Overview: Legislature Finishes Work During One-Day Special Session

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Small Pots of Money to Fight Emerald Ash Borer Approved in Final Budget Deal
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Legislature Fails to Amend Municipal Liquor Operation Continuation Statute
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Employment Measures Fail in End-of-Session Negotiations
Several employment-related proposals—including employment standards, preemption, paid leave, earned sick and safe time, and changes to the sexual harassment definition—did not become law this year.

More Information and Resources

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Overview: Legislature Finishes Work During One-Day Special Session

During the special session, the Legislature approved 13 new bills—including many provisions of interest to cities—to complete work on the biennial budget.

Question: When was the last time the Legislature completed its work on the state budget by the constitutional deadline? Answer: 2013. In fact, over the past 10 state biennial budget-setting sessions, the Legislature has required special sessions to complete seven of the budgets.

A special session was once again needed this year to come to agreement on a $48.3 billion budget—and for cities, the results were mixed. There was some good news—including an increase in local government aid, $40 million in broadband grant funding, and money to help cities with water/wastewater infrastructure.

There was also some bad news. For example, the transportation funding outcome was disappointing, a simplification in the process for the construction sales tax exemption didn’t go through, and the process for local sales tax authorization was made more cumbersome.

In this issue of the Cities Bulletin, you’ll find several stories with details on many provisions of interest to cities. In addition, the League's 2019 Law Summaries, with details of all new laws affecting cities, will be published in late June.

Hashing out an agreement

During the 2019 regular legislative session, the stalemate in negotiations between the House and Senate continued until a budget agreement was announced by Gov. Tim Walz, Senate Majority Leader Paul Gazelka (Link to: https://www.senate.mn//members/member_bio.php?member_id=1169) (R-Nisswa), and House Speaker Melissa Hortman (Link to: https://www.house.leg.state.mn.us/members/profile/12266) (DFL-Brooklyn Park) on Sunday evening, May 19, with only a little more than 24 hours remaining before the constitutional adjournment. Despite attempts to finish work on several bills before the deadline of midnight on May 20, the Legislature was only able to complete the higher education budget bill during the regular session.

Gov. Walz and legislative leaders continued to work on the details of the remaining 11 budget bills after adjournment, with the goal of completing all remaining work before the Memorial Day recess. As agreement on individual bills was reached, House and Senate committees held hearings on each of the budget bills. However, given that the Legislature was not in session and, therefore, had no formally
introduced bills before them, the committee hearings were essentially informational and no formal actions were taken.

On the evening of May 23, with an apparent agreement on all of the remaining budget bills, the governor issued the **proclamation calling the Legislature into special session** (Link to: https://mn.gov/governor/assets/2019_05_23_2019_Special_Session_Proclamation_tcm1055-385842.pdf) on May 24, at 10 a.m. The **agreement** (Link to: https://mn.gov/governor/assets/Agreement%20for%20Special%20Session%205.23.2019_tcm1055-385839.pdf) between the governor and legislative leaders was to complete all budget work before 7 a.m. on May 25.

**Uncertain start**

As the Legislature convened in special session on May 24, an agreement on the health and human services (HHS) budget was still not finalized, raising concerns that the special session might not conclude by the 7 a.m. deadline. In addition, the Minnesota Constitution requires that bills be “reported” on three separate days and, therefore, in order to complete work on legislation in one day, the House and Senate would have to suspend the constitutional requirement with a vote of two-thirds of the Legislature.

At the beginning of the special session, **House Minority Leader Kurt Daudt** (Link to: https://www.house.leg.state.mn.us/members/profile/15345) (R-Crown) indicated that he wanted members to fully understand the contents of the budget bills, suggesting that he would not support suspension of the constitutional requirement, which would extend the session to Sunday, May 26.

**Quicker-than-expected progress**

Throughout the day, negotiations continued and, ultimately, legislators resolved the HHS budget and also agreed to suspend the constitutional three-day reporting requirement. Shortly before 7 a.m. on Saturday, May 25, the Legislature was able to complete work on 11 budget bills, a housing infrastructure bonding package, and a technical clean-up bill. The Legislature was not able to reach agreement on a broader package of bonding projects.

The following bills were approved during the special session:

- Omnibus agriculture, rural development, and housing bill (**SF 1** (Link to: https://www.revisor.mn.gov/bills/bill.php?b=Senate&f=SF0001&ssn=1&y=2019))
- Omnibus environment and natural resources bill (**SF 7** (Link to: https://www.revisor.mn.gov/bills/bill.php?b=Senate&f=SF0007&ssn=1&y=2019))
• Omnibus health and human services bill (SF 12 (Link to: https://www.revisor.mn.gov/bills/bill.php?b=Senate&f=SF0012&ssn=1&y=2019))
• Omnibus judiciary and public safety bill (SF 8 (Link to: https://www.revisor.mn.gov/bills/bill.php?b=Senate&f=SF0008&ssn=1&y=2019))
• Omnibus legacy finance bill (SF 3 (Link to: https://www.revisor.mn.gov/bills/bill.php?b=Senate&f=SF0003&ssn=1&y=2019))
• Revisor’s (technical) bill (HF 13 (Link to: https://www.revisor.mn.gov/bills/bill.php?b=House&f=HF0013&ssn=1&y=2019))
• Omnibus state government and veterans bill (SF 10 (Link to: https://www.revisor.mn.gov/bills/bill.php?b=Senate&f=SF0010&ssn=1&y=2019))

Gov. Walz is expected to approve all of these bills over the next few days.

