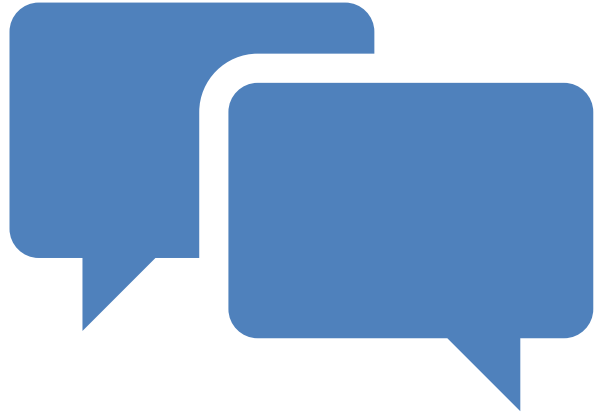




CGMC Half-Time Report

Bradley Peterson & Elizabeth Wefel

April 11, 2023



Please use the
Q&A function for
questions





Agenda

Welcome

Legislative Landscape

DFL Budget

CGMC Priorities:

- LGA
- Environment
- Bonding
- Economic Development (Housing, Child Care, BDPI)
- Transportation
- Paid Family Medical Leave & Duty Disability

Overall Messaging

Legislative Landscape



- Session has most normal feel since pandemic
- DFL Trifecta moving quickly on sweeping agenda
- GOP minorities in the House & Senate have little influence
- Early session = Progressive Agenda
 - 100% clean energy by 2040
 - Codifying reproductive rights
 - Free school meals
 - Driver's licenses for all



