



## Request for City Council Committee Action from the Department of Intergovernmental Relations

**Date:** April 11, 2011

**To:** Council Vice President Robert Lilligren and Council Member Elizabeth Glidden  
**Referral to:** Committee of the Whole/IGR Subcommittee

**Subject:** State Legislative Update

**Recommendation:** Receive and File

Prepared by: Gene Ranieri, Director, Intergovernmental Relations Department

Approved by: \_\_\_\_\_

Presenters in Committee: IGR Staff

**Supporting Information:** The Minnesota legislature scheduled a ten day recess beginning on Thursday, April 5 and it is possible there could be an early adjournment. The House leadership has proposed an adjournment on April 30 while Senate leadership has announced that it would prefer to adjourn early. The Senate, however, has not announced a specific adjournment date.

After the recess, the legislature will spend much of its time in conference committees, on the floor and in discussions with the Governor. Committee hearings will be at a minimum. Issues that remain to be determined are the tax and jobs bill, bonding, pensions and the stadium.

Bill	Status
Taxes and Jobs	In conference committee
Bonding	On floor of House and Senate
Pensions	On floor of House and Senate
Stadium	In Senate Local Government Committee. Referred to House Government Operations Committee by Rules Committee.

In addition to the bills cited in the table there are several bills of interest to the city that are still in process. The following sections of this update provide additional detail on pending legislation.

**Taxes and Jobs (SF 1972/HF 2337).** Both bills attempt to create jobs by reducing the state property tax paid by commercial industrial properties, modifying tax exiting credits such as the historic tax credit and the angel investment credit, and amending general and special tax increment financing laws. The bills phase out the commercial-industrial property

tax by reducing the tax paid in 2013 by approximately \$70.0 million. The House pays for the tax relief by reducing the renters' credit. The Senate pays for the reduction by directing the Commissioner of Management and Budget to reduce the general fund appropriation to executive agencies by the amount of savings provided through implementation of the data analytics master contract program and requires the Commissioner of Management and Budget to cancel the difference between the savings resulting from state government appropriation reductions and \$99,900,000 in the budget reserve account to the general fund on November 15, 2012. In effect the approximately \$100.0 million of the cost of the Senate bill is being paid by savings from the analytics program with the difference being paid by a general fund appropriation not to exceed \$99.9 million.

The historic tax credit sunset is extended from 2015 to 2022 by the Senate but there is no similar extension in the House bill. Both bills increase the cap on the angel investment. The House converts a foreign operating corporation from a tax deduction to a property tax credit with preference given to Minnesota companies having a significant presence in Minnesota.

Local Government Aid will be paid in 2013 at the 2012 level to cities with a population of 5,000 or more. Cities with a population below 5,000 would receive the greater of its 2012 aid or its formula derived 2013 amount. As a result Minneapolis will receive in 2013 the same amount received in 2012 or approximately \$64.0 million.

The bills are currently in conference committee. Prior to the recess the committee met once and anticipates finishing its work early next week.

**Bonding (HF 2622/SF 2754).** The House and Senate bonding bills for the 2012 session await action on their respective floors. It is expected that they will be quickly taken up after the Easter/Passover legislative break. The Senate has made a \$561 million dollar proposal. The bill is very light on metro area projects with no funding for the Southwest Transit Corridor, Nicollet Mall, the St. Paul Downtown Ball Park, the Minneapolis Sculpture Garden or Metropolitan Regional Parks. The University of Minnesota received some funding (\$39 million) but an amount well below their traditional levels. The bill has some local projects, including the Phillips Pool at \$1.75 million and the Hennepin County Interchange at \$5 million. None of the Minneapolis' ranked priorities made it into the bill but other non-state projects fared better including the Rochester Civic Center (\$32 million), the St. Cloud Civic Center (\$10 million) and the Austin Research and Technology Center (\$13.5 million). The Senate was favorable to DNR flood hazard mitigation grants and MnSCU, which received \$30 million and \$127 million respectively.

The House bill at \$221 million is significantly smaller than the Senate and over \$500 million less than the Governor's proposal. This bill is also light on metro projects but would provide \$4 million for Minneapolis' request for the 35W North/South storm tunnels renovation and fund \$2.1 million for the Park Board's request for Phillips Pool. The bill has the same amount as the Senate for the University of Minnesota but less than half as much for MnSCU projects. The house bill contains no funding for flood hazard mitigation grants and 33% less for local bridge funds. With the exception of St. Paul getting \$12 million for the Children's Museum and \$2 million for their Downtown Ball Park, few metro area local requests received funding. In greater Minnesota Rochester and Mankato civic centers received no funding from the House and the St. Cloud Civic Center received only \$1 million.

It is important to note that in a separate bill (HF 2754, sponsored by Rep. Larry Howes, Chair of the House Bonding Committee), the house is proposing to fund \$221 million for a full renovation of the State Capitol. The Senate has a similar proposal but would prefer to fund the Capitol renovations overtime with an initial \$70 million proposal to first renovate the exterior of the building. These large proposals could have a great influence on any final agreement that may need to be reached with Legislative leadership and the Governor.

