**2022 Legislative Session Summary**

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**Introduction**

**The Return to the Capitol**

On January 31, the Minnesota Legislature convened for the 2022 Legislative Session. Similar to the last session, House committee hearings remained completely virtual with a hybrid approach for floor sessions. The Senate was hybrid, with in-person and remote options for all hearings and floor sessions. The Minnesota Senate Building was open to the public and in mid-March, the State Office Building, which houses the offices of Representatives, opened partially for workers and visitors with appointments.

Prior the session’s start, Legislative leaders identified the following priorities: repaying the federal unemployment insurance loans and replenishing the Unemployment Insurance Trust Fund; Frontline Worker pay; addressing public safety concerns; and utilizing the large budget surplus. Being one of the only divided Legislatures in the country, members agreed on session priorities but differed on how to address them.

**A Historic Surplus and Federal Funding**

In February 2022, the Department of Management and Budget released part one of the annual budget forecast. Adding an additional $1.5 billion to the then $7.7 billion forecast, Minnesota’s surplus rose to a historic $9.253 billion. Typically in even-numbered years, the Legislature focuses on bonding projects and filling in the budget where necessary. With the incredible size of the surplus, long lists of new or expanded programs and tax cuts quickly made their way into conversations. The calls for cautious spending reiterated that the economic forecast would not take into account outside factors such as the conflict in Ukraine, the path of the pandemic, or the rate of inflation.

Several factors can be credited to creating this historic surplus such as increased consumer spending, incomes, and corporate profits. Decreased state spending played a role with Minnesota spending $270 million less in the current biennium, primarily in E-12 education and health and human services. Minnesota’s steadily declining unemployment rate, down to 2.0% in May 2022, was also a factor.

Federal spending programs, such as the American Rescue Plan (ARP) and the federal Infrastructure Investment and Jobs Act (IIJA), played a part in creating this unprecedented budget. Minnesota received an $8.5 billion investment from the American Rescue Plan to utilize in three categories: $2 billion in local fiscal recovery funds including $644 million direct to 21 urban cities; $2.8 billion in state fiscal recovery funds including immediate COVID response, long-term pandemic recovery, and revenue replacement; and $3.5 billion in federal programing for initiatives supporting families, students, and small businesses. The federal Infrastructure Investment and Jobs Act allocates $6.8 billion for Minnesota’s roads, bridges, broadband, and many other areas of infrastructure and requires a state match for most of the funding.

**Targets and a Budget Framework**

In the final week of session, Governor Walz, the Speaker of the House, and the Senate Majority Leader signed an agreement dividing the surplus in three ways between spending, tax cuts, and money left on the bottom line. The agreement included $4 billion in spending and $4 billion in tax cuts – allocating $1.6 billion in supplemental spending and $1.6 billion in tax cuts in the current biennium, $2.4 billion in spending and $2.4 billion in tax cuts in the next biennium. The details of how to spend the surplus within the budget targets were left to committee chairs to negotiate. The negotiated budget targets for the current biennium were as follows:

|  |  |  |
| --- | --- | --- |
| **Areas of Spending** | **2022-23** | **2024-25** |
| E-12 Education | $320 million | $680 million |
| HHS | $300 million | $700 million |
| Higher Education | $20 million | $26 million |
| Ag | $7.5 million | $7.5 million |
| Housing | $50 million | $50 million |
| Environment | $10 million | $10 million |
| Jobs | $11 million | $14 million |
| Commerce | $3 million | $5 million |
| Energy | $23 million | $24.3 million |
| State Gov. | $35 million | $25 million |
| Public Safety | $200 million | $250 million |
| Transportation | $360 million | $486 million |
| GO Bond Debt Service | $8 million | $64 million |
| Cash for Bonding | $150 million |  |
| IIJA Flexible Fund | $30 million |  |
| Broadband | $25 million | $25 million |
| Drought | $18.4 million |  |
| Ombudsperson for Foster Youth | $800,000 | $1.5 million |
| Mental Health | $28 million | $32 million |

On Sunday, May 22, the deadline for the Minnesota Legislature to pass bills came and went with little accomplished. On Sunday morning, most major bills remained unresolved so House leadership requested a Special Session in hopes of reaching agreements and finishing the work of the Session. Senate leadership responded that the Senate had no interest in a special session since spending priorities were too vast between the two bodies.

Numerous meetings took place between leadership after the regular Session to try and come to an agreement for a Special Session. On June 16, Governor Walz announced that negotiations had reached an impasse and would not continue.

**Looking Ahead**

 Even with agreed-to budget targets the Legislature was unable to come to an agreement on almost anything. The session brought pressure for parties to accomplish their individual goals but with the state budget set for the following year, there was no obligation for compromise. They adjourned without passing any of the following bills: Taxes, Education, Health and Human Services Finance, Judiciary/Public Safety, Bonding, State Government/Transportation, and Jobs/Commerce/Energy.

After the dust of the Session settles, the Legislators will focus on their next endeavors: retirement or reelection. Every ten years, following a federal census, Legislative and Congressional districts are redrawn to reflect demographic changes. These new maps lead to significant turnover in the Legislature and contested races between colleagues or newcomers challenging incumbents. Nineteen members of the House, as well as nineteen Senators will not be seeking re-election this fall and twenty one legislators are running for another office. The Governor, all statewide offices, each of Minnesota’s eight Congressional House seats, and all 201 Legislators will be on the ballot this November.

**MLC Legislative Priorities**

**Housing and Home Ownership**

* Support for Affordable Home Ownership
* Collaboratively address statewide housing cost drivers
* Preserve existing affordable homes
* Preserve local autonomy and community characteristics

**Infrastructure and Transportation Investments**

* Increased investments in Corridors of Commerce
* Increased investments in Transportation Economic Development (TED)
* Bonding bill including significant investment in suburban communities
* Full funding of required state match for federal investments in infrastructure
* Flexibility for cities to impose infrastructure fees

**Workforce Support and Economic Expansion**

* Increased investment in the Minnesota Investment Fund (MIF)
* Increased investment in the Job Creation Fund (JCF)
* Partnership and coordination at the local, state and federal level to maximize federal investments in economic development
* Support the recommendations of the Governor’s Council on Economic Expansion, especially investments that help all-levels of government support businesses and innovation in their communities.

**Tax Policy and Local Issues**

* Simplifying the process for a sales tax exemption on construction materials
* Preserving the integrity of the Fiscal Disparities Program by not removing revenue from the pool to pay for one-off legislative priorities.
* Supporting Repeal of the Local Government Salary Cap

**MLC Legislation of Interest that Passed**

**COVID-19 Workers’ Compensation Presumption**

*H.F. 1203 Representative Wolgamott/Senator Howe*

*View the bill summary* [*here.*](http://www.house.leg.state.mn.us/scripts/billsum.pl?fname=HF1203&session=92&session_number=0&year=2021)

[*Chapter 32*](https://www.revisor.mn.gov/laws/?year=2022&type=0&doctype=Chapter&id=32)

Back in 2020, there was legislation passed which established a presumption for first responders who contracted COVID-19, making them eligible for workers' compensation benefits. The presumption sunset on December 31, 2021 so then beginning on January 1, 2022, a first responder would have to prove COVID-19 was contracted at work. The bill reestablished the presumption and was effective the day it was passed, February 3, rather than acting retroactively. This was the first bill passed by the Senate in the 2022 Regular Session.

