting technology;
- An electronic roster system that meets technology requirements contained in Minnesota Statutes Section 201.225 subd. 2; and
- Any equipment approved by the Secretary of State for use in conducting a state or local election in Minnesota.

#### Real ID

The REAL ID Act of 2005 is a federal law related to security, authentication, issuance procedures and standards for state driver’s licenses and identification (ID) cards. The federal law, which is administered by the U.S. Department of Homeland Security, identifies requirements for state driver’s licenses and ID cards that will allow individuals to board commercial aircraft and enter federal buildings. While most states have either enacted legislation or used other official actions to comply with the federal law, until this session, the Minnesota legislature had not done so. However, in 2017, the legislature approved and the Governor signed a bill to bring Minnesota in compliance with federal law.

#### REAL ID COMPLIANCE [\(CH. 76, REGULAR SESSION\)](#)

SIGNED 5/18/17

- Directs the Minnesota Department of Public Safety (DPS) to fully comply with the REAL ID Act requirements by October 1, 2018.
- Permits applicant for a new or renewal of a driver’s license to choose a REAL ID compliant or non-compliant version of driver’s licenses or ID cards.
- Requires DPS to develop public information regarding the types of driver’s license.
- Prohibits DPS from complying with any future REAL ID Act changes without prior legislative approval.
- Provides for a process for applicant to receive a compliant license or ID card before the current document expires.
- Appropriation of \$3.27 million for implementation and makes statutory change so that Minnesota will be comply with the federal law.
- Does not address the issuance of driver’s licenses for undocumented residents.



## The “Condo” Bill

A full range of housing choices are vital to the state’s growth and well-being. Prior to the 2008-2009 recession, the housing industry was producing a mix of owner-occupied and rental housing, where owner occupied housing includes the traditional single family home as well townhomes and condominiums. After the recession, housing production has slowly recovered but the housing mix has changed. Rental apartment units are the most common housing type being constructed followed by single family homes. In 2007 of the 7,500 units constructed 2,300 or 30.6 % were rental units. In 2015, approximately 7,600 of the 13,000 units or 58.4% were rental.

A review of the multi-family housing production indicates a shift toward more rental housing and less ownership units such as townhomes and condominiums. In the Metro Area in 2007, 23% of all multifamily units were condos and townhomes, but in 2015 the market share dropped to 3%.

### COMMON INTEREST OWNERSHIP ACT ([CH. 87, REGULAR SESSION](#))

SIGNED 5/30/17

Amendments to the Minnesota Common Interest Ownership Act aimed to increase the number of townhomes and condominiums being built. The legislation:

- Aims to reduce the risk of litigation associated with common interest communities and construction defect disputes.
- Requires a notification process to association members of possible litigation and member approval of entering into litigation.
- Directs the association to agree to mediation prior to litigation.
- Requires existing and new association prepare and approve a maintenance plan, program, schedule and budget for the common property.
- Applies the bill’s provisions, except the maintenance plan, to associations established on or after August 1, 2017.

## Workers Compensation Legislation

### OMNIBUS JOBS BILL ([CH. 94, REGULAR SESSION](#))

SIGNED 5/30/17

Article 4 of the Omnibus Jobs and Economic Growth Bill creates a new process to address two 2014 Minnesota Supreme Court decisions related to workers’ compensation and Public Employees Retirement Association (PERA) retirement benefits. The Court ruled that PERA retirement benefits should not be offset against workers’ compensation permanent total disability benefits, reversing a long-standing interpretation by the Workers Compensation Court of Appeals. Under the new law, all affected claimants will receive past and future permanent and total disability benefits calculated without a PERA retirement offset. The Minnesota Department of Labor and Industry (DLI) and the Minnesota Special Compensation Fund (SCF) will forego any claim for repayment of past “over-reimbursements” of supplementary benefits. SCF assessments will not be payable on the increase in permanent and total disability benefit amounts due to elimination of the PERA retirement offset, beginning Aug. 13, 2014. Other pools, insurers, and self-insurers (such as the City of Minneapolis) who provide workers’ compensation benefits for public employees will also have the option to accept this

arrangement and forego litigation. Workers' compensation payers that opt not to participate in this program will be entitled to litigate the application of the Supreme Court decisions, but would not be automatically entitled to the program's reimbursement and assessment offset, and could be subject to penalties. This law was effective May 31, 2017.

## Other Selected Bills or Provisions That Did Not Pass Into Law

### Taxes

Before the final tax bill was passed and signed by the Governor, there were multiple tax proposals moving through the legislative process containing provisions that did not become law. Two provisions that did not become law would have directly impacted the City of Minneapolis, including:

- A cap on Minneapolis' LGA at \$50 million per year, which would have resulted in a \$28 million cut to the City in 2018 and cuts in future years; and
- Repeal of the City's library debt service aid beginning in 2018 (\$4.12 million cut per year).

Other provisions related to cities that were included in various tax proposals or bills heard during the legislative session but which ultimately did not become law include:

- Reverse referendum and additional notice requirements for franchise fee revenue that is not allocated to defray the cost of utility operation in a city (HF 1146/SF 2092);
- Reverse referendum on a levy increase from one year to the next (HF 564/SF 1590);
- LGA penalties for sanctuary cities (HF 1664);
- LGA penalties for cities that contribute to a world's fair (HF 754);
- LGA penalties for lobbying expenses (HF 2412);
- LGA penalties for cities imposing local labor regulations (HF 2107);
- Prohibition on local ordinances requiring a fee related to merchant bags (HF 1504);
- Repeal of a city's authority to establish special service districts (HF 2412);
- Simplified construction sales tax exemption for local government purchases of construction materials (HF299/SF460); and
- Exemption of car sharing from the 9.2% tax and 5% fee applied to car rentals (SF 133/HF522).

