



MUCA Legislative Update

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February State Budget Forecast

The office of Minnesota Management and Budget (MMB) has two annual budget projections, in November and February, which legislators use as a guide when crafting a state budget. In November the budget forecast showed a \$1.2 billion surplus in Minnesota, but the updated forecast released last week by MMB showed the surplus has shrunk significantly to \$900 million. According to MMB, Minnesota's economy has maintained stable growth, but the decrease in surplus is due to a declining U.S. economy. Slower-than-expected economic growth has resulted in lower tax revenue for the state, even though the state's spending has decreased over the past year as well. Spending was reduced by an estimated \$129 million over the next two years; however, MMB stated that the lower-than-expected surplus is due to a \$427 million decrease in projected revenue. This has resulted in the projected \$900 million surplus Minnesota has today, which is \$306 million less than what MMB projected last November. The declining budget surplus will likely cause legislators to proceed with caution during the upcoming session, and is likely to affect the priorities of the House, Senate, and governor.

2016 Session Begins

Minnesota's 89th Legislature officially began its second year of the biennial cycle on Tuesday, March 8. Elected officials have been saying for months that one of the first issues to be addressed this year is the expiration of unemployment benefits for Iron Range miners. The House attempted to pass a bill off the floor on Tuesday, but because it included language that would cut unemployment insurance payments for businesses it was not passed, and was instead referred back to the committee process. The Senate was able to pass a bill on Thursday, March 10, that would provide \$30 million in relief to the area and sent it to the House for approval. Action on the bill will likely take place early next week, and, as predicted, this will be the first bill signed into law by Gov. Mark Dayton this year.

State of the State

On Wednesday, March 9, Governor Mark Dayton held his state of the state address. In his [40 minute speech](#), he spoke about the issues facing Minnesota this year that he sees as most important. He first expressed the importance of proceeding with caution when spending state money. The February budget forecast showed that Minnesota's expected budget surplus dropped 25 percent to \$900 million, and this been a cause for pause among many legislators and the governor's administration.

While he did express fiscal caution, Gov. Dayton provided details on projects he would like to pursue this year. His supplemental budget proposal seeks to alleviate economic disparities for Minnesotans of color, which has been a prominent issue the past few years. He noted that he is still pursuing a comprehensive transportation funding plan that will provide a long-term solution to Minnesota's aging roads and bridges. He also renewed his effort to provide

universal pre-Kindergarten to 4-year-olds in the state, which was Gov. Dayton's most notable priority last session. A new issue for this year is that he would like to invest \$220 million into improving small municipalities to help maintain clean water and sewer systems.

Session Timeline

Because the legislature didn't convene until March 8, this legislative session will clock in at 76 days in total. If the House and Senate can agree to transportation and tax omnibus bills before the May 23 deadline, this could be one of the shortest sessions in state history (the current mark is just 47 days).

The House and Senate have deadlines for passing bills out of their respective committees. If the bills do not meet their deadline they can no longer move forward. The deadlines work in three stages:

- First deadline: **April 1**; committees must act favorably on bills in the house of origin.
- Second deadline: **April 8**; committees must act favorably on bills that met the first deadline in the other house.
- Third deadline: **April 21**; major appropriation (omnibus) bills must be passed by both chambers.

The legislature will also have March 25-28 off for Easter break, and April 22-25 off for Passover. This leaves a narrow timeframe for all the work to be accomplished — and with Gov. Dayton and legislative leaders expressing caution in spending state funds, it is anticipated that all sides will have to leave top priorities for another year.

Governor Releases Budget Recommendations

Governor Dayton released his budget recommendations on Tuesday, March 15. The governor recommends an increase of \$700 million with \$200 million on the bottom line as a cushion should we continue to see lower economic forecasts moving forward. His proposal includes \$117 million in tax cuts and an additional \$383 million in new spending.

Over the next several weeks the House and the Senate will establish their own budget priorities. They will then pass their own supplemental budgets that will then be acted upon by each body and sent to conference committee to resolve differences. The Governor, Senate and House leadership will need to agree to agency targets for each budget, which generally occurs towards the end of session—which will be used for the final supplemental budgets negotiations.