Read the current issue of the Cities Bulletin (Link to: http://www.lmc.org/page/1/cities-bulletin-newsletter.jsp)
The tax bill restores 2002 LGA levels and includes several other provisions that affect cities. (Published May 28, 2019)

The omnibus tax bill (SS HF 5) was approved by both the House and Senate during the May 24 special session. It includes many provisions of interest to cities, including an increase in LGA, changes in the local sales tax authorization process, and more. The bill is awaiting approval by Gov. Walz.

The approved tax bill covers an array of tax issues, including property taxes, state aids and credits, local option sales taxes, tax increment financing, and public finance, as well as provisions related to federal income tax conformity, income and corporate income and estate taxes, special taxes, and several articles of tax policy and technical recommendations from the Minnesota Department of Revenue. The bill also includes a permanent extension of the health care provider tax at a rate of 1.8 percent.

Below is a summary of several of the provisions of interest to cities. The League will compile a full list of law changes in the 2019 Law Summaries, which will be available in late June.

LGA increased to 2002 level

The bill includes a $26 million increase in the local government aid (LGA) appropriation effective for the 2020 distribution, bringing the total appropriation to $560.4 million. It provides an additional $4 million increase in LGA for the 2021 distribution, bringing the total appropriation to $564.4 million, the level last distributed to cities in 2002. The bill also includes a provision that will prevent any city from losing LGA in 2020.

See city-by-city LGA estimates under the bill (pdf)

The bill includes special local government grants to the cities of Lilydale (Highway 13 infrastructure costs), Austin (related to loss of fire state aid), Flensburg (restoring LGA due to penalty), Mazeppa (fire loss abatements), and Virginia (utility relocation costs related to Highway 53).

Local option sales taxes
The bill includes general local sales tax authorizations or adjustments for the cities of Avon, Blue Earth, Cambridge, Cloquet, Detroit Lakes, Duluth, Elk River, Excelsior, Glenwood, International Falls, Perham, Rogers, Sauk Centre, Scanlon, Two Harbors, Virginia, West St. Paul, Willmar, and Worthington. Each city sales tax includes a local approval requirement that must be filed with the Office of the Secretary of State.

The bill also includes new special local lodging taxes for Lake County, La Crescent, Plymouth, as well as a new local food and beverage tax authorization for North Mankato.

For the cities of Avon, Blue Earth, Cambridge, Duluth, Glenwood, International Falls, Two Harbors, and Worthington, the local sales tax authorizations are contingent upon each city providing a more detailed council-adopted resolution on the specific projects to be funded. Each city is also required to file an affidavit of compliance along with the resolution with the Minnesota Department of Revenue before the tax could be imposed. In addition, it requires each city to post and maintain the information on its website.

**Changes in local sales tax process**

For cities seeking local sales tax authority in the future, the bill includes the following changes to the existing process:

- A city must secure legislative authorization before conducting a local referendum on the sales tax. This is a return to the procedure that was in place before a 2011 law change requiring the referendum prior to seeking special legislation.
- The use of sales taxes revenues is explicitly limited to construction and rehabilitation of capital projects where a clear “regional benefit” can be demonstrated.
- A city will continue to adopt a resolution in support of the local sales tax; however, the resolution will now have to contain more detailed information, including:
  - The proposed tax rate.
  - A detailed description of no more than five projects that will be funded.
  - Documentation of the regional benefit, including the share of the benefits of the project to non-residents and businesses located outside the jurisdiction.
  - Documentation of the amount of sales tax revenue used for each project and the estimated time needed to raise the sales tax revenue.
  - The total revenue that will be raised for all projects and the estimated duration of the sales tax.
• A city must submit the more detailed council resolution to the chairs and ranking minority members of the House and Senate Taxes committees no later than Jan. 31.

Once a city receives legislative authority, the bill then requires the city to conduct the referendum at a general election. It also requires that each “project” to be funded with the sales tax must be included on the ballot as a separate question.

The bill includes a new requirement that once sufficient revenues have been collected to fund a capital project or pay associated debt service, any amount greater than the average quarterly collections over the preceding 12-month period must be retained by the commissioner of Revenue.

**Sales tax exemptions**

The bill does not include the League-supported provision to generally streamline the sales tax exemption for construction material purchases made by contractors for municipal projects.

The bill does include specific sales tax exemption refund authorizations requested by individual cities and school districts, including:

- Monticello (fire station)
- Inver Grove Heights (fire station)
- Mendota Heights (fire station)
- Minnetonka (fire and police station)
- Minneota School District (school building)
- Dakota County (law enforcement collaboration center)

The bill also includes sales tax exemptions for materials used to rebuild after fires in Melrose and Mazeppa.