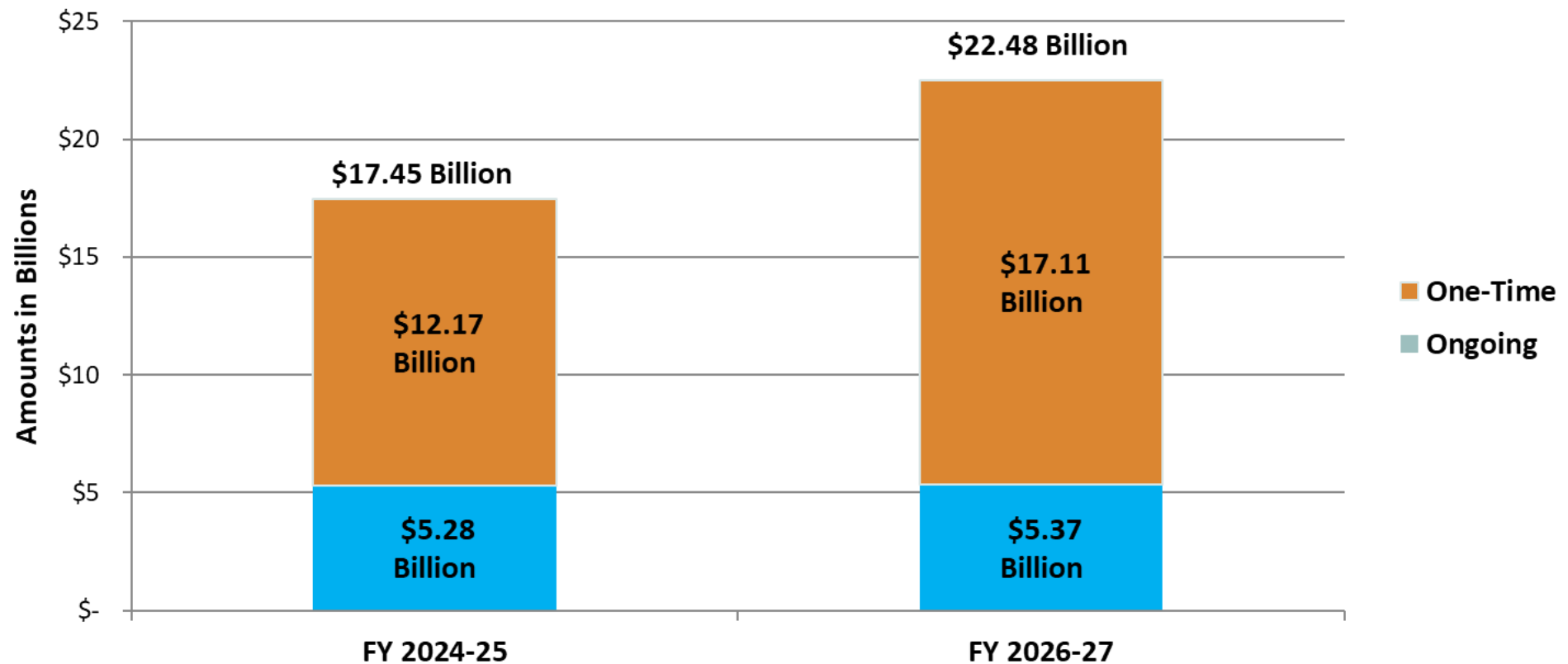


DFL Budget

One-Time vs. Ongoing Money



FY 2024-25 and FY 2026-27 Budget Surplus
Based on February 2023 Forecast



The Trifecta Budget



Trifecta Targets: General Fund Impact (in millions)	FY 2023-2025
Education Finance	\$ 2,210
Health & Human Services	\$ 1,400
Onetime Capital Projects	\$ 2,298.5
Housing & Homelessness Prevention	\$ 1,000
Transportation	\$ 1,075
Jobs & Economic Development	\$ 990
Taxes, Aids, & Credits	\$ 3,000
All Other	\$ 5,526.5
TOTAL	\$ 17,500

**\$ in millions*



Update on LGA

LGA 'Asks' Heading Into Session

- **\$150 million** increase to LGA appropriation
 - Joint ask with Counties for LGA/CPA increase
- Update to LGA formula
- Inflation & population growth added to appropriation in 2025 & thereafter



Competition for LGA in Tax Bill



- Joint **\$3 billion** target is small for everything they claim to want to do:
 - Renters Credit
 - Child & Dependent Care Credit
 - Walz Checks
 - Public Safety Aid
 - Social Security



Governor Walz's Local Government Aid Budget



- Proposal includes an increase of \$30 million; LGA goes up from \$564 million to \$594 million
- Proposal updates the factors used to calculate need
- CGMC responds
- Walz increases proposal to \$40 million in supplemental budget

Advocacy in Action



Virginia Mayor Larry Cuffe Jr. testifies alongside HF 1377 bill author Rep. Dave Lislegard in the House Property Tax Division

