



# MUCA Legislative Update

By Nick de Julio and Troy Olsen, Ewald Consulting and MUCA Lobbyists

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## **The Legislature Adjourned Sine Die**

Following 10 weeks of committee hearings, late night floor sessions, and last-minute conference committee meetings, the 2016 legislative session has come to an end. The House adjourned Sine Die (the constitutional term for the end of the biennial legislative cycle) at Midnight on Sunday night, while the Senate adjourned on Monday morning. Gov. Mark Dayton now has 14 days to sign any bill into law that has been passed by both the House and Senate, but he has indicated he intends to sign or veto any bills in the next 48 hours. [View the governor's legislative tracker](#) to see all bills that have been signed into law so far this year.

With only 76 days to finish all of their work, legislators were able to accomplish much of their business; including a \$182 million supplemental budget, tax relief, a presidential primary system, and drug sentencing reform. What follows is a comprehensive summary of the work done by the 2016 legislature.

## **Supplemental Budget Recap**

When legislators came together on Tuesday, March 8, they were discussing how to properly utilize a \$900 million state surplus. Because of the surplus, the House and Senate revisited the two-year budget passed during the last session. Through the work of the House Ways and Means committee and the Senate Finance committee, they passed a \$182 million budget that included the following:

- \$75 million for jobs, energy and equity (including \$35 million for broadband expansion and \$35 million for racial equity programs)
- \$45 million for state government operations
- \$25 million for E-12 education
- \$25 million for the Department of Public Safety
- \$7 million for environment and agriculture
- \$5 million for higher education
- \$70 million in tax provisions (separate from the funds for the tax omnibus bill)

The tax provisions in the budget provide a one-year extension for the angel investment tax credit, an exemption for military pensions from state taxes, a \$2,000 credit for families who have a stillborn child, and eliminates sales tax from modular homes. The bill was passed by both the House and Senate on Sunday, and awaits Gov. Dayton's signature before becoming law.

## **Tax Bill Gains Big Votes**

After the 2015 legislative session resulted in stalled talks on an Omnibus Tax Bill, the House and Senate passed a comprehensive tax package which included \$257 million in tax relief in 2016-17 and \$543 million in next biennium. This was less than the roughly \$2 billion in tax changes that the House

originally proposed, but above what the Senate had planned to do. With recent budget surpluses, House Republicans focused on tax relief and reforms while the Senate DFL favored a mixture of targeted tax credits additional spending on various programs and initiatives.

Some items included in [HF 848](#):

- Over \$30 million over the next two years added to the child and dependent care credit
- \$36.5 million in 2016-17 and \$75.4 million in 2017-18 for a new student loan refundable credit up to \$1,000 for principal and interest
- \$15.8 million in 2016-17 and \$33.2 million in 2017-18 for income tax credits and subtractions for 529 college saving plan contributions
- A refundable income tax credit of \$2,500 to K-12 teachers who complete a master's degree in their field of licensure
- A new property tax credit for owners of agricultural property equal to a portion of school district bonds
- Phase-out of the state general levy (applies to commercial and seasonal properties)
- Property tax exemption for the Minnesota United soccer facility in St. Paul
- \$10 million in County Program Aid and \$20 million in Local Government Aid
- \$10 million in riparian protection aid to counties and watershed districts
- Modifies or adds local sales tax authority for numerous cities
- Approves tax increment authority for numerous cities
- Clarifies the law for collecting sales taxes for online purchases when the retailer has a presence in the state
- Provides sales tax exemption and reimbursements for Super Bowl LII, and a sales tax exemption for suites and skyboxes licenses at the stadium
- Provides a sales tax exemption for a siding production facility on the Iron Range
- Places new taxes on e-cigarettes, and removes inflationary increases on cigarette taxes, capping it at \$3/pack.
- Creates a new markets grant program

The bill received bipartisan support, with a vote of 123-10 in the House and 55-12 in the Senate.

### **No Agreement on Bonding Bill**

One of the highlight issues this year was the effort to pass a bonding bill that would invest in state-owned infrastructure throughout Minnesota. The Senate proposed a bill that would have invested \$1.5 billion on projects, while the House bill would have invested \$800 million. Neither original version garnered enough votes to pass off the floor of the Senate or House. Due to the differences in the bills the House and Senate formed a conference committee to attempt to reach a compromise between the two positions, and with under an hour to go in the session the House heard a bonding bill that would have invested \$995 million. When the Senate received the bill they amended it to include funding for transit and passed it back to the House, but the House had already adjourned for the session. This discrepancy left a difference in the bills which meant a final version couldn't be sent to the Governor's desk for signature. Due to the failure to pass a bonding bill there has been discussion among legislative

leaders about holding a special session, but Gov. Dayton has not committed to anything, saying it will take at least a couple weeks to evaluate the prospects.