**TIF**

The bill includes special law adjustments to tax increment financing (TIF) districts in the cities of:

- Hopkins
- Bloomington
- Edina
- Alexandria
- Anoka
- Champlin
- Duluth
• Minneapolis
• Roseville

Other provisions of interest

The bill also:

• Authorizes cities to appropriate funds for city historical societies. Under current law, cities are only authorized to appropriate funds for a county historical society.
• Allocates an additional $750,000 to the border city enterprise zone program.
• Phases in an increase in the school building bond agricultural credit program from 40 percent to 70 percent of the tax on the property attributable to school district bonded debt levies. The credit is increased to 50 percent in 2020, 55 percent in 2021, 60 percent in 2022, and finally 70 percent in 2023.
• Provides a 12-year abatement of the state general property tax levy for certain intra-state natural gas transportation or distribution pipeline systems in areas lacking current natural gas service, thereby encouraging deployment of natural gas service. Several cities that currently do not have natural gas service have been seeking this abatement.
• Reduces the state general levy paid by commercial/industrial properties by $47.5 million per year and the amount paid by cabin properties by $2.5 million per year.

Not included in the final bill

There are several provisions of city interest included in earlier versions of the tax bill that were not contained in the final bill, including the following:

• Public Employees Retirement Association (PERA) aid extension: The bill does not extend the sunset date for an aid program created in 1997 that provides aid to non-school employers that participate in PERA.
• Study of state-assessed property: The bill does not include a requirement that the commissioner of Revenue issue a report analyzing aspects of the state’s assessment of pipeline and utility property.
• Study of 4d low-income rental property: The bill does not include a requirement for the Department of Revenue and the Minnesota Housing Finance Agency to study the 4d low-income apartment classification.
• 4d class rate reduction: The bill does not include the Senate reduction in the 4d class rate to 0.25 percent for the entire property.
• General authorization to create fire protection districts: The bill does not include the state authorization for cities and other local units of government to create fire protection taxing districts.
• **Prohibition on new city/county fees or taxes:** The bill does not include the expanded Senate restriction on the ability of cities and counties to impose or increase excise taxes or fees on food or containers.

• **Solid waste management tax increase in counties with soil and water conservation districts:** The bill does not include the House solid waste management tax increase for soil and water conservation districts for operations.

**Read the current issue of the Cities Bulletin** ([Link to: http://www.lmc.org/page/1/cities-bulletin-newsletter.jsp](http://www.lmc.org/page/1/cities-bulletin-newsletter.jsp))

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Legislature and Governor Agree on Status Quo Transportation Funding Package

The bill does not contain key funding provisions supported by the League, including funds for the Small Cities Assistance Account and a gas tax increase. (Published May 28, 2019)

The agreement between legislative leaders and Gov. Tim Walz to enact a transportation budget free of significant new revenue left transportation advocates disappointed but not entirely surprised.

Going into conference committee, the House and Senate transportation bills were drastically different, and it became clear as the conference committee met that they were not making progress on resolving budget provision differences.

The House bill included a 20-cent increase in the fuel tax, an increase in the motor vehicle registration tax, an increase in motor vehicle sales tax, and a half-cent metropolitan area tax for transportation with most of the revenue dedicated to transit in the seven-county metro area. The bill also repealed the dedication of the sales tax revenue from rental vehicles, leased vehicles, and auto repair parts.

The Senate transportation budget bill did not repeal the dedication of sales tax revenue but did not provide any increases in funding for the coming biennium. (See previous Cities Bulletin article. Link to: http://www.lmc.org/page/1/TransportationCC.jsp)

Provisions of final bill

Under the global budget agreement between the governor, House speaker, and Senate majority leader unveiled on May 20, $93.5 million in general fund dollars for the biennium will be distributed as follows:

- Metro Mobility—$23.19 million for fiscal year (FY) 2020; additional $13 million (if available) for FY 2021.
- Deputy registrar reimbursement—$13 million.
- Minnesota Licensing and Registration System (MNLARS) replacement—$55.67 million.
- Disaster Contingency Account—$20 million (if available).

The final package (SS HF 6 Link to: https://www.revisor.mn.gov/bills/bill.php?f=HF6&b=house&y=2019&ssn=1) does not contain key funding provisions supported by the League, including funds for the Small Cities Assistance Account and a gas tax increase.
Advocates had hoped the Legislature would pass a bonding bill to provide transportation funds for the Local Road Improvement Program and other infrastructure programs, but that fell to the wayside as well.

**Additional allocations**

Overall, the transportation budget bill provides $264.6 million, or about 4%, in all funds for all agencies more than in the previous biennium. The bill includes $8 million less in general fund dollars than the budget for last biennium overall.

According to an analysis provided by the Minnesota Transportation Alliance, due to the statutory dedication of auto parts and repairs sales tax revenue passed in 2017 and some natural growth in constitutionally dedicated revenue sources, there is an increase in County State Aid Funds (CSAH) of $128.3 million over the previous biennium, or about $64 million more per year, and an increase of $32 million in Municipal State Aid Funds (MSA), or $16 million per year over the previous biennium.