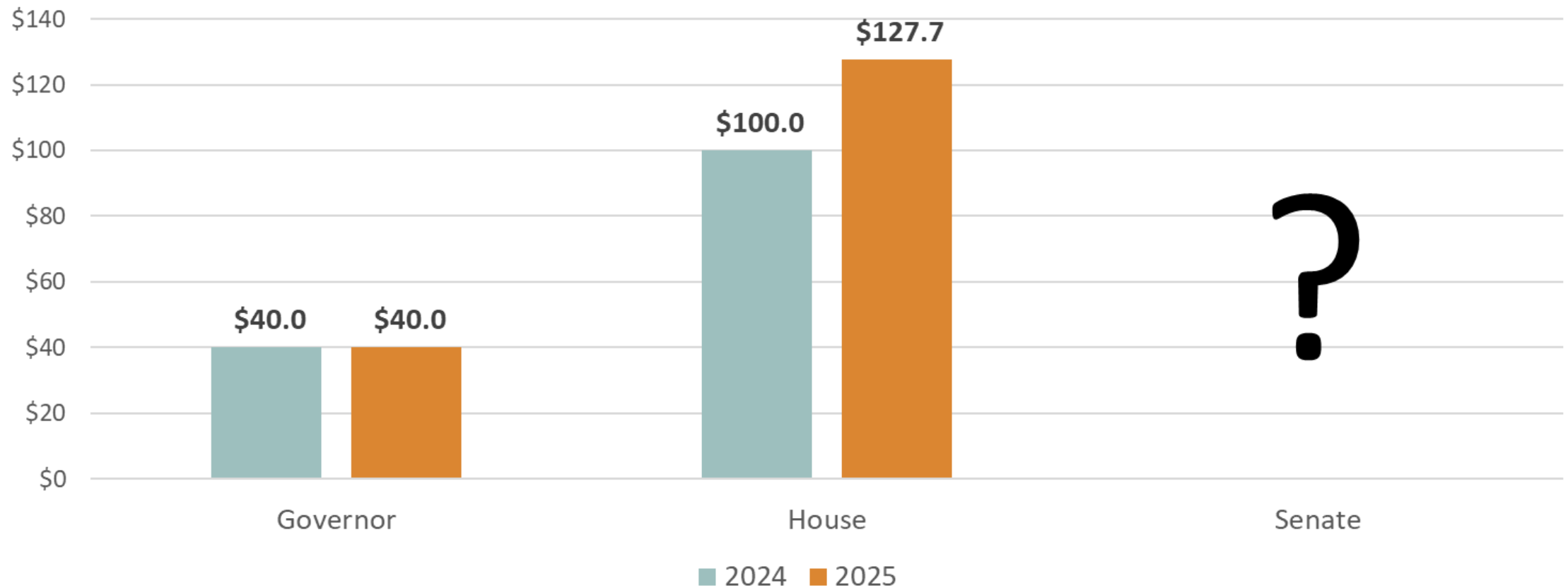


St. Joseph Mayor Rick Schultz testifies alongside SF 1828 bill author State Senator Matt Klein in the Senate Tax Committee

LGA Proposed Funding Increase



Local Government Aid Proposed Funding (in millions)



**\$ in millions*

Next Steps: Tax Bill & LGA



- House Omnibus Tax Bill unveiled in Committee
- Senate Omnibus Tax Bill unveiled in Committee
- **Omnibus bills will be different**
- House Ways & Means/Senate Finance
- Pass Omnibus Tax Bills off of House & Senate floors
- **CONFERENCE COMMITTEE**



Environmental Issues

A Game of "Whack-A-Mole"

Environmental Challenges & Issues in Greater MN



PFAS

Changing
weather
patterns

Groundwater
contamination

Surface water
concerns

Aging
infrastructure

Lead pipes

Environmental
Justice

Environmental Justice



- Historical problem exists in which minorities & low-income persons have lived heavily polluted areas
- Due to racially restrictive covenants, minorities had limited choice in where they could live in metropolitan areas:
 - Zoning typically placed heavy industry, highways, & other pollution sources in those areas
 - Significant health issues developed, especially in pockets of Minneapolis & other neighborhoods in urban areas through the state
- Emerging area - both law & remedies are uncertain

Environmental Justice



- Addressing proposals on this issue has been challenging
- A variety of remedies have been proposed
- Analysis & data are lacking to determine whether proposals will achieve goal of protecting disadvantaged communities
- CGMC working with others to ensure that proposals do not undermine environmental goals & economic growth

Cumulative Impacts



- Cumulative Impacts (CI) proposal attempts to put guard rails around projects that would emit pollution in affected area
 - Would require analysis of total impacts & engage community members
- **CHALLENGE:** Proposals have been too broad
- CI applies to areas considered Environmental Justice areas
 - Initial maps included much of the state
- Initial proposals included wastewater & most air permits
- If subject to CI proposal, permittee would be required to undertake complex analysis, permits could be denied for any expansion, & outside groups could participate in negotiations
- CGMC working with others to address issue in a more focused manner

MPCA Citizens Board

MPCA formerly governed by an 8-member citizens board & the MPCA Commissioner

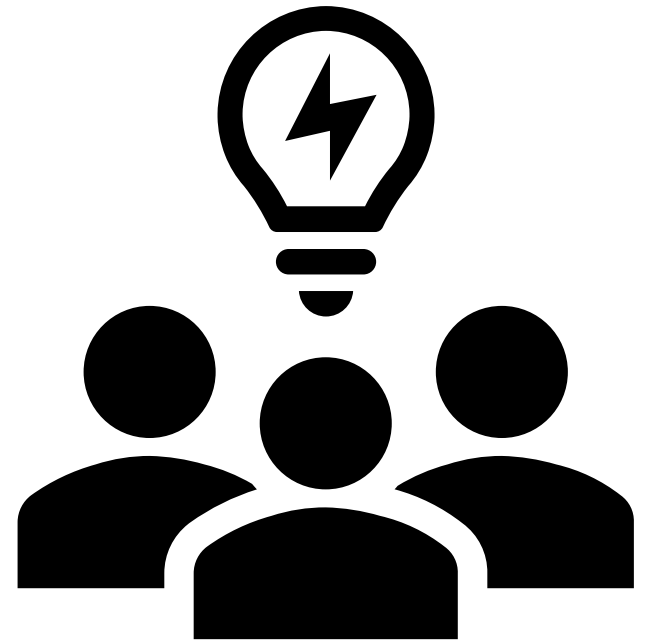
Board had some power over permits, more power over environmental review & rulemaking