### Preemption

Commonly referred to as the "preemption" bill (but also called the "local interference" bill or the "Uniform State Labor Standards Act"), HF 600/SF 580 was introduced and moved through the House and Senate fairly early in session. Though the bill was ultimately sent to a conference committee, the conference committee never met. The bill would have prohibited local units of government from enacting their own minimum wage ordinance, or from enacting employer benefit requirements, such as sick and safe time. If passed, the bill would have invalidated sick and safe time ordinances that passed in the cities of Minneapolis and St. Paul in 2016, both which have an effective date of July 1, 2017, and it would have prevented any city from enacting similar ordinances. The Governor stated late in the legislative session that he would

veto a preemption bill. Ultimately, when the special session agreement was reached, passage of a labor standards bill was part of the agreement. When the bill was taken up in the special session, it also included the pensions bill, provisions related to ratification of state labor contracts, an extension of paid family leave for state employees, and wage theft prevention provisions. The Governor vetoed the bill (Chapter 2, Special Session) after the special session ended.

### **Sewer Availability Charge (SAC)**

HF 1747/SF 1877 would have prohibited Met Council from imposing SAC on a local government for an existing restaurant or bar due to an expansion of outdoor seating unless additional toilets or sinks were also added. HF 1747 was heard in the House Transportation and Regional Governance Policy Committee and was sent to the Government Operations and Elections Committee. The Senate bill was referred to the Senate Local Government Committee where it did not receive a hearing.

### **Minnesota Sports Facilities Authority Reform**

Prior to and during the legislative session, House and Senate Committees held several hearings regarding the Legislative Auditor's report on the use of Minnesota Sports Facilities Authority (MSFA) suites during events at the U.S. Bank Stadium and legislation addressing the issues raised in the report. The House and Senate bills (HF 778/SF 626) addressed the organization of the MSFA board, the use of the suites, and policies and procedures to increase access to information and board decisions. The bills, however, contained several differences that required a conference committee to finalize the bill. The conference committee completed its work on May 19 but the conference committee report was not considered by the House or Senate. As a result the report could be acted upon or revisited next Session.

The 2017 conference committee report includes the following:

- A five member board with two members appointed by the Mayor and three appointed by the Governor is retained. The members would be subject to House and Senate approval. Legislative confirmation is not currently required.
- The Chair would be selected from among the members. The Governor would not appoint the chair.
- There will be a full time Executive Director whose salary is not to exceed \$135,000/year.
- Rules and procedures for use of the suites are specified in statute and recorded vote of the board is needed to approve use.
- Reporting and public disclosures requirements are expanded to require posting on the MSFA website and reports to the legislature, Governor and the Mayor.

### **Legislative Approval of Volkswagen Settlement**

In September 2015, Volkswagen (VW) admitted that it installed technology in certain VW and Audi vehicles that was designed to render the car's emission controls inoperable unless the car is subject to an emissions test. VW's admission led to numerous lawsuits including an action by the Department of Justice (DOJ) on behalf of the Environmental Protection Agency (EPA) for

violations of the Clean Air Act. In negotiations between VW, the EPA and the state of California, a federal court in California approved a \$14.7 billion settlement to be paid over ten years, and Minnesota is estimated to receive \$47 million from the settlement. The first projects to be funded in Minnesota are projected to be announced in the fall of 2018.

The Omnibus Environment Bill that was vetoed by the Governor included a provision requiring legislative approval of any settlement agreement funding before it is spent. In his veto message, the Governor noted that the provision could risk the state's eligibility for the funds. The provision was not in a bill that was signed by the Governor.

## **Firearms**

Two firearms-related bills were heard in House committees, but did not move in the Senate. The first (HF 309/SF 649, and HF 188/SF 650) would allow Minnesotans to carry a firearm in public without first obtaining the permit to carry which is presently required. The second bill (HF 238/SF 292) would have expanded the circumstances in which people are allowed to use deadly force, eliminate the duty to deescalate, and create legal hurdles that make it harder to hold shooters accountable (so called "Stand Your Ground" or "Shoot First" legislation. Neither bill was included in the final Public Safety Omnibus Bill.

## **Enhanced Penalties for Protesters**

Legislation (HF 322/SF 679) was considered that would have expanded the ability of cities and other local units of government to hold an individual civilly liable for public safety response costs incurred when responding to "unlawful assembly or public nuisance" incidents. A second related bill (HF 390/SF 676) would have increased criminal penalties for obstructing traffic access to an airport, highway or public transit system from a misdemeanor to a gross misdemeanor.

The attempt to expand civil liability was heard in the House, but not included in any further legislation. The bill aimed at increasing criminal penalties was heard and passed by both House and Senate public safety committees. The House included the language in its final Public Safety Omnibus Bill, and the Senate did not. The provision was hotly contested throughout the legislation session, with supporters calling it a public safety measure, and opponents seeing as a threat to free speech and assembly rights. While the enhanced penalty was included in the first Omnibus Judiciary and Public Safety Bill (SF 803) that was passed by the legislature and vetoed by the Governor, it was negotiated out of the new final omnibus bill at the very end of the Regular Session.