The Minnesota Department of Transportation (MnDOT) budget is increased by $104.8 million. The operations and maintenance budget is increased by $53 million for the biennium, the state road construction budget is cut by $23.5 million over the previous biennium, debt service on trunk highway bonds is increased by $20.6 million for the biennium, and funding for agency management is increased by $19.3 million for the biennium. An allocation of $25 million each year or $50 million for the biennium in trunk highway cash is provided for the Corridors of Commerce program.

Maintaining the statutory dedication of the sales tax on leased motor vehicles (MVLST) means that the local bridge fund is retained. That fund is projected to receive $26.7 million for the coming biennium. There is also no change in the current allocation of MVLST for the five suburban counties, for the Highway User Tax Distribution Fund and for Greater Minnesota transit.

The package passed of the House floor on a vote of 106 to 19, and off the Senate floor on a vote of 54 to 13.

The omnibus transportation bill also includes a number of policy provisions, including two provisions that give cities authority to set speed limits on local streets. More information will be provided in the League’s 2019 Law Summaries, which will be published in late June.

——See a spreadsheet with details of the budget (pdf) (Link to: https://www.senate.mn/departments/fiscalpol/tracking/2019/TRA_Transpo%20Budget%2020-21%20agreement.pdf)
—See the Senate’s Transportation Omnibus Bill Summary (pdf) (Link to: https://www.senate.mn/committees/2019-2020/3102_Committee_on_Transportation_Finance_and_Policy/Transpo%20Summary.pdf)

—See the House’s Transportation Omnibus Bill Summary (pdf) (Link to: https://www.house.leg.state.mn.us/hrd/bx/91/2019-1/HF0006.pdf)

Note: Some of the information provided in this story was provided by the Minnesota Transportation Alliance. The League is a member of the Minnesota Transportation Alliance.

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Broadband Funding Approved by House and Senate

An omnibus bill includes $40 million for grants to provide broadband access to Minnesota homes and businesses in underserved cities.
(Published May 28, 2019)

Both the House and Senate passed an omnibus bill that provides $40 million for the Border-to-Border Broadband Development Grant Program over the next biennium. The grants are intended to help connect thousands of Minnesota homes and businesses to reliable broadband in hard-to-serve areas.

The measure was included in the omnibus agriculture, rural development, and housing budget bill (SS SF 1, which was the first bill to be sent to Gov. Tim Walz during the May 24 legislative special session.

What the bill provides

The funding means that for the first time since 2017, the 120 cities considered unserved and many cities considered underserved will have the opportunity to benefit from state resources to expand broadband access.

The grants awarded through the Office of Broadband Development via a competitive process can provide up to 50 percent of a project’s infrastructure costs. Costs covered by the grant include those associated with project planning, permits, construction plant and labor, installation, and engineering.

The application period will be announced once the bill is signed by the governor and usually runs from July through September.

—Learn more about the Border-to-Border Broadband Development Grant Program.

For more background information about this topic, read a previous Cities Bulletin article.

Read the current issue of the Cities Bulletin.

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Policy Changes and Funding Approved to Address Housing Needs

A total of about $75 million in bonds and additional appropriations for housing programs over the next biennium will help cities spur development and address affordable housing needs.

(Published May 28, 2019)

Numerous provisions to address the affordable housing crunch in Minnesota were included in the $48.3 billion budget agreement passed by the Legislature during the May 24 special session.

The omnibus agriculture, rural development, and housing finance bill (SS SF 1) includes $25 million in additional appropriations over the next biennium for housing programs administered by the Minnesota Housing Finance Agency. The additional revenue equates to a 10% increase in the agency’s budget and means that more homes will be built, rehabilitated, and preserved.

The bill includes:

- Additional one-time funding of $5 million for the Economic Development and Challenge Fund Grant Program. Cities are eligible to receive grants and loans from this program for construction, acquisition, rehabilitation, and gap financing of housing to support economic development by meeting locally identified housing needs.
- A total of $2 million for Manufactured Home Park Infrastructure Grants over the next biennium, and $1 million each fiscal year (FY) in 2022 and beyond for grants to improve park infrastructure, including storm shelters and community facilities.
- An appropriation of $3.5 million for the Homework Starts With Home program, which provides rental assistance for highly mobile families.
- An appropriation of $500,000 over the next biennium and $250,000 in subsequent fiscal years after FY 2022 for a newly established Workforce Homeownership Program for grants to aid in the development of workforce and affordable homeownership projects.
- Continuation of $2 million base funding for FY 2020 and 2021 for the Workforce Housing Development Program for grants and loans for workforce housing projects in cities outside of the metropolitan area.
- Policy language to allow cities as eligible recipients of grants from the Workforce and Affordable Homeownership Development Program.
Housing Infrastructure Bonds

As a part of the overall housing deal, the Legislature also passed SS HF 12 (Link to: https://www.revisor.mn.gov/bills/text.php?number=HF0012&version=latest&session=91&session_number=1&session_year=2019) in the waning hours of the special session, which authorizes $60 million in housing infrastructure bonds (HIBs). The proceeds of HIBs can be used to fund loans to help finance the acquisition, rehabilitation, or construction of eligible multifamily, senior, supportive, and affordable rental housing. Eligible uses also include rehabilitation of federally assisted rental housing.