Eliminated in 2015

MPCA Citizens Board



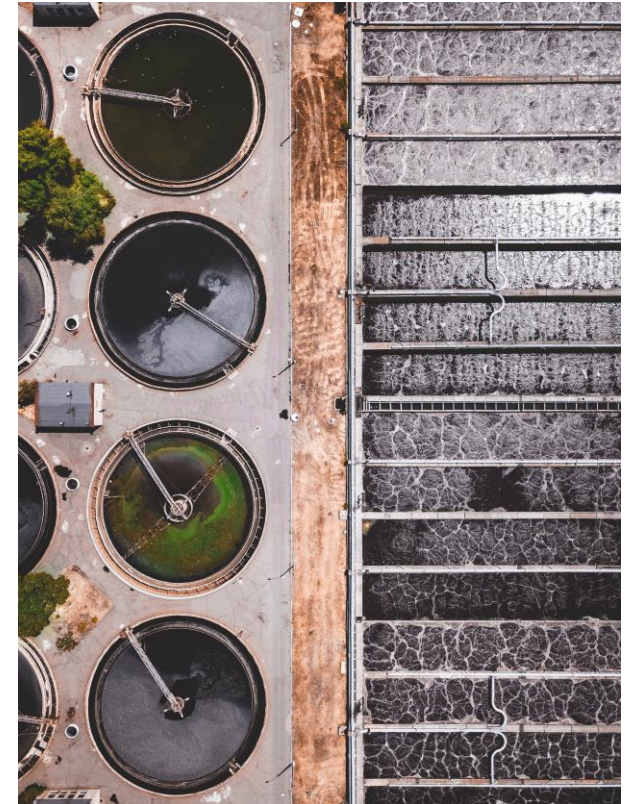
- New proposal in House to reinstate Board
- More powers, including ALL permits & variance decisions
- Membership is limited - Must include 3 members of underrepresented communities, one labor union member, & one small farmer
- No technical expertise requirement
- Wastewater operators specifically excluded



Public Facilities Authority Funding

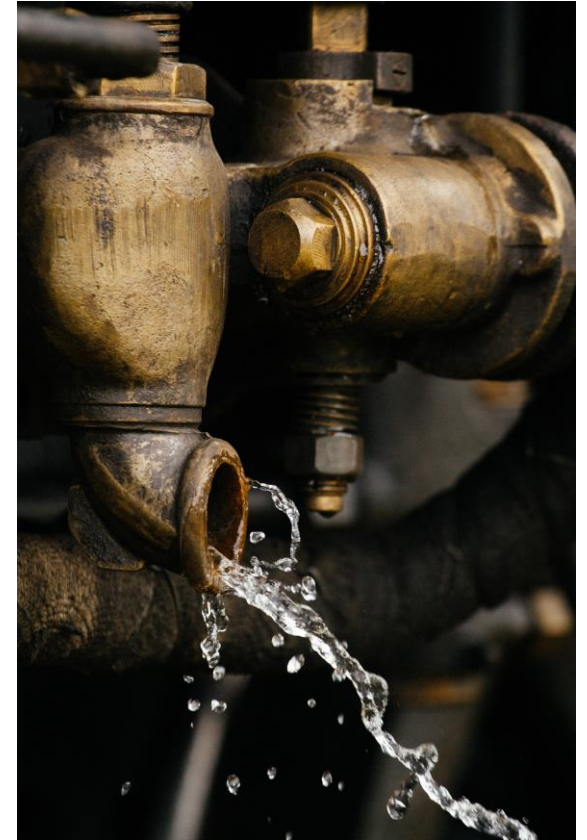


- PFA makes it possible for cities to construct & upgrade wastewater & drinking water facilities
- Loans available for most projects
- Certain grants & forgivable loans awarded based on affordability
- House bonding Chair is concerned that these metrics are not up-to-date & do not reflect concerns about environmental justice:
 - Wants funding to go to areas of real need
 - Initial proposal would shift funds to larger cities who may not need money & could bankrupt local programs
- **Discussions continue...**



