



MUCA Legislative Report June 1, 2017

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The legislature needed four extra days, but legislators were able to pass a \$46 billion two-year state budget at 3 a.m. on Friday, May 26. The legislature is now officially in interim after the 2017 regular and special sessions concluded, with all 12 major funding bills passed to Gov. Mark Dayton. Gov. Dayton has signed all of the budget bills while outlining items he would like to see considered in another special session to remove several provisions he opposes. To punctuate his point, Gov. Dayton line item vetoed the entire operating budget appropriations for the House and Senate. Legislative leaders argue that eliminating the legislature's funding is unconstitutional and are considering pursuing the matter in court.

Coming into the session with a \$1.65 billion surplus, highlights of the completed work include a \$650 million tax cut package, a nearly \$1 billion bonding bill, increases to the E-12, higher education, and transportation budgets, and a decrease in funding to the health and human services budget. Legislation also passed this year included compliance with new Real ID federal regulations for state-issued driver's licenses and the allowance of liquor sales on Sunday.

216D Legislation to Protect Contractors

In the final days of the legislative session, Representatives Tim Miller (R-Prinsburg) and Dave Baker (R-Willmar) introduced legislation at the request of MUCA which proposes numerous changes to Minnesota Statute 216D intended to provide important protections to utility contractors. The intention is to utilize the introduced legislation as a conversation starter for the interim with intentions to press for contractor protections during the 2018 Legislative Session.

[HF2719](#) proposes to:

- Create a database of key contact information for the operator or persons responsible for damage prevention for each underground facility.
- Establish a standard depth of at least two feet but no more than four feet for the installation of gas, electric, cable, fiber optic and telephone facilities.
- Require an operator to immediately but no longer than 60 days to contact contractors if damage to an underground facility is discovered by the operator.
- Exempts excavators from having to reimburse operators for damage to an underground facility if the damaged underground facility was incorrectly marked.

- Require compensation if an excavator performs additional work to excavate or repair underground facilities that is outside the scope of the original excavation and repair agreement.

Transportation

The Special Session of the Minnesota Legislature produced a \$5.9 billion, two-year transportation funding bill that relies heavily on the state general fund and bonding and focuses primarily on funding construction for roads and bridges. Existing tax revenue from the sale of auto parts and rental vehicles that now goes into the general fund will be directed to fund roads and bridges. The bill provides a general fund increase of \$300 million in new transportation funding for 2018-2019 and a \$448 million increase in 2020-2021.

Providing \$640 million for general road construction and \$300 million for the Corridors of Commerce program, the bill authorizes \$940 million in trunk highway bonds over the next four years. The bill does not raise gas taxes or license tab fees.

The bill also authorizes a special permit to exceed motor vehicle weight limits in order to haul road construction materials on six-axle (90,000 lbs) and seven-axle (99,000 lbs) vehicles. It specifies that permit fees be allocated to the bridge inspection account, allowing local units of government to set “preferred routes” and permit holders are encouraged to use them. This provision will take effect beginning January 1, 2018.

Infrastructure Funding

The Special Session of the Minnesota Legislature produced a \$990 million capital investment bill that is heavy on infrastructure and of which nearly one-fourth is focused on transportation. After an \$800 million bill failed to gain the required supermajority vote in the House earlier in the session, the \$990 million passed the House 119-11 and the Senate 60-2.

With the legislature and the governor focusing on establishing a two-year budget, the capital investment bill was the last of the omnibus spending packages passed during the 72-hour special session. Traditionally Minnesota considers passing a capital investment bill in even numbered (non-budget) years, but due to the legislature’s failure last session to pass a capital investment bill, lawmakers felt the needs were pressing enough to pass a bill this session.

Minnesota’s higher education institutions received funding for items such as \$66.7 million for a health science education facility at the University of Minnesota, \$28.3 million for a chemical science and advanced materials building at the University of Minnesota Duluth and \$20.6 million for asset preservation for the U of M state-wide. Minnesota’s state colleges and

universities system will receive \$92 million in funding for projects including \$25 million in asset preservation.