**Southwest Light Rail Transit Project Audit**

*H.F. 3035 Representative Hornstein/Senator Dibble*

*View the bills summaries here:* [*House*](http://www.house.leg.state.mn.us/scripts/billsum.pl?fname=HF3035&session=92&session_number=0&year=2022) *and* [*Senate*](http://www.senate.leg.state.mn.us/departments/scr/billsumm/summary_display.php?ls=92&session=regular&body=Senate&billtype=SF&billnumber=2676&ss_year=2022)

[*Chapter 39*](https://www.revisor.mn.gov/laws/?year=2022&type=0&doctype=Chapter&id=39)

 The Southwest Light Rail will be a 14.5 mile extension to the current Metro Green Line, connecting downtown Minneapolis to Eden Prairie. Approved for construction in May 2018 by the Met Council and Hennepin County, the Southwest Light Rail project has since exceeded original costs and met significant delays. In 2021, three years after its approval, the project is $200 million over budget. The project was highlighted in an independent expert review which led to the passage a bill requiring the Legislative Auditor to perform a special review of the project.

**Unemployment Insurance Trust Fund and Frontline Worker Pay**

*H.F. 3166 Representative Pelowski / S.F. 2677 Senator Pratt*

*View the bills summaries here:* [*House*](http://www.house.leg.state.mn.us/scripts/billsum.pl?fname=HF3166&session=92&session_number=0&year=2022) *and* [*Senate*](http://www.senate.leg.state.mn.us/departments/scr/billsumm/summary_display.php?ls=92&session=regular&body=Senate&billtype=SF&billnumber=2677&ss_year=2022)

[*Chapter 50*](https://www.revisor.mn.gov/laws/2022/0/Session%2BLaw/Chapter/50/)

A top priority this session was addressing the Unemployment Insurance (UI) trust fund. During the COVID-19 pandemic, unemployment numbers reached a record high causing many Minnesotans to apply for unemployment insurance. The UI trust fund quickly depleted the $1.7 billion in reserve leading Minnesota to turn to the federal treasury to cover its UI obligations, ultimately borrowing $1.2 billion.

Minnesota had to repay these federal loans but Legislators had difficulty agreeing on a path to do so. The Senate passed a bill in February 2022 to repay the federal loans and replenish the UI trust fund in full. The House passed a similar bill but added $1 billion for frontline worker payments, an issue from the previous session. The addition of frontline worker bonuses to the UI agreement was the primary reason it was a controversial issue.

During the June 2021 Special Session, the Omnibus Tax bill appropriated $250 million for bonuses for frontline workers. The bill also created a legislative working group to determine which frontline workers were awarded the bonuses and how much the individual checks would be. They were unable to come to an agreement in 2021 so it was tasked to the 2022 Legislature to compromise. Following intense discussions, the agreement reached repaid the federal loans, replenished the unemployment insurance trust fund at $2.7 billion, and provided $500 million for frontline worker bonuses.

**Omnibus Agriculture and Broadband Finance and Policy Bill**

*H.F. 4366 Representative Sundin / S.F. 4019 Senator Westrom*

*Conference Committee* [*Spreadsheet*](https://www.senate.mn/conference_committee/2021-2022/1509_Conference_Committee_on_H.F._3420/Final%20Chairs%20Agreement%20Spreadsheet%20-%20Ag%20-%20Drought%20-%20Broadband.pdf) *and* [*Language*](https://www.senate.mn/conference_committee/2021-2022/1509_Conference_Committee_on_H.F._3420/Final%20Chairs%20Agreement%20DE%20Language%20-%20Ag%20-%20Drought%20-%20Broadband.pdf)

The omnibus Agriculture and Broadband bill aims to support Minnesotans across the state. The Agriculture provisions support farmers of all ages from training grants for schools, establishing beginning farmer tax credits, and funding for livestock and specialty crop producing. The bill also invests significantly in farmers hit hardest by the recent drought. The broadband provisions create new programs to expand broadband to underserved communities, as well as fund the Border to Border project. Housing policy and allocations were previously included in this bill, however, there were no agreements so all housing language was removed.

Agriculture Provisions:

* Funding for the Agricultural Growth, Research, and Innovation Program;
	+ $1.25 million in FY23 for Bio incentive Payments;
	+ $650,000 in FY23 for Livestock Processing Facilities Grants;
* $500,000 in FY23 for the Soil Health Financial Assistance Program;
* $827,000 to support Emerging and Beginning Farmers;
* $3 million to the Agriculture Emergency Fund;
* $141,000 to the Beginning Farmer Tax Credit;
* $500,000 for Farm Down Payment Assistance Grants;
	+ $750,000 in following years;
* $350,000 in grants for K-12 schools to start meat cutting training programs;
* $1 million to the University of Minnesota for equipment to test for animal diseases;
* Relief Efforts for the 2021 drought;
	+ $8.1 million for livestock farmers and specialty crop producers impacted;
	+ $2.5 million to refund the Rural Finance Authority Revolving Loan following their drought relief loans; and
	+ $5 million to the Dept. of Natural Resources to replace drought killed seedlings.

Broadband Appropriations:

* $25 million in FY23 and $25 million in FY24 from the general fund for the state’s Border-to-Border Broadband Development Grant program;
	+ Providing 50% matching funds for broadband development costs in underserved areas;
* $60.703 million from the federal Capital Projects Fund authorized by the American Rescue Plan Act to be used for broadband grants under the Border-to-Border Broadband Development Grant program;
	+ The remaining $50 million will be reserved for the Walz administration to spend on other eligible expenditures within the program’s guidelines; and
* Funding from the Broadband Equity, Access, and Deployment (BEAD) program to be used for the broadband infrastructure deployment under the Border-to-Border Broadband Development Grant program
	+ Allocation at least $100 million, authorized by the Infrastructure Investment and Jobs Act (IIJA)
	+ BEAD provides broadband service in areas of the state where a 50% match formula is not adequate to make a business case for broadband infrastructure deployment and allows up to 75% of the total project cost to be covered by Border-to-Border broadband grant funds;

Broadband Policy:

* Creating a lower population density pilot program and reserving funds;
	+ $10 million from the Border-to-Border Broadband Development Grant;
	+ $30 million from the BEAD grant share;
* Setting aside $15 million for a new Broadband Line Extension Program;
	+ This program will fund smaller-scale broadband line extensions to individual homes and businesses lacking access; and
* Reserving $15 million from the state’s BEAD grant share for comprehensive statewide broadband mapping efforts.

**Omnibus Liquor Bill**

*H.F. 2767 Representative Stephenson / S.F. 3008 Senator Dahms*

*View the bill summary* [*here.*](https://www.house.leg.state.mn.us/hrd/bs/92/HF2767.pdf)

 This year, the Minnesota Legislature passed the biggest rewrite to Minnesota’s liquor laws since Sunday sales became legal in 2017. The law expands the off-sale options for breweries and distilleries such as allowing larger breweries to sell growlers, smaller breweries to sell four and six packs to-go, and distillers to sell larger, 750-mililiter bottles from their cocktail rooms.

Provisions of interest to cities include:

* Allowing brewers producing 7,500 barrels or less to be issued a license by a municipality for off-sale of up to 128 ounces per customer, per day;
* Allowing growler sales by breweries producing as many as 150,000 barrels annually, increasing the limit from 20,000 barrels
* Municipalities may issue an on-sale wine and on-sale malt liquor license to a baseball team within a Minnesota Baseball association league, or to individuals selling concessions and beverages at a ballpark for summer town ball games;
* Municipalities may issue the holder of a microdistillery license or distilled spirits manufacturer license a microdistillery or distilled spirits manufacturer cocktail license;
* Municipalities may issue on-sale intoxicating liquor licenses to resorts;
* Municipalities can issue one, seven-day temporary license to a county’s agricultural society for alcoholic beverage sales at a county fair; and
* Municipalities can issue special permits for alcohol service through extended hours associated with both FIFA World Cups.