Lead Pipes

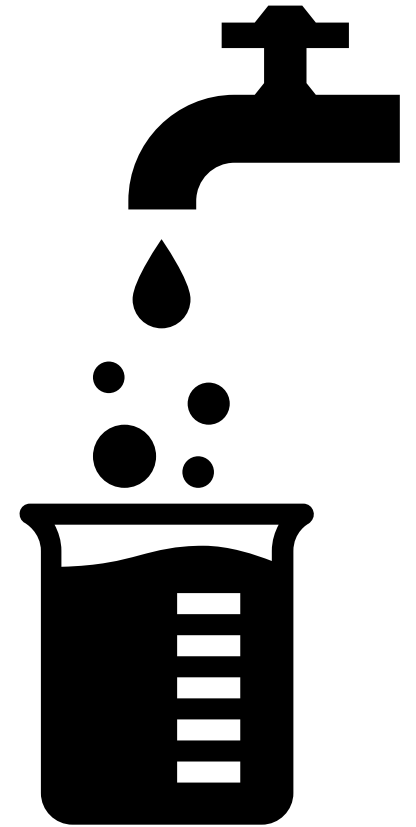
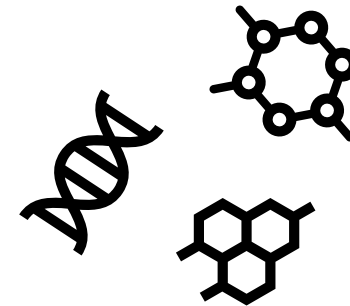
- EPA requiring all cities to conduct inventory by October 2024
 - Removal plans will be required for some cities
- Removing pipes is expensive, especially for homeowners
- CGMC proposal would have funded \$800 million over 10 years
- Targets include \$240 million for next biennium as downpayment
- Waiting floor vote in Senate, House Ways & Means



PFAS: Per- & Poly-fluoroalkyl Substances



- Presence in drinking water can cause serious health issues
- Expensive to remove from drinking water, infeasible at wastewater
- CGMC engaged on issue for years; focused on source control & funding
- Multiple proposals in both Senate & House
- Ban certain uses
- Fund removal & monitoring
- Water quality rulemaking





Bonding: *How's it going?*

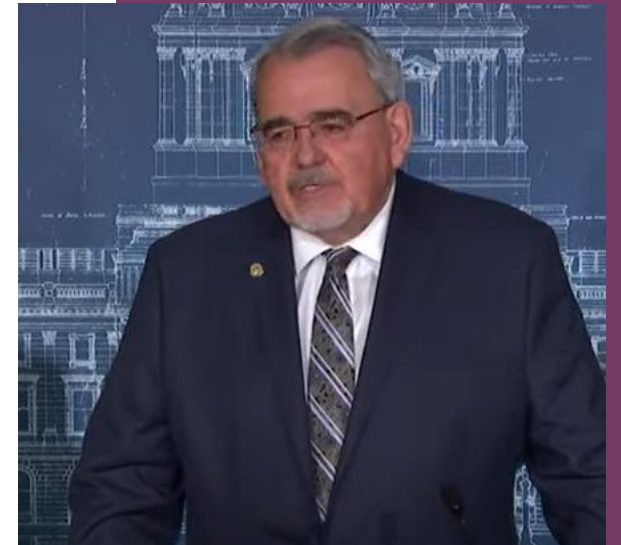
... Poorly!

- Constitutional requirements:
 - House passes bill first & sends to Senate
 - Super majority required for passage
- Legislature failed to pass bonding bill in 2022 (traditional big bonding year)
- House unveiled & passed proposal with 21 GOP members in favor
 - Historic funding for PFA & water projects
 - Child care, BDPI, & CGMC member projects also funded
- Senate failed to pass on party-line vote