It is anticipated that both bills in their current form will have trouble getting the 41 and 81 votes respectively in the Senate and House necessary to pass a bonding bill as they need a two thirds majority to reach the Governor's desk.

**Pensions (HF 2199/SF 1808).** The Omnibus pension bill is on the floor of the House and the Senate. The bills are the same as when they passed out of the Legislative Commission on Pensions and Retirement. The bill makes several changes to the state's pension plans but the modifications are mostly updates and technical changes. A substantive change relates to pre-retirement interest rate assumption of 8.5%. The bill proposes to replace the current 8.5% rate with a select-and-ultimate pre-retirement rate for all statewide funds. The select rate would be 8% effective from July 1, 2012 to June 30, 2017. The ultimate rate would be set at 8.5% starting on July 1, 2017. During the "select period," study would continue on what an appropriate long-term investment assumption rate should be and whether a return to 8.5 percent is advisable. The three statewide retirement systems including PERA support the interest rate change.

The investment assumption rate is important to public pension plans because lowering the rate decreases the plans' funded ratios, increasing liabilities and projected benefit costs. It is estimated that the rate reduction will not significantly reduce the funding ratio to trigger an increase in employee or employer contributions.

**Liquor Bill (SF 2392).** The 2012 omnibus liquor bill passed both the House and Senate last week. SF 2392 contains a number of non-controversial provisions dealing with wine educators, sales of special brand clothing in liquor stores, new regulations around wine tasting and festival events, and special language to allow some out of state brewers to participate in a beer festival in Minnesota. The bill also contains two other provisions that were of great interest to the City of Minneapolis.

The first is a special liquor license for the Broadway Liquor Outlet which was destroyed by last year's north side tornado. The special provision will allow them to set up a temporary business in their current non-conforming location and eventually move across the street as part of a new development. The new location is supported by the City and neighborhood but doesn't meet the charter requirements of five acres of contiguous commercial property and thus needed a state exception from the city charter.

The second provision of interest to the City was a provision that would provide the University of Minnesota the ability to sell alcohol in limited locations at TCF Bank Stadium. It is our understanding from University officials that the language authorizes "the University of Minnesota Regents, if they so choose, to provide alcohol sales in premium seating, including Mariucci and Williams," as was the practice up until a few years ago before the ban. This bill permits alcohol in premium seating, but doing so would also require the University to establish a beer garden or separate section for alcohol consumption. Alcohol would have to be purchased and consumed in the beer garden and could not be taken back to the seat, purchased for others.

Because there were some slight differences in the house and senate omnibus liquor bill language a conference committee has been named and will likely meet quickly once the legislators return on April 16th.

**Asian Carp (SF 2493).** SF 2493, the Omnibus Legacy bill, authorizes appropriations from the sales tax mandated by the "Legacy Amendment" to the Minnesota constitution, to the outdoors, clean water, parks and the arts. The bill passed the Senate on March 22 and was amended and passed by the House April 4. Because the Senate did not concur with the House's amended version, the bill now goes to a conference committee to work out the differences. Both versions of the bill include funding to combat Asian carp. First, the bill devotes \$7.5 million to "design, construct, operate, and evaluate electric fish barriers and

surrounding structures” on the Mississippi River and requires a one-to-one match for projects on state boundary waters. In the House, this portion was amended to require the appropriation not be used for “sound projector arrays, bioacoustic fish fences, high intensity light barriers, or air bubble curtains.” Also, both versions of the bill appropriate \$4.4 million—half from the Clean Water Fund, half from the Outdoor Heritage Fund—to the University of Minnesota, “in consultation with other institutions of higher learning in Minnesota,” for aquatic invasive species research. The funding is devoted to three research assistant professors, one each to study environmental DNA, zebra mussels, and fish ecology; one fish care technician; five graduate students within the Department of Fisheries, Wildlife and Conservation Biology; and equipment for research activities.

**Shooting Ranges (HF 2353/SF 2451).** Legislation was introduced in both chambers to require publically owned or managed shooting ranges, such as those used by law enforcement for practice and training exercises, to be open to the public for those participating in firearms safety instruction courses. The bills also required such ranges to be open during hours reasonable for youth access, such as evenings and weekends. The bills prevented range operators to charge fees to offset costs for general maintenance and operation of the facility. The City of Minneapolis strongly opposed this legislation as costly to local government and a public safety hazard. The House bill received one hearing in the Government Operations and Elections committee, and the Senate bill was not heard.

Rep. Hackbarth, author of the bill and author of the Omnibus Game and Fish bill (HF 2171/SF 1943), moved to amend the shooting range bill language to his Omnibus bill on the floor of the House. It passed, with added language exempting shooting ranges located on the same premises as a correctional or detention facility that holds or incarcerates offenders. The bill language has so far not been added to the Senate Omnibus Game and Fish bill, and that bill awaits Senate floor action.