**Omnibus Mental Health Bill**

*HF2725 Representative Edelson/Senator Draheim*

*View the Bill summary* [*here.*](https://www.senate.mn/chamber/amendment/sh2725a-3.html)

 Minnesota’s first Mental Health Omnibus Bill became known to the public late on the final day of Session. The bill appropriates $92.7 million to fund mental health programs and initiatives ranging from establishing loan forgiveness for mental health professionals to expanding the use of mobile crisis service teams.

The bill includes a provision allowing mental health data to be shared with law enforcement to better respond to mental health calls. Previously approved by the House and Senate on May 22, this new law will:

* Allow law enforcement to obtain the name and phone number of a mental health provider therefore obtaining individual strategies to address the mental health crisis;
* Require the patient/client must be informed that this information has been obtained;
* Allow police chiefs and community corrections professionals to be included on adult protection teams; and
* Require law enforcement agencies to establish and enforce written policies when they seek or use mental health data. These policies must address access, retention, and data security, along with other requirements under the Minnesota Government Data Practices Act.

Policy Provisions

* Expands the use of mobile crisis services teams;
* Expands mental health services to criminal defendants deemed incompetent to stand trial; and
* Establishes a State Competency Restoration Board in the Judicial Branch.

Appropriation Provisions

* $10.1 million to district courts to pay for additional competency examination costs for criminal defendants deemed incompetent to stand trial;
* $22.3 million to hire and oversee “forensic navigators” to coordinate mental health services to criminal defendants deemed incompetent to stand trial;
* $10.2 million for adult mental health initiatives;
* $9.6 million for grants for adult mobile crisis services;
* $2 million for school-linked behavioral health grants;
* $2 million for shelter-linked behavioral health grants;
* $1.6 million for educational loan forgiveness for mental health professionals;
* $1.2 million for a mental health urgency room pilot program; and
* $1 million for a grant for a licensed community mental health center specializing in services for African American children and families.

**Omnibus Legacy Bill**

*H.F. 3438 Representative Lillie / S.F. 3701 Senator Ruud*

*View the bill summary* [*here.*](https://www.house.leg.state.mn.us/hrd/bs/92/HF3438.pdf)

In 2008, Minnesota voters approved the “Legacy Amendment”. This amendment increased the state sales tax by .375% to spend on the outdoors, clean water, parks and trails, and arts and cultural heritage. The Outdoor Heritage Fund is the only program allocated annually, while the other three are funded biannually. This pattern set the spending precedent for the 2022 omnibus Legacy bill.

The original House bill proposed spending $225 million in FY23, the majority for the Outdoor Heritage Fund at $159 million. From the Clean Water Fund, $47.4 million would go to fourteen earmarked projects replacing lead water service lines. The final allocations were $12.1 million from the Arts and Cultural Heritage Fund and $6.5 million from the Parks and Trails Fund. This bill was passed off of the House Floor where it was sent to the Senate to be amended with the final compromise language.

Similar to the House proposal, the compromise language funds the Outdoor Heritage Fund at $159 million but strips all other funding. The $159 million would fund a variety of restoration, protection and enhancement projects, with $83.4 earmarked for habitat projects, $35 million for prairies, $26.8 million for wetlands, and $13.3 million for forests. An important policy provision allows the Clean Water Council to make recommendations for uses of the Clean Water Fund on an annual basis. It will also provide extensions and funding for projects that were slowed down due to the pandemic.

**Pensions and Retirement Omnibus Policy Bill**

*SF 3540 Senator Rosen / HF 4017 Representative Nelson, M.*

*View the bill summary here:* [*Senate*](https://lcpr.mn.gov/documents/omnibus/2022/S3540_General_Summary_Pension_Omnibus_Policy_Bill_as_passed.pdf) *and* [*House*](https://lcpr.mn.gov/documents/omnibus/2022/H4017_2nd_Engr_General_Summary_Pension_Omnibus_Policy_Bill.pdf)

*Chapter* [*65*](https://www.revisor.mn.gov/laws/2022/0/Session%2BLaw/Chapter/65/)

The policy legislation approved by the Legislative Commission on Pensions and Retirement (LCPR) on March 22, 2022, passed both the House and Senate Floors on May 17, 2022. The finance provisions were a separate bill, SF 3541, and were referred to the Finance committee but there was no final action on the finance bill. Notable policy provisions include:

* Expanding the rights of members covered by the Minnesota State Retirement System (MSRS) General, Correctional, and State Patrol plans to purchase service credit for periods of military service;
* Adding two eligible positions to the membership list in the MSRS Correctional Plan;
* Permitting the positions of Residential Program Lead and Dental Hygienist to transfer their prior eligible service from the MSRS General Plan to the Correctional Plan, if eligible;
* Permitting the surviving spouse of a deceased state employee to purchase service credit and allow for an annuity death benefit;
* Addressing the retirement benefits of employees who provide services to the Duluth Transit Authority (DTA);
* Restoring segmented annuities for members of the Public Employees Retirement Association with a break in public employment and providing retroactive implementation for members who have retired since the provision was repealed in 2018;
* Permitting retired teachers who resume teaching at a public school, charter school, or the Perpich Center for Arts Education to teach without application of an earnings limitation;
* Offering volunteers firefighter relief associations three alternative vesting schedules when they join the Statewide Volunteers Firefighter (SVF) Plan;
	+ Calculating a firefighters retirement benefits using the benefit level in effect, if the firefighter’s relief association has joined the SVF Plan for at least five years;
* Requiring the state auditor to provide investment reports to volunteer firefighters relief associations;
* Authorizing certain medical professionals (APRNs) to provide disability assessments for all public pension plans;
* Making administrative changes necessary for certain investment professionals employed by the State Board of Investment (SBI) to be compensated according to the SBI’s compensation plan, which was approved in 2019;
* Require the Department of Labor and Industry to study the adequacy of workers’ compensation disability and pension benefits for police officers; and
* Permit teachers to purchase service credit for up to five years of teaching service in another state.

**MLC Legislation of Interest that Did Not Pass**

**Bonding Bill**

With 2022 being the second year of the biennium, the state budget has been set and there was nothing the Legislature was formally required to do. Typically, the second part of a biennium is when a bonding bill is passed, funding projects around the state. Adding the historic surplus, many legislators saw a bonding bill as a top Legislative priority.

The House Capital Investment Committee held many hearings throughout the Session, while the Senate held four hearings. The House took a broad approach, hearing testimony from projects across the state, while the Senate focused on a few specific areas: the Federal Infrastructure Investment and Jobs Act, Water Infrastructure, the Governor’s Bonding Proposal, and Higher Education Asset Preservation.

On May 16 the Governor, Speaker of the House, and Senate Majority Leader set a target for a $1.4 billion bonding bill, and $150 million for cash projects. The House and Senate did not meet publically about a bonding bill after budget targets were released and neither body released a bill.

**Sports Betting Bill**

*H.F. 778 Representative Stephenson / S.F. 574 Senator Chamberlain*

*View the House bill summary* [*here.*](https://www.revisor.mn.gov/bills/text.php?number=HF778&version=6&session=ls92&session_year=2021&session_number=0)

*View the amended Senate language* [*here.*](https://www.revisor.mn.gov/bills/text.php?number=HF778&version=6&session=ls92&session_year=2021&session_number=0)

One of the more high profile bills was an effort to legalize sports betting. With bipartisan support and bipartisan opposition in both bodies, the House and the Senate were unable to come to compromise on two issues in the bill: whether Native American tribes should get exclusive rights to run the betting operations, and whether the state’s two race tracks should be allowed to participate in sports betting.

The bill, would have allowed residents age 21 and older to bet on sports and would have been conducted by tribal entities, was passed 70-57 on the House floor. Seven Republican voted with the Democrats in favor, and four Democrats voted against the bill.  The Senate version of the bill would have allowed Canterbury Park and Running Aces to offer sports betting but never received a floor vote.