Senate GOP Looking for Leverage

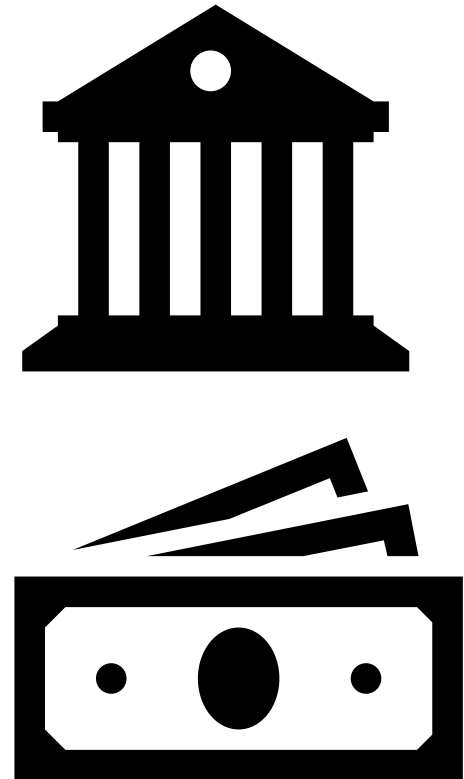
- Senate GOP press conference indicating no votes for bonding bill until there is "meaningful" tax relief
- Attempt to tie social security tax exemption to passage of bonding bill
- Following failure of bonding bill, Senate GOP doubles down on strategy & presses for tax cuts plus agreement on items such as funding for long-term care
- **PROBLEM!** DFL doesn't need GOP votes to move infrastructure package



Potential Capital Investment Outcomes



- Senate GOP given a "second chance" to vote for bonding bill
- DFL moves to all "cash" bill sidestepping need for GOP votes
 - Results in fewer projects in republican districts & in Greater MN
 - Unclear how CGMC priorities would fare under this option
- Traditional bonding bill with GOP votes is optimal outcome for CGMC & member cities





Economic Development: Housing, Child Care, & BDPI

Housing Priorities

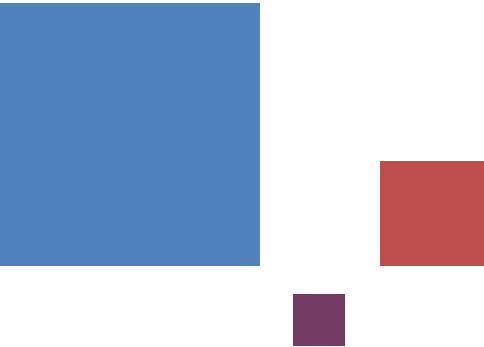
	Greater MN Workforce Housing Grant	Greater MN Housing Infrastructure
Governor	\$4 million in on-going funds; \$40 million in one time funding	Not included
Senate	\$4 million in on-going funds; \$40 million in one time funding	\$5 million in Housing bill; \$3 million in bonding bill
House	\$4 million in on-going funds; \$40 million in one time funding	\$5 million in Housing bill; \$3 million in bonding bill



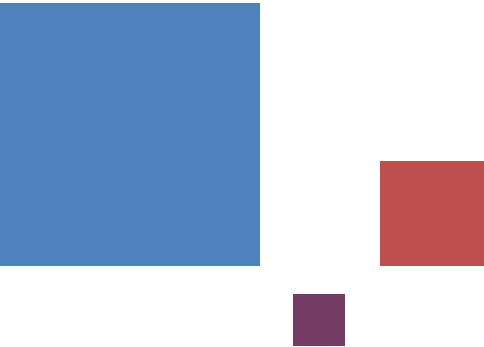
Child Care Priorities



	DEED Child Care Economic Development Grant	Initiative Foundation Grants
Governor	\$13 million	\$7 million
Senate	\$13 million	\$7 million
House	\$13 million	\$7 million



Business Development Public Infrastructure (BDPI)



	Jobs Bill	GO Bonding Bill
Governor	\$3.5 million	\$8.4 million
Senate	\$4.5 million	\$10 million
House	\$3.5 million	\$10 million



Paid Family Medical Leave (PFML)

Paid Family Medical Leave



- High priority for DFL Trifecta
 - **SF 2/HF 2**
- Creates Paid Family Medical Leave Program paid for by employer/employee premiums
- Analogous to unemployment insurance system run through DEED
 - Benefits tracked & administered through DEED
- Start up costs as reflected through Trifecta Budget = \$668.3 million



Paid Family Medical Leave



	House	Senate
Weeks Allowed	12 weeks medical 12 weeks family/caregiving	Total of 20 weeks between medical & family
Premium	0.07% of payroll	0.07% of payroll (over 30 employees) Formula to reduce premiums for employers with less than 30 employees
Definition of Family	Broad – including someone with “affinity” relation to employee	Similar – does not include “affinity” language
Treatment of Seasonal Employees	Seasonal employees included in program	Employees excluded unless worked 150 days in year
Use of Existing Benefits	Not eligible for PFML if using other leave in same week provided by employer	“May” use existing leave if PFML eligible