Housing Affordability Commission

Also contained in the state government finance omnibus bill (SS SF 10 (Link to: https://www.revisor.mn.gov/bills/bill.php?b=senate&f=sf0010&ssn=1&y=2019) ) is language establishing a new Housing Affordability Commission. The eight-member commission will consist of two senators and two representatives from each party.

The commission is charged with a number of duties, including defining “housing affordability;” reviewing and researching issues impacting housing affordability and homeownership access; providing the Legislature with research and analysis to reduce the homeownership equity gap; and making recommendations to positively impact access to homeownership.

The League and Metro Cities worked diligently with the bill author and stakeholders to expand the scope of the commission to include more of the housing continuum rather than just owner-occupied single-family homeownership.

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Water and Wastewater Infrastructure Gets Needed Funding

Between the early session bonding bill to release funds prioritized in 2018 and the final budget agreement on Legacy fund spending, city water infrastructure received much-needed state financial support. (Published May 28, 2019)

While a last-minute effort to pass a bonding bill as part of the 2019 special session budget agreement failed, cities did receive money through the Clean Water Fund in the Legacy bill (SS SF 3). Under this bill, the Point Source Implementation Grants (PSIG) program of the Public Facilities Authority will receive $18 million over the biennium to finance pollutant load reduction infrastructure required as part of an approved TMDL. In addition, $125,000 is made available each year for the Small Communities Wastewater Treatment Grant and Loans program.

This was the second win for city water infrastructure this year. Early in the 2019 regular legislative session, Chapter 2 (HF 80) was passed and signed into law by Gov. Walz, which allowed $59 million of water and wastewater infrastructure funding for cities to become available for the city projects that were eligible (Section 6).

The 2018 appropriation had been challenged as an illegal and unconstitutional use of funds from the Environment and Natural Resources Trust Fund. (Read previous Cities Bulletin article.)

More significant funding for PSIG, the Water Infrastructure Fund, and for the state revolving loan funds for both wastewater and drinking water are expected to be part of the 2020 state capital budget bill.

Read the current issue of the Cities Bulletin (Contact Craig Johnson
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Critical Elections Issues
Addressed in Special Session
Omnibus Bill

The final state government finance omnibus bill includes language that allows full access to federal cybersecurity funding and that makes changes to the presidential primary.
(Published May 28, 2019)

The House and Senate approved the use of $6.6 million in elections cybersecurity funding as part of the omnibus state government finance bill (SS SF 10 (Link to: https://www.revisor.mn.gov/bills/bill.php?b=Senate&f=SF10&ssn=1&y=2019)), which was passed during the May 24 special session.

This was an issue that was expected to be taken care of early in the 2019 regular session but lingered on because the Senate bill appropriated only $1.5 million of the available funding.

Language in SF 10 allows the Office of the Secretary of State access to the full $6.6 million funding made available from the federal government more than a year ago. The money has been sitting in an existing Help America Vote Act fund due to inaction by the state Legislature. Minnesota is one of only four states requiring legislative authority to access the funding, and it was the only state that hadn’t yet approved access.

Presidential primary

Additionally, the bill makes critical changes to the state presidential nomination primary law. The law will now limit the distribution of participants’ party choice to the major political parties. Prior to this change, the information would have been available by request to the Office of the Secretary of State by any registered Minnesota voter.

Making this change to the presidential nomination primary was a League priority for the 2019 legislative session.

For more information on both of these issues, see a previous Cities Bulletin article. (Link to: http://www.lmc.org/page/1/ElectionsTaskForceLetter.jsp)

Read the current issue of the Cities Bulletin (Link to: http://www.lmc.org/page/1/cities-bulletin-newsletter.jsp)
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Pension Bill Approved With Extension of PERA Phased-Retirement Option

The bill also provides a process to terminate participation in the PERA Statewide Volunteer Firefighter Plan and expands members’ ability to purchase service credits for military leave.

(Published May 28, 2019)

A small omnibus pension bill (SS HF 10) was among the bills approved by the House and Senate during the May 24 special session. The bill includes the permanent extension of the phased-retirement option for participants in the Public Employees Retirement Association (PERA) General Plan. It now awaits approval by Gov. Walz.

Phased-retirement option

The phased-retirement option, or PRO, was initially established in 2009 as a temporary measure that would allow cities and counties to work with an employee near retirement age to provide for an orderly arrangement for the transfer of knowledge and skills to a new employee.

The PRO authorization was scheduled to expire on June 30, 2019, for any new PRO arrangements. Existing PRO arrangements could have been renewed (not to exceed four renewals) until June 30, 2024.