**Duty Disability for Public Safety**

*H.F. 4026 Long / S.F. 3943 Howe*

*View the amended bill summary* [*here*](https://www.house.leg.state.mn.us/hrd/bs/92/HF4026.pdf)*.*

 In recent years, the number of public safety employees seeking duty disability determinations and workers’ compensation claims for line-of-duty injuries has greatly increased. A law in 2019 made post-traumatic stress disorder (PTSD) a presumptive condition for workers’ compensation resulting in cities and employers facing expensive obligations. When first introduced, this bill would have addressed PTSD while supporting local governments financially and prioritizing treatment for individuals. The bill would have established a reimbursement program from the state to public employers for the medical insurance of eligible, disabled public safety officers. The bill would have required 32 weeks of mental illness treatment for a public safety officer, prior to applying for duty disability benefits. The bill also would have required the Peace Officer Standards and Training (POST) Board to create a training course to prepare peace officers for the stressful and traumatic events common to policing, as well as provide processing and coping methods.

 Following its first hearing, a delete everything amendment was adopted. The amendment shifted the bill’s focus from PTSD, to all mental health claims for peace officers. There was significant pushback that this amendment broadened the scope of the bill too much and the bill only received two hearings.

**Omnibus Tax Bill**

*H.F. 3669 Representative Marquart / S.F. 3692 Senator Nelson*

[*Conference Committee Spreadsheet*](https://www.senate.mn/conference_committee/2021-2022/1520_Conference_Committee_on_H.F._3669/CC%20Comparison%2005-22-22.pdf)

            Negotiators reached a compromise on a $4 billion tax bill which, if passed, would have been the largest tax cut in Minnesota history. The tax bill would have included a complete elimination of social security income tax. The bill would have cut income taxes, reducing the first bracket income tax rate from 5.35% to 5.1%. Costing $277 million in the first year, this change would have impacted 2.6 million Minnesota tax filers.

The bill also featured a child and dependent care credit, and would have expanded the K-12 education credit. It would have extended the historic tax credit and the new market tax credit. The bill did not include any direct rebates, such as the “Walz checks.” Property tax cuts would have included $373 million in tax relief for renters, and would have moved the timeframe for filing for relief. Although there was a compromise, the compromise bill was not voted on by either body. The tax bill was tied to the $8 billion broader deal, where little agreement was found. MLC had several provisions of interest within either the House or Senate tax bills including:

* Sales tax exemption on construction material purchases for all units of government for 18 months;
* Establishment of a new state aid to counties and cities to fund qualifying affordable housing projects;
* Direct property tax relief to homeowners and renters through Property Tax refund and Renters’ Credit:
	+ Replacement of the renters’ property tax credit with a refundable renters’ income tax credit; and
	+ Reduction of the qualifying threshold for the additional or targeting property tax refund to 10% and increasing the maximum refund to $2,000.
* Modifications and clarifications to the following Tax Increment Financing statutes:
	+ Rules on the use of administrative expenses;
	+ Rules on pooling and decertification; and
	+ Rules for the treatment of violations of various TIF requirements.
* Phase out of the state general levy on commercial property;
* Tourism Improvement Districts;
* 4D Housing changes; and
* Ability for certain cities to impose a local option sales tax if they so choose.

**Omnibus Housing Finance and Policy Bill**

*H.F. 4366 Representative Sundin / S.F. 4019 Senator Westrom*

*View the bill summaries here:* [*House*](http://www.house.leg.state.mn.us/scripts/billsum.pl?fname=HF4366&session=92&session_number=0&year=2022) *and* [*Senate*](http://www.senate.leg.state.mn.us/departments/scr/billsumm/summary_display.php?ls=92&session=regular&body=Senate&billtype=SF&billnumber=4019&ss_year=2022)

The two bodies’ Housing omnibus bills contained significant differences in both funding and policy interests. The House language allocated nearly $230 million, and the Senate took a smaller approach to allocate $50 million in general fund spending for new and existing programs. No agreement was reached therefore, all housing language was removed from the Omnibus Agriculture and Broadband bill.

House Appropriations

* $100 million in community stabilization through naturally occurring affordable housing;
* $50 million for first-generation homebuyers assistance, including a pilot down payment assistance program;
* $20 million for the Minnesota Housing challenge program, which provides affordable permanent rental housing;
* $14 million for family homelessness prevention;
* $10 million to the Housing Trust Fund for rental assistance; and
* $10 million for the Homework Starts with Home program.

 House Policy

* Modifying the Homework Starts with Home program;
* Establishing a lead-safe homes grant program;
* Authorizing the issuance of $400 million in housing infrastructure bonds;
* Establishing a community stabilization project;
* Establishing a strengthening supportive housing model program; and
* Making several changes to landlord-tenant provisions.

Senate Appropriations

* $35 million for homeownership investment grants to increase the supply of owner-occupied multi-family or single-family housing;
* $10 million for workforce homeownership program which increases resources and efforts for homeownership for communities of color; and
* $5 million to establish a targeted loan pool, the 9,000 Equities Fund, which provides affordable first mortgages or equivalent financing opportunities in underserved communities of color.

Senate Policy

* Limiting the governor’s emergency powers to prohibit or delay eviction proceedings;
* Prohibiting a city from requiring a Planned Unit Development (PUD) agreement in lieu of proposed residential development;
* Prohibiting cities from conditioning any zoning approvals on material, design, or other conditions if not currently required by the State Building Code;
* Establishing a manufactured housing mortgage financing and down payment assistance program;
* Repealing the exception to rent control that allows local units of government to control rents if approved by voters in an election, retroactively from November 1, 2021; and
* Prohibiting Minnesota Housing grantees from using grant funds to hire lobbyists.

MLC supported the following provisions in the Housing omnibus bills:

* Funding for Community Stabilization grants or Naturally Occurring Affordable Housing;
* Continuing support for the Economic Development and Housing Challenge Program;
* Investing one-time appropriations to the Workforce Homeownership Programs;
* Supporting the Local Housing Trust Fund and incentivizing local funding;
* Establishing the First-Generation Homeownership Grants; and
* Creating the 9,000 Equities Fund targeted loan pool.

MLC opposed the following provisions in the Housing omnibus bills:

* Restrictions placed on Planned Unit Developments (PUDs), a significant tool used in the development of smaller homes, lots and affordable housing of various types; and
* Prohibiting cities from conditioning any approvals on material, design, or other conditions if not currently required by the State Building Code, which is designed as a minimum safety standard.

**Omnibus State Government, Transportation, and Pensions Bill**

*H.F. 4293 Representative Nelson / S.F. 3975 Senator Kiffmeyer*

*View the bill summaries here:* [*House*](http://www.house.leg.state.mn.us/scripts/billsum.pl?fname=HF4293&session=92&session_number=0&year=2022) *and* [*Senate*](http://www.senate.leg.state.mn.us/departments/scr/billsumm/summary_display.php?ls=92&session=regular&body=Senate&billtype=SF&billnumber=3975&ss_year=2022)

 In both the House and Senate, the State Government Omnibus bill contained State Government, Elections, Transportation and Pensions provisions. The policy and budgetary differences between the House and Senate proved to be too much for the Conference Committee to overcome.

A large sticking point was the reallocation of the auto parts sales tax. Currently, a portion of the revenue from the auto parts sales tax is dedicated to roads and bridges. The Senate bill would have dedicated all of the revenue to roads and bridges, while the House proposed sixty percent to go to roads and bridges and forty percent to go to transit. Unable to reach a compromise on that particular issue, there was no State Government, Transportation, and Pensions bill.