Final PFML Details Still Being Worked Out



- Both House & Senate versions have gone through multiple committees
- Both versions have received significant number of amendments through process
- Businesses & local gov'ts trying to make proposals “workable”
 - CGMC has been participating in discussions, but mostly letting LMC & AMC take the lead
- Will likely require more amendments before it could pass the Legislature (especially the Senate)



Duty Disability

Duty Disability



- Requires that, before a public safety employee can receive a duty disability designation for a mental health condition, they must receive up to 24 weeks of treatment
- Goal is to return employee back to work if possible & reduce the number of personnel leaving permanently
- Local gov't employer pays for treatment & is fully reimbursed by the state
- State public safety officer benefit account is fully funded to reimburse local gov'ts for ongoing health insurance obligation
- Bill does not make process changes to duty disability system that CGMC had hoped & pressed for

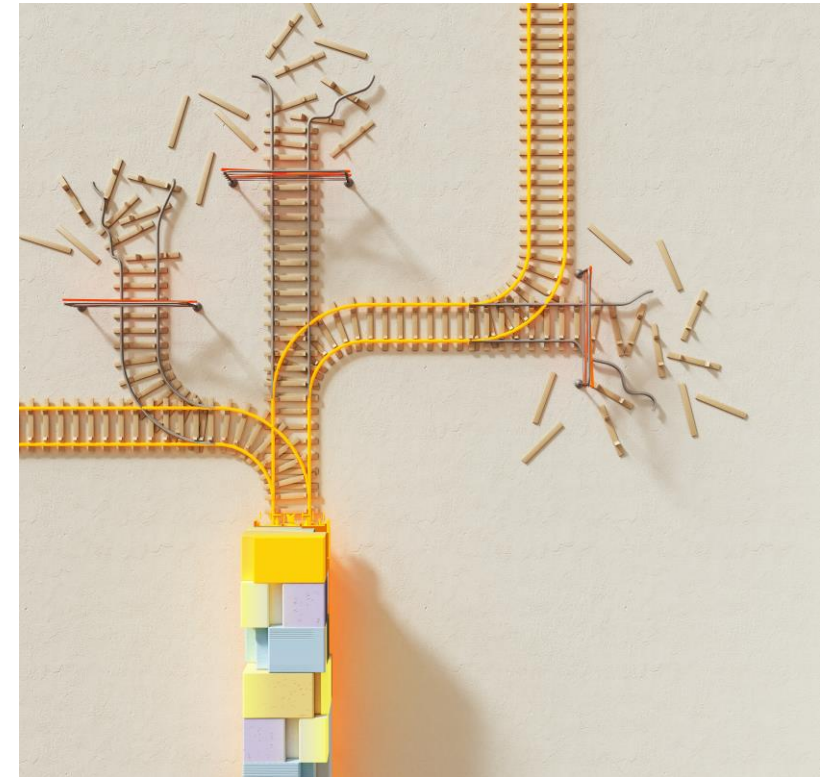


Transportation

Top CGMC Transportation Priorities



- Small City Streets
 - Ongoing, dedicated funding of at least \$25 million/year
- Larger City Streets
 - Additional funding of at least \$25 million/year
 - Backfilling MSA revenues that are down due to lagging state funding sources
- Corridors of Commerce
 - At least \$200 million in new funding
 - Programmatic changes that benefit Greater MN Projects



The Headlines So Far? Tax & Fee Increases

- While the state's general fund swells, transportation revenues have lagged behind
- Both chambers are proposing tax & fee increases that could amount to billions in additional funding for Minnesota transportation
- Both the House & Senate are considering a range of tax & fee increases for transportation, including:
 - A 75-cent fee on deliveries such as online retail or food purchases
 - Increase in the Motor Vehicle Sales Tax from 6.5% to 6.875%
 - Increases in registration taxes (aka "tab fees")
 - New metro-only sales tax to fund metro transit (with a small allocation to metro highways)
- Senate bill also includes a new surcharge on tab fee renewals



Small City Street Funding (*pop. less than 5K*)

House (HF 2887)

- Creates dedicated revenue for city streets by setting up a new “transportation advancement account”
 - Revenues generated by various sources are directed to the “Transportation Advancement Account,” 20% of which is dedicated to small city streets
- Funding phases in at a set amount, then grows over time:
 - 2024: \$38,532,000
 - 2025: \$38,532,000
 - 2026: \$42,410,000
 - 2027: \$42,676,000