Other projects included in the Omnibus Capital Investment bill include:

- \$116.9 million for the Public Facilities Authority including:
 - \$17 million for state matching funds for USEPA Capitalization Grants;
 - \$55 million in water infrastructure (\$40 million for wastewater and \$15 million for drinking water);
 - Public Facilities Authority – Grants to Political Subdivisions:
 - \$5.3 million – City of East Grand Forks Sewer Interconnect with Grand Forks
 - \$2 million – Koochiching County Island View Sewer Project
 - \$1.2 million – Big Lake Sanitary District Sewer System and Force Main
 - \$300,000 - Clear Lake and Clear Water Sewer District
 - \$850,000 - City of Clearbrook Water Plant Curb and Gutter
 - \$500,000 – City of Oronoco Wastewater Collection and Treatment Study
 - \$275,000 – City of Lilydale – Storm Water Project and Trail Structure Repairs
 - \$726,000 – City of Dennison Lift Station and Sewer Projects
- \$115.93 million in local road improvement fund grants;
- \$71.12 million for rail grade separation crossings on crude oil rail transport corridors in Coon Rapids, Moorhead and Red Wing;
- \$56.25 million for the local road improvement program;
- \$31.88 million to rehabilitate the 10th Avenue bridge over the Mississippi River in Minneapolis;
- \$15 million for Department of Natural Resources asset preservation;
- \$12.1 million for the Orange Line bus rapid transit line between Burnsville and downtown Minneapolis;
- \$11.55 million for four flood hazard mitigation projects;
- \$11.35 million for cleaning up the hazardous waste landfill in Andover;
- \$10 million for Reinvest in Minnesota (RIM);
- \$7.85 million for a bridge project at the Minneapolis Veterans Home;
- \$3.4 million for the Inflow and Infiltration Grant Program;
- \$3.3 million for restoration of the Champlin Mill Pond; and
- \$3.3 million for reconstruction of 105th Avenue in Blaine.

Tax Relief

During a Special Session of the Minnesota Legislature last week, legislators passed an omnibus tax bill that provided \$650 million in tax relief. Senior citizens will see the largest tax break (\$117 million) from a reduction in state income taxes on Social Security benefits. College students will receive a first-in-the-nation tax credit (\$55 million) for student loan payments, and families will see an incentive for saving for college through new tax credits. The tax bill also includes breaks for business property tax payers (\$95 million) by exempting the first \$100,000 in property value (per parcel) from the state-wide property tax levy and freezing the automatic inflator as well as property tax relief for farmers.

[SSHF1](#) also contains:

- \$34 million in property tax relief for farmers for school bond referendums
- \$36 million increase for the child and dependent care credit
- \$15 million increase each of the next two years for Local Government Aid
- \$25.5 million increase each of the next two years for County Program Aid
- A revision of the County Program Aid distributions formula as requested by all 87 of Minnesota's counties
- Lowering the eligible age from 25 to 21 for the working family credit
- Modifications to the estate tax exclusion
- Qualified first-time homebuyers can establish a savings account for a home purchase up to \$150,000 and be allowed to subtract the interest from their taxes.
- Repeals automatic increases to cigarette/tobacco taxes
- Provides a tax credit for the excise tax paid by small wineries

Items not included in SSHF1 include:

- Section 179 expensing (federal conformity)
- A credit for "Equity and Opportunity Scholarships" for low income students
- Subtraction for a first time homebuyer savings account
- Construction materials sales tax exemption for local governments
- Increase in exclusion for estate taxes to the federal exclusion amount

Uniform Labor Standards

On Tuesday of this week, Gov. Mark Dayton vetoed legislation attempting to stop cities from requiring employers to offer paid time off or a \$15/hour minimum wage. Both Minneapolis and St. Paul have mandates that will take effect this summer requiring private employers in their cities to offer paid time off to workers. Both cities are also considering implementing a \$15/hour minimum wage.

While legislative leaders were aware the governor would veto this legislation, it remained a top priority for them as well as business groups such as MUCA and the Minnesota Chamber of

Commerce. Without uniform labor standards, businesses could potentially have to cope with hundreds of different labor rules across all the cities in Minnesota.

In an attempt to entice the governor to sign the bill and/or make the veto politically difficult for the governor, the legislature included numerous provisions in the bill which they believed Gov. Dayton supports such as:

- Important pension provisions from the Omnibus Pensions bill
- Ratification of state labor contracts and collective bargaining agreements
- Strengthening wage theft enforcement provisions which had received a hearing in the Senate earlier this session that did not advance and are opposed by Republican legislative leaders.

Prevailing Wage Reform

[HF1864](#) (Baker)/[SF2302](#) (Draheim) propose to reform Minnesota's prevailing wage provisions for highway and heavy construction workers. However, neither bill advanced before the legislative deadlines.

Where to Find Legislative Information

Both the House and Senate websites contain useful information to help track legislation and stay in touch with your legislators. MUCA encourages its members to visit the [House](#) and [Senate](#) websites and sign up for legislative updates from your legislators.