**State Government/Elections**

House Provisions:

* Allocating $76.9 million for State Government, targeting technology updates, and a state match for federal funding to improve the administration and security of elections;
* Allowing the Governor to declare a peacetime emergency for a cyberattack;
* Designating Juneteenth, June 19, as a state holiday;
* Expanding the requirements related to the use of absentee ballot drop boxes;
* Allowing absentee ballots to be opened and counted beginning 14 days prior to an election; and
* Additional modifications and notifications on absentee and sample ballots.

Senate Provisions:

* Allocating $6 million for the Secretary of State for local election grants to hire temporary staff for voter registration;
* Requiring specific security markings to identify genuine absentee ballot paper and additional security and transparency measures to drop boxes;
* Requiring all legal services of the Attorney General’s office to be performed only by employees, not contracted lawyers;
* Ensuring non-profits receiving grants from the State have a track record of quality financial management and changes in reporting requirements;
* Moving the Capitol Security Advisory Committee’s sunset from June 30, 2022, to 2036;
* Prohibiting any “Pay to Play Clubs” which would provide lobbyists with direct access to Legislators for a fee; and
* Appropriating $4 million to Minnesota IT Services in FY23, and $1 million in each Fiscal Year to provide and maintain election Livestream recordings and requirements for absentee ballot boards.

**Transportation**

House Provisions:

* $225 million for transportation, including an $80 million state match for federal funding;
* Allocating funding to construct the Minneapolis-Duluth Northern Lights Express passenger rail;
* Funding high-priority bridge construction and improved, as well as Department of Transportation buildings and facilities;
* Requiring the Department of Public Safety to create an implementation plan for a speed safety camera pilot project;
* Establishing a reintegration drivers’ license for persons incarcerated for at least 180 days and whose drivers’ license was suspended prior to incarceration.; and
* Corridors of Commerce distribution and selection changes.

Senate Provisions:

* Providing more than $5.7 billion in transportation funding, including $4.32 for roads and bridges over the next five years;
* Dedicating 100% of revenue from existing auto parts sales taxes to roads and bridges;
* Terminating the Northstar Rail Line;
* Blocking state funding for any new light rail projects and requires a city council approval for new transit routes prior to construction;
* Providing $45.1 million to purchase new helicopters and airplanes for the state patrol;
* Corridors of Commerce distribution and selection changes; and
* Requiring counties to pay full cost of guideways.

**Pensions**

House Provisions:

* Shifting the investment return assumption for some retirement plans;
* Creating temporary postretirement adjustments for the judges retirement plan and the unclassified employees retirement plan;
* Appropriating $390 million from the general fund to the state’s various pensions’ plans.

Senate Provisions:

* N/A

**Omnibus Jobs, Energy and Commerce Finance and Policy Bill**

*H.F. 4355 Representative Noor / S.F. 4091 Senator Pratt*

*View the Conference Committee report* [*here.*](https://www.revisor.mn.gov/bills/text.php?number=SF4091&version=0&session=ls92.0&session_year=2022&session_number=0&type=ccr)

In the final days of Session, the Jobs, Energy, and Commerce Conference Committee was able to come to a compromise on a final Conference Committee report. The bill was part of the larger $8 billion agreement so although there was a compromise made on the bill, the bill did not get a Floor vote. The bill included:

Policy:

* Establishing Immigrant and Refugee Affairs within the Department of Employment and Economic Development;
* Establishing the Canadian Border Counties Economic Relief Program;
* Regulating Combative Sport Contests;
* Modifying Window Cleaning Laws;
* Establishing a Solar Energy Contingency Account;
* Establishing a State Energy Competitiveness Account.

Appropriations:

* $8.23 million for General Workforce Development Grants;
* $10.45 million for Employment and Training Programs;
* $1.2 million for Labor Standards and Apprenticeship;
* $858,000 for Workforce Development Initiatives;
* $300,000 for Workers’ Compensation Court of Appeals;
* $20 million for Solar Energy Production Incentive Program;
* $4.1 billion for Solar on Schools;
* $2.35 billion for Supplemental State Weatherization grants;
* $1.37 billion to help the Commissioner of Commerce to administer Infrastructure Investment and Jobs Act (IIJA) Funds and to help local governments to leverage those funds;
* $14.88 million for State energy Competiveness Account.

**Omnibus Public Safety and Judiciary Finance and Policy Bill**

*H.F. 4608 Representative Mariani / S.F. 2673 Senator Limmer*

*View the bill summaries here:* [*House*](https://www.house.leg.state.mn.us/hrd/bs/92/HF4608.pdf) *and* [*Senate*](http://www.senate.leg.state.mn.us/departments/scr/billsumm/summary_display.php?ls=92&session=regular&body=Senate&billtype=SF&billnumber=2673&ss_year=2022)

Public safety was agreed to as a top priority for the 2022 Session but steps to address the issue differed. Republicans took a “hard on crime” stance to support the retention and recruitment of peace officers while Democrats called for innovating public safety while funding community-based crime prevention programs.

Both the Senate and House agreed to fund for local law enforcement body cameras. The Senate would have included $5 million in grants for purchasing cameras and storing video images, requiring a 25% local match. The House would have provided $15 million to these local grants, but would require body camera footage to be released to families within five days and to the public within 14 days.

House Appropriations:

* 6% pay increase for judges and employee compensation;
* $50 million for public defender budget increase;
* $55 million in emergency community safety grants;
* $25 million in local community policing grants;
* $10 million in co-responder (“violent interrupter”) grants;
* $4 million in victim support programs;
* $25,000 for prosecutor training fund;
* $1.821 million for AG Office Criminal Enforcement Increase;
* $2.5 million for the Department of Human Rights;
* $1 million for public safety radio grants; and
* $2.5 million in youth wellness support and mental health programs.

House Policy:

* Prohibiting technology companies from selling educational data or using for commercial purposes;
* Requiring manufacturers to make parts, documentation and diagnostic tools for digital electronic equipment available to independent repair providers or the equipment owner;
* Banning limiting a patient’s access to an organ transplant based on a patient’s race and ethnicity;
* Preventing employers, including labor unions and employment agencies, from requesting a job applicant’s pay history; and
* Permitting law enforcement officers to attach a mobile tracking device to a stolen vehicle prior to court approval if the vehicle owner agrees or reported the stolen vehicle.

Senate Appropriations:

* 6% pay increase for judges and employee compensation;
* $50 million public defender budget increase;
* $30 million for police retention and recruitment bonuses;
* $100,000 for prosecutor training;
* $5 million for body cameras;
* $2 million for a gunfire detection system for the Ramsey County Sheriff’s Department; and
* $2 million for Violent Crime Enforcement Teams statewide.

Senate Policy:

* Creating a new crime of organized retail theft;
* Establishing a standalone crime of carjacking;
* Making penalties for fentanyl possession the same as those for heroin;
* Establishing new mandatory minimum sentences for certain violent crimes; and
* Establishing the crime of fleeing a peace officer in a motor vehicle while operating the vehicle in a culpably negligent manner.

**Appendix**

 

February 23, 2022

Re: City comments on HF 3256 (“Legalizing Affordable Housing Act”)

Dear Members of the House Local Government Division:

The League of Minnesota Cities, Coalition of Greater Minnesota Cities, Metro Cities, and Municipal Legislative Commission generally oppose HF 3256, but appreciate the attention in the bill to street improvement districts and street impact fees. Cities are concerned with the bill’s broad preemption of city land use and zoning authorities, particularly as they are unlikely to address important housing issues across Minnesota. Additionally, as some provisions only impact Metro-area cities, our comments focus on provisions with statewide implications for cities.