Under a PRO, a PERA General Plan active member who is at least 62 years old could receive a PERA retirement annuity without a formal termination of employment. However, members must reduce their work hours to half-time or less while participating in the PRO agreement.

The governing body of the governmental entity has the discretion to determine if it will offer the PRO program to an employee, as well as the duration of the PRO arrangement. Any earnings under the PRO position are not subject to the post-retirement annual earnings limits.

In addition to eliminating the sunset, the bill makes several changes to the PRO program, including adding additional employer reporting requirements. Employers will now have to report the PRO participant’s salary earned and the number of compensated hours worked on a pay period basis. The employer must also inform the PERA executive director when the agreement terminates.

The bill also changes the maximum initial agreement period from the current one-year limit to up to five years and renames the program as the “phased-retirement
option.” Currently, statutes refer to the law as the “post-retirement option.”

PERA Statewide Volunteer Firefighter Plan (PERA SVF)

The pension bill also establishes a process through which a municipality, independent nonprofit firefighting corporation, or a joint powers entity may terminate participation in the PERA SVF plan.

The process includes fully vesting firefighters in their pension benefits, allocating any assets in excess of benefit liabilities, and making immediate distributions.

City of Austin special law

The bill includes an extension of the 2018 omnibus retirement bill special law provision that allows the City of Austin to allocate fire state aid between its relief association and contributions to the PERA Police & Fire (P&F) Plan for its full-time firefighters.

The exemption is currently set to expire on July 1, 2019. The extension for the city will last until the effective date of future general legislation that is expected to permit the allocation of fire state aid between a relief association and contributions to PERA P&F for full-time firefighters.

Military service credit purchases

The bill expands the right of members covered by the PERA General, P&F, and Correctional retirement plans to purchase service credit for periods of military leave. The changes provide members the right to purchase up to five years of service credit for military service leave that is not federally protected, because either the service occurred prior to public employment or the member did not meet the payment deadlines applicable to federally protected leave purchases.

A member requesting to purchase the leave must pay an administrative fee of $250 for the cost of calculating the purchase price, which will be credited toward the purchase. The service credit purchased cannot be used in calculating a disability pension.

Read the current issue of the Cities Bulletin (Link to: http://www.lmc.org/page/1/cities-bulletin-newsletter.jsp)

Your LMC Resource
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Legislature Approves Measure Making City Rideshare Data Private

The provision changes the classification of city-held rideshare and transit customer data from public to private to protect customers’ safety. (Published May 28, 2019)

The League-supported provisions making city-held rideshare and transit customer data private were passed by the House and Senate on May 24 as part of the omnibus judiciary and public safety bill (SS SF 8). Gov. Tim Walz is expected to sign the bill.

While these provisions were originally included in the House and Senate versions of the omnibus data practices bill, this bill was passed only by the Senate. Without a vote by the House, the rideshare data provisions would not have been advanced. That is why the Legislature included it in the omnibus judiciary and public safety bill in special session.

Currently, if this data is held by the Metropolitan Council or the Minnesota Department of Transportation, it is classified as private. But if the data is held by cities, it is classified as public, even though sharing the data could endanger riders.

This bill will provide consistent data classification, no matter what government entity has it. In addition, it will protect the safety and welfare of rideshare and transit customers.

For more background information about this bill, read a previous Cities Bulletin article.

Read the current issue of the Cities Bulletin.

Your LMC Resource

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Small Pots of Money to Fight Emerald Ash Borer Approved in Final Budget Deal

Cities will be able to apply for grants for planning, tree removal, and tree replacement related to emerald ash borer infestations on public property. (Published May 28, 2019)

For the first time, state general fund resources have been directed to assist cities with the costs of fighting emerald ash borer (EAB). A one-time appropriation of $700,000 was included in the omnibus environment and natural resources budget bill (SS SF 7), which was approved during the May 24 special session.

The appropriation (which can be found on page 25, lines 9-31 of SF 7) will fund a new grant program administered by the Department of Natural Resources (DNR). The maximum grant size is $500,000, and the DNR will be able to set the criteria and matching requirements for eligible proposals.

Additionally, $300,000 of funds from the Environment and Natural Resources Trust Fund will be available for cities, but only to pay for the replacement of trees removed due to EAB (page 63, lines 16-22).

Another $199,000 is available to be used within the Mississippi National River and Recreation Area for the planting of up to 15,000 trees to replace those lost due to EAB (page 61, lines 25-36). The DNR will manage those grant programs, as well.

The cost of treatment of trees to prevent or slow the spread of EAB is a key part of many community EAB plans, but is not eligible for funding under this grant program. The League will be working with the DNR to allow these and other ineligible costs to count toward matching requirements in all three programs.