### **No Agreement on Transportation Package**

For two years the House Republicans and Senate Democrats have been negotiating a comprehensive transportation funding package. Last year the disagreement centered around how to fund transportation projects with \$600 million a year over a 10-year period, with the Senate favoring an increase to the gas tax and the House preferring to use general fund money from sales taxes on auto parts. There was also strong disagreement between Senate Democrats who wanted to increase funding to metro transit projects, specifically the Southwest Light Rail project, and House Republicans, who wanted to focus spending on funding renovations to roads and bridges. With adjournment drawing closer it seemed like no compromise could be reached, and eventually both chambers were unable to pass a comprehensive transportation funding bill this year.

### **Mixed Bag on Economic Development Provisions**

With a deal being reached among leaders in the final hours of the 2016 legislative session on the supplemental spending bill ([HF2749](#)), a number of provisions were included in the final bill dealing with economic development. However, while a number of areas were included, the end result was mixed as some areas received additional funding and other areas were cut despite popular demand.

Key economic development provisions and appropriations in the bill include:

- \$35M regarding equity and disparities
- \$750k for Minnesota housing
- \$1.75M for Minnesota housing. No cuts for Housing Challenge Program
- \$34.25M for workforce & economic development grants from DEED
- \$2M for DEED redevelopment program grants
- \$35 million for the Broadband Grant Fund
- \$9M cut to Minnesota Investment Fund
- \$11.5M cut to Job Creation Fund

### **LCCMR Bill Funds Natural Resources Projects**

Legislation to distribute state lottery funds deposited in the Environment and Natural Resources Trust Fund passed the House and Senate by comfortable margins. The Trust Fund holds assets that can be appropriated, “for the public purpose of protection, conservation, preservation, and enhancement of the state’s air, water, land, fish, wildlife, and other natural resources.”

Authored by Rep. Tom Hackbarth (R-Cedar) and Sen. Kari Dziedzic (DFL-Minneapolis), the \$46.34 million funding package includes provisions such as:

- \$1.5 million for mapping the extent and quality of aggregate resources in unmapped counties;
- \$1.5 million to study the impact of land use changes in the Pineland Sands aquifer;

- \$500,000 to acquire Point Pine Scientific and Natural Area located along Lake Superior;
- \$556,000 to measure pollen and seed dispersal to improve prairie restoration;
- \$596,000 to research using microbes to remove salts and metals from ground and surface water;
- \$500,000 for a statewide network of habitat monitoring sites to help guide and prioritize protection decisions.

The bill received wide-spread support passing the House [92-40](#) and the Senate [41-21](#) on final passage.

### **Legislative Retirements**

It is a custom of the legislature that on the final day of session the House and Senate hear retirement speeches from the members who will not be running for reelection, or will seek election in the other body. This year there were 27 legislators who announced this will be their final year in their respective chamber, including 14 members of the House and 13 members of the Senate.

### **Possible Special Session?**

With two main issues left unresolved (transportation and bonding), there is the possibility that Gov. Dayton may call a special session to address these issues over the course of a day or two. He has remained non-committal to the idea of a special session, saying none of the work is required to be done to continue the operation of state government. Gov. Dayton said that he will decide on signing bills or vetoing over the next two days, and will not call a special session over that time. Only the governor can call a special session, but the legislature controls the agenda once it is called, so Gov. Dayton may be reluctant to call a special session to address issues that aren't time sensitive.

### **MUCA Specific Bills Passed this Session**

The bills below are items that MUCA has been tracking the past two sessions. While a number of initiatives were introduced this session, these two were the only one to pass out of the Senate and House during the ten week short session.

-[HF2451/SF 1898](#) - Building and construction contracts regulated, subcontractor payments regulated, and progress payments and retainages provided: Both are awaiting hearings on the floor. The bill passed and was signed into law on 5/18/16, changes will become effective on 8/1/16.

-[HF 3658 /SF3265](#) - Construction career pathway initiative: Appropriates \$2,000,000 in fiscal year 2017 is from the general fund for a grant to the Construction Careers Foundation for the construction career pathway initiative to provide year-round educational and experiential learning opportunities for teens and young adults under the age of 21 that lead to careers in the construction industry. For fiscal year 2018 and thereafter, the base amount is \$1,000,000 per year. This language was included as part of the Supplemental Budget bill , HF 2749.