Housing is a statewide issue, and the best way to ensure that housing issues in the Metro and greater Minnesota are adequately addressed is to approach statewide solutions to housing in a comprehensive way that: (1) address the full housing spectrum, (2) support local innovation, (3) provide incentives instead of mandates, and (4) provide community-specific solutions throughout Minnesota.

HF 3256 unfortunately falls short of a comprehensive approach, and does not guarantee housing affordability or more affordable housing. Instead, it preempts city zoning and land use authority. As you may know, zoning is an important planning tool that benefits communities economically and socially, improves health and wellness, and helps conserve the environment ([Zoning: Why It’s Important](https://gcc02.safelinks.protection.outlook.com/?url=http%3A%2F%2Fmail01.tinyletterapp.com%2FLMC_Action_Alerts%2Flmc-action-alert-bill-that-largely-preempts-local-zoning-and-land-use-authority-for-residential-development%2F20655717-www.lmc.org%2Fhousing-development-resources%2Fzoning-why-its-important%2F%3Fc%3D7d7c53d9-a97b-0eaa-b1cf-672715959825&data=04%7C01%7Ctbengtson%40lmc.org%7C3f34b373a410481bbd7108d9f2feae9a%7Cb35a2d2fc9c8417180f6e9fa21bf6f79%7C0%7C0%7C637807998116424057%7CUnknown%7CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ik1haWwiLCJXVCI6Mn0%3D%7C3000&sdata=TqbcKWGD1%2BKNnKgcKRn5u3DxLbhEmzHxq13MhRVFX5c%3D&reserved=0)). This bill would limit this beneficial tool by:

* Requiring any housing proposal contemplated by a comprehensive plan in the future be accepted now, even if needed infrastructure isn’t available to support this new development (including prohibiting the opportunity to study impacts of such residential development)
* Capping land dedication and park dedication fees to 10% of the fair market value of the proposed subdivision
* Requiring land dedication for streets to be no larger than 32 feet (including for associated utilities and sidewalks) while limiting the ability for cities to require adequate off-street parking
* Requiring all cities to allow duplexes and accessory dwelling units (ADUs) in single-family zoned areas

Thank you for consideration of our concerns. We look forward to continuing to work with Rep. Elkins and the legislature to address housing challenges in cities across the state.

Sincerely,

Irene Kao & Daniel Lightfoot Cap O’Rourke

League of Minnesota Cities Minnesota Association of Small Cities

Elizabeth Wefel Tom Poul

Coalition of Greater Minnesota Cities Municipal Legislative Commission

Patricia Nauman & Charlie Vander Aarde

Metro Cities

 

March 15, 2022

Re: City comments on SF 3259 (“Legalizing Affordable Housing Act”)

Dear Members of the Senate Housing Committee:

The League of Minnesota Cities, Coalition of Greater Minnesota Cities, Metro Cities, and Municipal Legislative Commission oppose SF 3259. Cities are concerned with the bill’s broad preemption of city land use and zoning authorities, particularly as they are unlikely to address important housing issues across Minnesota.

Housing is a statewide issue, and the best way to ensure that housing issues in the Metro area and greater Minnesota are adequately addressed is to approach statewide solutions to housing in a comprehensive way that: (1) address the full housing spectrum, (2) support local innovation, (3) provide incentives instead of mandates, and (4) provide community-specific solutions throughout Minnesota.

SF 3259 unfortunately falls short of a comprehensive approach and does not guarantee housing affordability or more affordable housing. Instead, it preempts city zoning and land use authority. Zoning is an important planning tool that benefits communities economically and socially, improves health and wellness, and helps conserve the environment ([Zoning: Why It’s Important](https://gcc02.safelinks.protection.outlook.com/?url=http%3A%2F%2Fmail01.tinyletterapp.com%2FLMC_Action_Alerts%2Flmc-action-alert-bill-that-largely-preempts-local-zoning-and-land-use-authority-for-residential-development%2F20655717-www.lmc.org%2Fhousing-development-resources%2Fzoning-why-its-important%2F%3Fc%3D7d7c53d9-a97b-0eaa-b1cf-672715959825&data=04%7C01%7Ctbengtson%40lmc.org%7C3f34b373a410481bbd7108d9f2feae9a%7Cb35a2d2fc9c8417180f6e9fa21bf6f79%7C0%7C0%7C637807998116424057%7CUnknown%7CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ik1haWwiLCJXVCI6Mn0%3D%7C3000&sdata=TqbcKWGD1%2BKNnKgcKRn5u3DxLbhEmzHxq13MhRVFX5c%3D&reserved=0)).

This bill would limit this beneficial tool by:

* Severely deteriorating the tool that allows the development of smaller homes and lots – planned unit developments
* Capping land dedication and park dedication fees
* No matter the reason – such as energy efficiency – prohibiting cities from conditioning any approvals on material, design, or other conditions if not currently required by the State Building Code (which is meant to be a minimum safety standard)
* Requiring automatic approval of building permits when delay is outside of city control, thus endangering the health and safety of residents
* And more

Thank you for consideration of our concerns. We look forward to working with Sen. Draheim and other legislators to address housing challenges in cities across the state.

Sincerely,

Irene Kao & Daniel Lightfoot Cap O’Rourke

League of Minnesota Cities Minnesota Association of Small Cities

Elizabeth Wefel Tom Poul

Coalition of Greater Minnesota Cities Municipal Legislative Commission

Patricia Nauman & Charlie Vander Aarde

Metro Cities

 

April 27, 2022

Dear Members, Minnesota State Senate:

The undersigned city associations, representing cities throughout Minnesota, thank you for the opportunity to comment on the housing and broadband finance and policy portions of SF 4019 – Westrom.

Adequate resources are fundamental to address both housing and broadband needs across the state. We appreciate the $50 million target for housing and thank Senator Draheim for including these state resources in the bill. We also appreciate the broadband funding provisions in the bill that will help move Minnesota closer to ensuring all homes and businesses across the state have access to reliable broadband internet.

Our city associations support efforts to close homeownership disparity gaps. The funds in this bill, including an additional $10 million for the Workforce Homeownership Program and $35 million for a new Homeownership Investment Grant program, will help more potential homeowners afford a home and help them to build wealth through homeownership. However, with state funds vastly oversubscribed and two of every three local applications denied due to lack of resources, we support a higher level of resources for housing and ask for your consideration for increasing the level of resources for new and existing housing programs that address other aspects of the housing spectrum including the preservation of existing housing stock as bills advance this session.

Our city associations continue to oppose several provisions in the bill, primary among them the preemption on local authorities and the ability of cities to plan for and address local housing needs. City officials are in the best position to make these decisions, with input from the community, and 116 cities across the state have passed resolutions reaffirming support for local decision-making authority when it comes to residential development. Fundamentally, we believe that comprehensive statewide solutions to housing should: (1) address the full housing spectrum of need, (2) support local innovation, (3) provide incentives and not mandates, and (4) provide community-specific solutions throughout Minnesota.

The planned unit development language in Article 6, Section 2 prohibits cities from conditioning any approvals on material, design, or other conditions if not currently required by the State Building Code, which is designed as a minimum safety standard. Materials and design considerations take the existing built environment into account, as well as energy efficiency and operating costs that help affordability.

The rent control preemption and repeal language in Article 6, Section 35 takes away the ability of a city and its voters to decide on matters that are specific to the community.

We are also concerned with the language in Article 6, Sections 14, 30 and 31 that would prioritize a lower cost per square foot and the speed at which a housing development would be completed. There are many factors that determine how quickly a project comes together. If this language were enacted, a housing development that meets important local housing objectives could nevertheless lose out on critical state funds.

Additionally, reallocating money from the Minnesota Housing Finance Agency’s Pool 3 housing affordability fund would have the impact of redistributing limited and in-demand funds that already support affordable housing needs. We support using other state resources for the high-rise sprinkler and manufactured home park revolving loan fund purchases in the bill.