Read the current issue of the Cities Bulletin

Your LMC Resource

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Legislature Fails to Amend Municipal Liquor Operation Continuation Statute

Without the modification, long-term pension liability can trigger an operating loss and possibly result in a referendum on continued liquor store operation.
(Published May 28, 2019)

The omnibus liquor bill, SF 2130 (Link to: https://www.revisor.mn.gov/bills/bill.php?b=House&f=SF2130&ssn=0&y=2019) / HF 2290 (Link to: https://www.revisor.mn.gov/bills/bill.php?f=HF2290&y=2019&ssn=0&b=house), was not considered on the House floor before the Legislature adjourned the regular legislative session at midnight on Monday, May 20. The bill included a provision that would have modified the municipal liquor store “continuation” statute to exclude long-term pension liability when calculating the profitability of the operation.


The municipal liquor operation continuation statute, Minnesota Statutes, section 340a.602 (Link to: https://www.revisor.mn.gov/statutes/cite/340a.602), was originally enacted in 1981.

Under this law, if a city owns a liquor operation that experiences a net loss in any two of three consecutive years, the city must hold a public hearing on whether it should continue to operate a liquor store.

After the required hearing, the law allows the city council to initiate a referendum on the continuation of the liquor operation or, alternatively, allows a referendum on the continuation to be triggered upon petition of at least 5% of the city’s registered voters.

Effect of pension liability on profitability

A Government Accounting Standards Board (GASB) statement, GASB 68, originally issued in 2012, establishes standards for measuring and recognizing various pension-related financial information, including unfunded pension liabilities. With the current unfunded liability in the Public Employees Retirement Association General Plan, which includes employees of municipal liquor operations, the liability is apportioned to the city and then to the municipal liquor store.

When the long-term pension liability is considered in the profit/loss of the liquor store, for purposes of the continuation statute, an otherwise profitable liquor
operation could appear to be operating with a net loss.

The omnibus liquor bill would have excluded the consideration of the long-term pension liability for the continuation test but would not have altered the reporting of pension liabilities for the city or municipal liquor store in their financial reports.

The omnibus liquor bill will be available for consideration in 2020 when the Legislature reconvenes.

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Your LMC Resource

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Employment Measures Fail in End-of-Session Negotiations

Several employment-related proposals—including employment standards preemption, paid leave, earned sick and safe time, and changes to the sexual harassment definition—did not become law this year. (Published May 28, 2019)

The special session jobs, economic development, energy, and commerce finance bill (SS HF 2 [Link to: https://www.revisor.mn.gov/bills/bill.php?f=HF2&b=house&y=2019&ssn=1]) was approved and sent to Gov. Walz on May 24, but it did not include several employment proposals tracked by League staff throughout the regular session.

Employment standards preemption


The language received one hearing in the session as a stand-alone bill, SF 2321 [Link to: https://www.revisor.mn.gov/bills/bill.php?b=Senate&f=SF2321&ssn=0&y=2019], but was never heard in the Senate Jobs and Economic Growth Finance and Policy Committee. Although it was included in the Senate omnibus bill, the preemption language was not in the final bill that went to the governor. (Read previous Cities Bulletin article. [Link to: http://www.lmc.org/page/1/EmploymentPreemption.jsp])

Paid leave


Neither of those proposals survived the conference committee process, nor were they included in the final bill that was passed during the special session. (Read previous Cities Bulletin articles on paid leave [Link to: http://www.lmc.org/page/1/PaidLeave19.jsp] and earned sick and safe time. [Link to: http://www.lmc.org/page/1/EmploymentBills.jsp])
Definition of sexual harassment

Another employment proposal that did not reach the finish line was the language from regular session HF 10 (Rep. Kelly Moller, DFL-Shoreview), which was included in the House omnibus public safety bill, HF 2792 (Rep. Carlos Mariani, DFL-St. Paul). The language would have amended the Human Rights Act to change what constitutes sexual harassment in state law.

It would have given judges more discretion to move forward with cases that previously may not have met the “severe or pervasive” standard that was set by a 1986 U.S. Supreme Court ruling in Meritor Savings Bank v. Vinson, 477 U.S. 57 (1986). The language was not included in the final omnibus judiciary and public safety bill (SF 8) that was sent to the governor during the May 24 special session. (Read previous Cities Bulletin article.)

Read the current issue of the Cities Bulletin

Your LMC Resource

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alindstrom@lmc.org
Apply by June 7 to Serve on the League Board

Apply now to serve on the League of Minnesota Cities (LMC) Board of Directors and partner with other city officials to oversee an organization that represents 833 diverse member cities throughout the state.

Serving on the LMC Board of Directors is both an honor and responsibility. The League's ability to serve members’ needs and exhibit leadership by anticipating and proactively addressing city challenges, results from Board guidance that is strategic, responsible, and representative of all cities’ interests. (The League is also accepting applications to serve on the Nominating Committee (Link to: http://www.lmc.org/page/1/nomcmte-apply.jsp) that selects Board candidates.)

Board responsibilities

If you are interested in serving on the LMC Board, please review the Board’s Governance Handbook before submitting an application to ensure you are aware of the roles and responsibilities. The League of Minnesota Cities Governance Handbook (Link to: http://www.lmc.org/media/document/1/governancehandbookpdf.pdf?inline=true) was developed by the Board to guide the manner in which Board business is conducted and to outline the expectations of Board service.