**Environment Response Fund (HF 1242/SF 1325).** The Environmental Response Fund (ERF) provides grants for environmental assessment and clean-up of sites that are unlikely to be funded by other grant programs. Since the ERF funding began in 2001, 264 grants totaling \$37 million have been awarded throughout Hennepin County, creating or retaining approximately 9,500 jobs. In 2012, over \$1.12 million in resources was granted to projects in the City of Minneapolis.

The statute that established the ERF includes a sunset date of January 1, 2013, for the mortgage registry tax that funds the program. If the sunset is not removed or extended by the legislature, Hennepin County will not be able to continue this successful program. Along with Hennepin and Ramsey County, the City of Minneapolis has been advocating for an extension to this sunset date. HF. 1242 (Rep. Doepke)/SF. 1325 (Sen. Hall) were introduced to extend this sunset five years, until 2018.

In the Senate Tax committee, Sen. Ortman’s technical tax bill, (SF. 2136) was amended to extend both the Hennepin and Ramsey County programs by two years, to 2015. There is currently no extension language in the House companion or other House tax bills.

**Constitutional Amendments (Voter ID HF 2738/SF 1577 Chapter 167; Right to Work HF 2140/SF 1705; Balanced Budget HF 1612/SF 1364; Three-Fifth Vote HF1598/SF 1384).** Dozens of constitutional amendments have been introduced in the 2011-2012 legislative session. It appears that two of these will be on the November ballot. Notable proposed amendments that did not pass the legislature are the so-called “Right to Work” amendment, the so-called “balanced budget” amendment that would require budgeted spending to be limited to the amount collected in the prior biennium, and

amendment that would require a law to pass the legislature with a three-fifth majority vote to increase most taxes.

The two proposed amendments that will be voted on by citizens in November are the ban on same sex marriage, and an amendment requiring voters to present photo identification at the polls in order to vote. Many questions regarding the actual implementation of the voter ID amendment remain, and the author has indicated those questions should be taken up by future legislatures should the amendment be adopted.

**Food and Beverage Licensing Fees (HF 1755/SF 1701).** Legislation was introduced in both bodies that would allow the state Department of Health to set local food and beverage licensing, inspection and enforcement fees through existing delegation agreements. The bill passed two committees in the Senate and was not heard in the House. The City of Minneapolis testified against the bill at both of its committee stops and worked with partners including the Minnesota Association of Counties and the League of Minnesota Cities to oppose the legislation. The City of Minneapolis emphasized our diverse and unique restaurant community, which requires unique strategies including education and translation services which are reflected in our local fees.

Supporters of the legislation argue the bill creates more transparency in fees by having delegated cities and counties submit their fee schedules to MDH. Supporters contend that some cities and/or counties are charging fees that are higher than the cost of running their programs – essentially subsidizing other local government activities. State law already requires transparency through a public hearing and requires that local fees are set to reasonably cover costs. We will continue to oppose this legislation.

**Fireworks Expansion (HF 1744/SF 1694).** Legislation expanding the sale and use of consumer fireworks from the current sparklers and novelties to explosive aerial and multi-tube variety, also known as Class C fireworks, has been moving through both bodies of the legislature. The bill was debated on the House floor last week and was unexpectedly referred back to the committee process. During the debate, opponents of the measure cited a House rule that requires the Government Operations and Elections Committee to hear bills with local government implications. The bill was promptly heard and passed by the committee; and because it has no longer technically met the policy bill deadline, it is now awaiting action in the House Rules Committee. The bill is expected to again reach the House floor. It is strongly opposed by local units of government, the fire service and burn unit medical professionals. At the Government Operations and Elections Committee hearing, the League of Minnesota Cities and the Association of Minnesota Counties testified in opposition to the bill. The Department of Public Safety indicated in testimony that the agency prefers the status quo as it pertains to fireworks.

The bill (SF. 1694/HF. 1774) would not only legalize large, loud, powerful fireworks that have the potential to cause safety, fire and nuisance problems where they are detonated, but would also limit local control over the sale of these products. Representative Ryan Winkler (DFL-Golden Valley) offered two amendments that would have provided local control over the use of fireworks, but both were rejected on voice votes. The amendments are likely to be offered again when the bill is debated on the House floor.

**Stadium (HF 2810/SF 2391).** The bills are in committee in each body. The Senate bill is in the Local Government Committee. The bill was heard in the Senate committee on March 14 and has been laid over. A committee meeting has not been scheduled. In the House, the bill has cleared the Commerce Committee and the Rules Committee waived the deadline to hear bills and referred the bill to the Government Operations and Elections Committee. The latter committee has not scheduled a hearing for the bill.

The bill was amended in the Commerce Committee to authorize the state to use a portion of the revenues from electronic pull tabs for the stadium. The amendment also authorized several back-up taxes and revenues to be used for the stadium in the event the pull tab revenue in any year was not sufficient to meet expenditures. The back-up or blink-on revenues include a tax on luxury boxes at the stadium, a sports themed lottery game, excess revenues from the ball park sales tax, and admissions tax. The taxes are listed in order of priority and if the taxes are not needed they are rebated with payment being in reverse order of priority. The Hennepin County tax usage as authorized by the bill does not require local approval.