Senate (SF 3157)

- Allocates dedicated revenue to small city streets from two sources:
 - A portion of the revenues derived from sales taxes on auto parts
 - A new surcharge on tab fees
- Funding is less than the House, but is still substantial & grows gradually over time:
 - 2024: \$18,140,000
 - 2025: \$20,346,000
 - 2026: \$21,005,000
 - 2027: \$21,697,000

Larger Cities Street Funding (*pop. more than 5K*)

House (HF 2887)

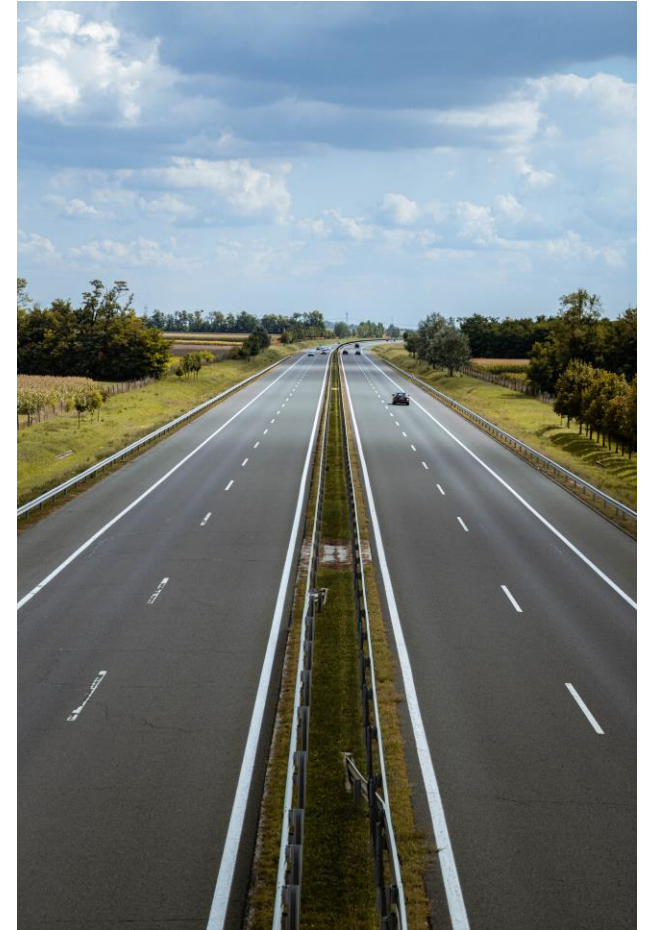
- Revenue increases in the bill put significant new dollars toward MSA cities
- New funding for MSA would phase in as follows:
 - 2024: \$10.8M
 - 2025: \$44.5M
 - 2026: \$52.5M
 - 2027: \$54.8M

Senate (SF 3157)

- New revenues that flow from tax & fee increases go even farther than the House proposal:
 - 2024: \$23.2M
 - 2025: \$54.2M
 - 2026: \$63.1M
 - 2027: \$68.1M
- Senate also includes the establishment of a “Larger Cities Assistance Account” to provide discretionary funding to larger cities that is not limited to use on the MSA system
 - Revenues flowing to this new account would allocate roughly \$20M per year in new funding for larger cities

Corridors of Commerce

- Both the House & Senate include policy language aimed at regional balance:
 - House: Improves regional balance by separating rural projects from metro & metro-adjacent projects
 - Senate: Language is still a “work in progress,” according to key Senators, but the end goal is enhanced regional balance in the program
- **Half-time takeaway:** the House bill contains better policy language for Greater MN projects, but the Senate invests far more dollars





Message for 2nd Half of Session

- Put cities on a firm footing with an LGA increase of at least \$100 million (matching the current House number)
- Update the LGA formula as worked on by the major city groups
- Proceed carefully with new environmental laws to avoid unnecessarily hampering growth & development in Greater MN
- Pass a robust capital investment bill that invests in water & wastewater infrastructure across the state as well as other program & projects that will support Greater MN communities
- Make significant investments in housing, child care & transportation to support communities across the state

Questions?



Upcoming Events



- CGMC Breakfast @ LMC Annual Conference
 - June 21 – 23, Duluth
- CGMC Summer Conference
 - July 26 – 28, Thief River Falls
 - Registration will open soon!



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