Cities support the broadband policy provisions in Article 2 that creates a new pilot program to provide broadband service to unserved and underserved areas that reduces the amount of non-state match to 15 percent of the total project cost. Greater Minnesota jurisdictions are often the hardest and most costly areas to serve and have a more difficult time attracting willing providers to deploy broadband infrastructure.

Cities also support use of the remaining $110.7 million of Minnesota’s capital projects fund to support the state’s Border-to-Border Broadband grant program. We encourage additional state general fund spending for broadband on top of federal funds, which are needed if the state is to meet its 2026 statutory speed goal of connecting all homes and businesses to 100/20 Mbps service and to ensure that no construction seasons are missed waiting on federal funds to be deployed.

Thank you for your consideration of our comments. We look forward to continuing working with Senator Draheim and members of the Agriculture, Housing, and Broadband Omnibus bill conference committee as the omnibus bill advances this session.

Sincerely,

Irene Kao & Daniel Lightfoot Cap O’Rourke

League of Minnesota Cities Minnesota Association of Small Cities

Elizabeth Wefel & Bradley Peterson Tom Poul

Coalition of Greater Minnesota Cities Municipal Legislative Commission

Charlie Vander Aarde

Metro Cities

 

March 7, 2022

Representative Jamie Long

517 State Office Building

St. Paul, MN 55155

RE: Joint support for HF 4026 (Long): Duty disability determination timeline modified, treatment required as park of workers' compensation benefits required, peace officer and firefighter preservice and in-service wellness training required, and money appropriated.

Dear Representative Long,

Thank you for authoring HF 4026, a bill that addresses a growing issue within public safety, posttraumatic stress disorder (PTSD) duty disabilities. The League of Minnesota Cities, Metro Cities, the Minnesota Association of Small Cities, and the Municipal Legislative Commission support this legislation.

Our organizations recognize the inherent dangers faced by peace officers and firefighters in the line of duty. The duties performed by public safety employees sometimes lead to physical and mental injuries.

In recent years, the number of public safety employees seeking duty disability determinations through the Public Employees Retirement Association (PERA) and making workers’ compensation claims for line-of-duty injuries has accelerated. This is particularly true in the wake of a law enacted in 2019 that made post-traumatic stress disorder (PTSD) a presumptive condition for workers’ compensation purposes. Cities are concerned about these trends for the following reasons:

* Every injury that leads to a PERA duty disability retirement and/or workers’ compensation claim impacts the employee, the employee’s family and the employee’s organization.
* The current system for processing and addressing duty disability benefits can be incompatible with the goal of restoring good health and returning employees to work.
* The fiscal impact of the increasing number of claims is unsustainable for employers and, ultimately, taxpayers.
* Public safety agencies, particularly those that are very small and already experiencing recruitment and retention challenges, will not remain viable if they continue to sustain significant personnel loses.

Given these concerns, cities across Minnesota have invested resources into mental and physical injury education, prevention and treatment. According to experts, including those experienced with treating combat veterans, with successful treatment, many injured public safety employees can achieve optimal outcomes of restoring good health for themselves and their families and returning to work.

HF 4026 contains provisions that are aimed at taking care of valued public safety employees. It contains important preventive measures that will optimize wellness in public safety agencies. It requires employees with PTSD symptoms to be treated before seeking a permanent duty disability so they can return to the job if possible. The bill does not take benefits away from employees who become injured. Lastly, it funds a state mandate that has become very costly to employers and, thus, taxpayers (the continued health insurance benefit under Minn. Stat. § 299A.465).

Our organizations urge the Legislature to enact HF 4026 in 2022.

Sincerely,





Anne Finn Cap O’Rourke

Assistant Intergovernmental Relations Director Executive Director

League of Minnesota Cities Minnesota Association of Small Cities





Patricia Nauman Tom Poul

Executive Director Municipal Legislative Commission

Metro Cities



May 16, 2022

To: Senator Rich Draheim, Representative Alice Hausman, and the members of the Omnibus Agriculture, Housing, and Broadband Conference Committee

**RE:** HF4366 Housing Provisions

Dear Conference Committee Members,

 On behalf of the nineteen suburban cities comprising the Municipal Legislative Commission (MLC), we want to thank you for your work on the Omnibus Agriculture, Housing, and Broadband Finance and Policy Bill. One of MLC’s primary initiatives is housing and home ownership, from supporting affordable homeownership, to preserving existing affordable homes, all while striving to preserve local autonomy and community characteristics. We hope to continue the crucial partnership between local governments and the State in addressing housing issues and as you deliberate provisions within the bill, we ask that you consider MLC’s positions on the following items:

**MLC Supports Homeownership Investments:**

* Funding for Community Stabilization grants or Naturally Occurring Affordable Housing
* Continuing support for the Economic Development and Housing Challenge Program
* Investing one-time appropriations to the Workforce Homeownership Programs
* Supporting the Local Housing Trust Fund and incentivizing local funding
* Establishing the First-Generation Homeownership Grants
* Creating the 9,000 Equities Fund targeted loan pool

MLC appreciates the efforts made to support homeownership and our communities are committed to creating affordable housing options for all Minnesotans. We look forward to a continued partnership to accomplish this common goal.

**MLC Opposes Preemption of City Zoning and Land Use Authority:**

**Article 6, Section 2 of the Senate Language:**

* Restrictions placed on Planned Unit Developments (PUDs), a significant tool used in the development of smaller homes, lots and affordable housing of various types
* Prohibiting cities from conditioning any approvals on material, design, or other conditions if not currently required by the State Building Code, which is designed as a minimum safety standard

MLC has significant concerns with the provisions preempting local authorities and their ability to plan for and address local housing needs. We strongly urge members to oppose the inclusion of this language which would not only reduce the neighborhood character and flexibility needed to encourage new housing, but would also be a barrier to the local public hearing and decision-making process. We respectfully ask you to consider these concerns and to support our efforts in keeping zoning and planning authority on a local level.

Sincerely,

The MLC Housing Committee,

 

Mike Maguire Jim Hovland Brad Wiersum

Mayor of Eagan Mayor of Edina Mayor of Minnetonka



Kirt Briggs Anne Burt

Mayor of Prior Lake Mayor of Woodbury

**On behalf of MLC Member Cities:**

Apple Valley                           Maple Grove

Bloomington                           Minnetonka

Burnsville                                Plymouth

Chanhassen                             Prior Lake

Eagan                                      Rosemount

Eden Prairie                            Savage

Edina                                       Shakopee

Golden Valley                         Shoreview

Inver Grove Heights               Woodbury

Lakeville



May 17, 2022

**To:** Representative Paul Marquart, Senator Carla Nelson, and the members of the Omnibus Tax Committee

**RE:** HF 3669

Dear Conference Committee Members,

On behalf of the nineteen suburban cities comprising the Municipal Legislative Commission (MLC), we want to thank you for your work on the Omnibus Tax Bill [(HF 3669 Marquart/Nelson)](https://www.revisor.mn.gov/bills/bill.php?b=house&f=HF3669&ssn=0&y=2022).

One of MLC’s primary initiatives is to promote stable and predictable tax policies while supporting local control. We hope to continue this crucial partnership between local governments and the State. As you deliberate provisions within the bill, we ask that you consider MLC’s thoughtfully developed positions on the following items:

**Construction Sales Tax Exemption:** Along with cities, counties, school districts, non-profits, municipal utilities, labor and contractors, MLC supports a permanent general law change to simplify the process by which local governments and nonprofits receive the sales tax exemption on construction material purchases.  The current process is not workable for local governments and increases the cost of local projects by $70 million per year.  Both bills include portions of the construction sales tax exemption, we urge the adoption of a full, and permanent sales tax exemption on construction material purchases for all units of government.