Economic Development

Gov. Dayton's proposed supplemental budget calls for critical investments in a number of projects across the state. These programs are all part of his larger plan to create an economy

that “works for all of Minnesota” by creating long-term fiscal stability while providing the citizens of Minnesota with the tools and securities they need to drive the local economy.

A few key initiatives of Governor Dayton’s budget proposal are:

- **Broadband Funding:** Proposed \$100 million investment to jumpstart expansion efforts and ensure that Greater Minnesota is connected to the 21st century economy.
- **Infrastructure and Jobs:** [Gov. Dayton’s Jobs Bill](#) would invest \$1.4 billion in more than 200 infrastructure projects statewide, creating more than 39,900 Minnesota jobs.
- **Clean, Affordable Drinking Water:** Proposed \$220 million plan to modernize Minnesota’s aging water infrastructure and protect groundwater from contamination. The proposal would allocate \$167 million to assist communities across the state that cannot afford to invest in aging water infrastructure. The plan also would invest an additional \$53 million for water quality protection initiatives to help leverage millions of federal dollars to implement conservation practices to restore and protect water quality across the state.
- **Closing Economic Disparities:** The proposal creates a \$100 million investment to expand economic opportunities and eliminate disparities for Minnesotans of color from across the state.

Transportation

Gov. Dayton’s supplemental budget includes his 2015 transportation plan which seeks to invest \$6 billion over the next ten years. While he supports a 6.5 percent excise tax on gasoline and several other fee and tax increases, he also stated he would be support any transportation package that provides sustainable, long term funding. Last year, Republicans vowed they will not pass a gas tax increase leaving this year’s negotiations between Senate Democrats and House Republicans to focus on finding funding sources that does not rely on an increase to the gas tax.

Highlights of Gov. Dayton’s entire proposal can be found here [Gov. Dayton’s supplemental budget](#):

MUCA Activities

MUCA has been busy the past two weeks working with stakeholders on a number of issues. MUCA help facilitate meetings with Senator Bobby Joe Champion (DFL-Minneapolis) and Senator Jeff Hayden (DFL-Minneapolis) along with Deon Clark and Bruce Peterson to discuss the Legacy Program and how it could be implemented here in Minnesota to provide a pipeline of trained workers. This past week, we were given permission to have draft language prepared to

be introduced as a bill this session to seek an appropriation for the program. We are still working with the House to try and promote the language. One goal this session is to keep growing the network of organizations that support the program.

MUCA is also continuing to meet with groups to discuss the Responsible Contractor Bill that was passed the last two sessions. While there is no plan to move for repeal this session, MUCA will be meeting with Rep. Tim Sanders to discuss ongoing concerns with the current law. As well as talking with legislators, MUCA is engaging with other associations that have concerns to draft an action plan for moving forward next session.

Bills we are watching:

HF1099/SF924- Building construction and contract requirements clarified.

HF2451/SF1898- Building and construction contracts regulated, and progress payments and retainages provided.

HF2340/SF2278- Uncollectible judgments against prime contractors permitted to be paid from contract retainage, and direct payments to subcontractors required.

HF3079/SF2261- Retainages regulated

SF2415- Utility easements location for new subdivisions regulation

MUCA Day(S) at the Capitol

We are partnering with the MN Chamber on the two most pressing issues this session: Transportation and Taxes. Contact MUCA to participate; cost is \$75 per person or \$125 if you attend both dates.

March 30: Encourage legislators to pass a long-term transportation plan that provides for sustained and strategic funding of roads, bridges and transit. Sen. Scott Dibble, DFL-Minneapolis, chair of the Senate Finance - Transportation and Public Safety Budget Division, and Rep. Tim Kelly, R-Red Wing, chair of the House Transportation Policy and Finance Committee, will provide updates on transportation legislation.

April 20: Urge legislators to use part of the projected budget surplus to reduce the statewide business property levy and other uncompetitive taxes placed on Minnesota business. Hear from Sen. Ann Rest, DFL-New Hope, chair of the Senate Taxes-Tax Reform Division, and Rep. Sarah Anderson, R-Plymouth, chair of the State Government Finance Committee and member of the House Tax Committee.

After the presentations, take the bus to the State and Senate Office Buildings to meet with your legislators during *prearranged appointments* and stress the importance of these issues to your business and employees. Contact Stephanie at (651) 735-3908 or stephaniem@muca.org if you'd like to attend.