Board meetings are typically held at League offices in St. Paul during the day on the third Thursday of the month. In addition, this year’s board planning retreat is scheduled for Sept. 11-13 at Fitger’s Inn in Duluth. The League reimburses all direct meeting expenses of Board members. Mileage is reimbursed at the federally approved rate.

Selection process

A Nominating Committee appointed by League President Heidi Omerza will interview candidates on June 26 at the LMC Annual Conference in Duluth. The nominated candidates will be presented to members for final consideration at the annual business meeting on June 27.

The League strives to balance its Board membership by gender, location and population of candidates’ cities, position held within the city (elected and appointed), League experience and involvement, and a diversity of races and ethnicities representative of our state’s population.

League members will elect a president, first vice president, second vice president, and at least five directors during the annual business meeting. If a current Board member is elected to an officer position, there would be an additional opening for a director position.

How to apply

To request an application packet, contact Kellie Sundheim, LMC, at (651) 281-1214, (800) 925-1122, or ksundheim@lmc.org (Link to: mailto:ksundheim@lmc.org) . The deadline to apply is June 7.

If you have questions about the Board, its role, and work, please contact LMC Executive Director David Unmacht at (651) 281-1205 or dunmacht@lmc.org (Link to: mailto:dunmacht@lmc.org) .

Read the current issue of the Cities Bulletin (Link to: http://www.lmc.org/page/1/cities-bulletin-newsletter.jsp)

Your LMC Resource

Interested in applying for the LMC Board of Directors?

Contact Kellie Sundheim
Assistant to the Executive Director

https://www.lmc.org/page/1/bod-apply.jsp
Meet our city vendors!

(651) 281-1214 or (800) 925-1122
ksundheim@lmc.org (Link to: mailto:ksundheim@lmc.org)

Apply by June 7 to Serve on the League Board

https://www.lmc.org/page/1/bod-apply.jsp
LMC Board Approves Maximum Dues Increase

The League Board of Directors voted at its May meeting to set a maximum member dues schedule increase of 3% for the League’s 2020 fiscal year (FY) that runs from Sept. 1, 2019, through Aug. 31, 2020.

The League’s final dues schedule is similar to how your city sets its preliminary levy increase in that it cannot be higher than the maximum that is set. The Board will make its final decision on annual dues when it meets on Aug. 15 to approve the League’s FY 2020 budget.

The increase in dues will help to ensure the League can continue to deliver high quality, essential services you rely on to effectively govern and manage your city, and also to plan for and respond to your city’s changing needs.

The League’s commitment to members is to provide premier service and be recognized as the trusted, authoritative, and unified voice on issues affecting all cities. The League’s Board takes very seriously its responsibility to carefully manage member assets, and appreciates your continued support of the organization.

If you have any questions or comments about how the League can better serve your needs, contact David Unmacht, LMC Executive Director, at (651) 281-1205 or dunmacht@lmc.org.

Read the current issue of the Cities Bulletin.
Help Select 2019 League Board of Directors

Do you want to have an important role in the selection of new members for the 2019 League of Minnesota Cities (LMC) Board of Directors? If so, apply by May 31 to be part of the Nominating Committee that interviews and recommends Board candidates.

The Nominating Committee is made up of eight to 12 individuals, consisting of both elected and appointed city officials from throughout the state. Any city official interested in serving is encouraged to apply. LMC President Heidi Omerza, councilmember from Ely, will choose committee appointees by June 5. (The League is also accepting applications for the Board of Directors [Link to: http://www.lmc.org/page/1/bod-apply.jsp].)

Important dates

Once the Nominating Committee has been selected and members have been notified, there will be a conference call to provide information on the selection process and guidelines for conducting the Board candidate interviews, deliberations, and decision-making steps. This one-hour call is scheduled for June 19 at 10 a.m.

The committee will convene on the morning of June 26 at the LMC Annual Conference in Duluth, and will interview candidates for the positions of president, first vice president, second vice president, and five director positions. The committee’s recommendations will then be presented to the entire League membership at the annual business meeting on June 27.

The League reimburses Nominating Committee members for expenses incurred for serving on this committee.

Applying for the committee

If you are providing a letter of reference for an individual who plans to applying for the Board of Directors, we ask that you refrain from applying to be on the Nominating Committee. This ensures that no conflicts of interest arise during the process.

City officials interested in serving on the Nominating Committee should contact Kellie Sundheim, LMC, by May 31 at (651) 281-1214, (800) 925-1122 or ksundheim@lmc.org (Link to: mailto:ksundheim@lmc.org).

If you have questions about the committee or the process, contact Kellie Sundheim (contact info above) or Executive Director David Unmacht at (651) 281-1205 or dunmacht@lmc.org (Link to: mailto:dunmacht@lmc.org).

Read the current issue of the Cities Bulletin [Link to: http://www.lmc.org/page/1/cities-bulletin-newsletter.jsp].

Your LMC Resource

Interested in serving on the Nominating Committee?

Contact Kellie Sundheim
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LMC Public Safety Blog