**Affordable Housing Aid:**  MLC supports the House position establishing a new state aid to counties and cities for the funding of qualifying affordable housing projects.  Barriers to affordable home ownership, such as high costs of housing transactions, underproduction of new home construction, an active real estate market, the high cost of labor and materials, as well as the scarcity of land, continue to challenge our communities. This aid will provide an additional tool for cities in achieving greater housing affordability.

**Direct Property Tax Relief through the Property Tax Refund and Renters’ Credit:** MLC supports providing direct property tax relief to homeowners and renters through the Property Tax Refund and Renters’ Credit.  Most MLC Cities do not receive LGA so direct property tax relief helps reduce the tax burden on seniors, renters and low-income Minnesotans living in our cities.  Both the House and Senate include some enhancements to these programs.  We urge the Conference Committee to include significant property tax relief in the final agreement such as:

* + Replacing the renters’ property tax credit with a refundable renters’ income tax credit; and
	+ Reducing the threshold to qualify for the additional or targeting property tax refund from 12% to 10% and increasing from $1,000 to $2,000, the maximum refund allowed.

**Tax Increment Financing**: MLC supports updating and modifying the current Tax Increment Financing statute, including:

* + Clarifying rules on use of administrative expenses;
	+ Clarifying rules on pooling and decertification; and
	+ Clarifying rules for the treatment of violations of various TIF requirements.

**Local Option Sales Tax**: MLC supports the cities’ ability to impose a local option sales tax if they so choose.

Again, we thank you for your continual service and commitment to your constituents and all Minnesotans. We look forward to working with you as a final tax agreement is assembled.

Respectfully,



Jim Hovland,

Chair, MLC

Mayor, City of Edina

**On behalf of MLC Member Cities:**

Apple Valley                           Maple Grove

Bloomington                           Minnetonka

Burnsville                                Plymouth

Chanhassen                             Prior Lake

Eagan                                      Rosemount

Eden Prairie                            Savage

Edina                                       Shakopee

Golden Valley                         Shoreview

Inver Grove Heights               Woodbury

Lakeville



**Addressing Housing Requires Partnerships, Not Preemption**

Limiting local fees would only benefit developers and builders, no the purchasing public

As mayors throughout the metropolitan region and state, we well appreciate the focus on housing affordability by state policymakers, citizens, businesses, stakeholders, and the media. It is a top priority for all our communities as well. Housing affordability – what people pay for housing as well as what people can afford – is a complex issue that deserves our best innovative thinking and problem solving.

The recent commentary ([High housing costs are not the problem, but a symptom](https://www.startribune.com/high-housing-costs-are-not-the-problem-but-a-symptom/600157389/?refresh=true); March 18, 2022), is not helpful in either assessing or solving the challenges of housing affordability as it continues a false and misleading narrative that has very little to do with actual housing affordability. Incendiary attacks on cities, asserting their development fees and regulations are the source of the problems of housing affordability, are not new, but they have become increasingly negative, and more importantly, they lack a nexus to the scope of the housing problem or what is required to address it.

With market forces and the cost of land, labor and building materials being the overwhelming determinants for the sale price of homes, it is a fallacy to suggest that simply limiting local fees and regulations will make an unaffordable house suddenly affordable. It will simply shift who pays for the infrastructure for a new housing development, which is what fees pay for, and it will help benefit developers and builders, not the purchasing public.

The vast majority of new, single-family housing is built by the private market in response to market demand and is not what could meet an ‘affordable’ definition. Most new housing is built by private builders, who build large houses with attractive amenities that make profitable sense. Builders are focused on building a product to meet demand and make a profit, and that is their prerogative. But it is not the responsibility of cities and local property taxpayers to buy down the public costs associated with building those new houses or creating those new subdivisions or developments simply so builders can increase their profits.

The local fees the March 18 piece labels as “tucked into housing prices” are transparent fees that pay for the requisite utilities, streets, sidewalks, curbs, drainage, sewer pipes and inspections of the construction itself to ensure a safe, code compliant home. It should go without saying that public infrastructure is not free. Its provision is not profitable for cities and by law, is not allowed to be a source of profit. Costs of fees and regulation must, by law, reflect the cost of governmental oversight for the benefit of the public health, safety, and welfare. These fees are part of a new home’s price because those buying the new housing are asked to pay for the infrastructure provided for their benefit. If the legislature limits cities from setting such fees, as has been proposed, those costs will shift to others who have already paid these costs for their own homes or businesses. Contrary to the disproven assertion in the *March 18th* commentary that fees represent one-third of the cost of a house, such city fees typically represent between three and seven percent of the sale price of a new home.

Cities play a limited but valuable role with respect to facilitating housing production. One is to ensure that local public infrastructure is sufficient. Cities also do what they can, within local fiscal capacities and without compromising public health and safety, to make housing more affordable. Cities have been proactive by reducing lot sizes, providing density bonuses, abating local taxes, eliminating building size requirements, reducing set back and parking minimums, streamlining review processes, and providing down payment assistance. More often than not, builders build the same larger, more expensive home, just on a smaller lot.

Pending legislation that would impede local fees, regulations and tools would preempt local efforts to address the varied housing needs across the state and would come with no guarantee that an affordable home will be built. One legislative proposal would, in effect, allow private developers to take over local and regional planning authorities, removing any public accountability. This would not be an outcome consistent with orderly planning of communities or the public health, safety, and welfare.

To truly assist Minnesotans by making homes more accessible and affordable, we would like to emphasize the need for state resources to reduce financial barriers to homeownership and preserve existing homes that can be more easily made affordable, the need to allow local innovation, and the need for more productive partnerships among the public, private and nonprofit sectors. Cities do not deserve the continued attacks on regulations and fees that exist to serve the interests of safety, infrastructure adequacy, fiscal prudence, and ultimately, more housing. They need allies and partners to continue to address these needs, house by house, across Minnesota.

*James Hovland, Mayor, City of Edina; Brian Holmer, Mayor, City of Thief River Falls; Elise Ryan, Mayor, City of Chanhassen; Jeff Wosje, Mayor, City of Plymouth; Shelly Carlson, Mayor, City of Moorhead; Kurt Briggs, Mayor, City of Prior Lake; Mike Kuhle, Mayor, City of Worthington; Brad Wiersum, Mayor, City of Minnetonka; Doug Anderson, Mayor, City of Lakeville; Tom McKee, Mayor, City of Corcoran; Tom Weidt, Mayor, City of Hugo; Marvin Calvin, Mayor, City of Willmar.*

 

Dear Members of the Housing Conference Committee:

The undersigned city associations, representing cities throughout Minnesota, strongly oppose any preemption language as you consider and reconcile the omnibus housing bills.

We continue to oppose preempting local authorities and the ability of cities to plan for and address local housing needs. City officials are in the best position to make these decisions, with input from the community, and 120 cities across the state have passed resolutions reaffirming support for local decision-making authority when it comes to residential development.

Restricting developer-requested planned unit developments (PUDs) would have the impact of making affordable housing more difficult to build and more expensive to build.

Fundamentally, we believe that comprehensive statewide solutions to housing should: (1) address the full housing spectrum of need, (2) support local innovation, (3) provide incentives and not mandates, and (4) provide community-specific solutions throughout Minnesota.

Thank you for your consideration of our comments.

Sincerely,

Charlie Vander Aarde Tom Poul
Metro Cities Municipal Legislative Commission

Daniel Lightfoot & Irene Kao Bradley Peterson & Elizabeth Wefel

League of Minnesota Cities Coalition of Greater Minnesota Cities

Cap O’Rourke

Minnesota Association of Small Cities