



## MUCA Legislative Update for April 27, 2015

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This past week the House and Senate floor sessions were the busiest to date of the session. More bills were passed this week by each chamber than had been passed in any other week so far this session as a number of omnibus finance bills were debated and passed through the House and Senate floors. With the constitutionally imposed adjournment date of Monday, May 18 approaching, much of the work at the Legislature will be done by House/Senate conference committees assigned to work out the differences between the House and Senate versions of each finance bill. Once all the budget bills, including Omnibus Tax Bills, have been passed off of each body's floor and conference committees begin work, watch for the House and Senate to pass many of the individual non-budget related bills that have been approved in committee and are waiting for debate and a vote by the whole House and/or Senate.

One thing to keep in mind over the next few weeks is that just because a bill left something off or did not fund it to the full level when it passed off the floor does not mean the idea of issue is dead. When a number of the omnibus bills or even policy bills go to conference committee in the next few weeks there is bound to be a number of compromises made by each side as give and take in areas is how they bring session to an end.

### Transportation Bills Coming off the Floor

After roughly eight hours of debate last week on Tuesday the House passed [HF 4](#) (Kelly) the Omnibus Finance and Policy Transportation Bill on a 73-59 vote with one member crossing party lines. The bill focuses on fixing Minnesota's roads and bridges with more than \$6 billion in proposed spending over the next two years. The proposal would rely on existing vehicle-related sales taxes to help provide \$6.6 billion for the state's transportation system in the 2016-17 bienniums, increase funding for road work in the state's smallest cities and boost suburban and Greater Minnesota transit agencies.

On Monday the Senate took up both their Omnibus Finance [bill](#) and their Omnibus Policy bill [SF 1647](#) (Dibble). The Senate Finance bill which passed on a 36-27 vote differs greatly from the House bill as Senate is introducing a new wholesale fuel tax and expanding an existing metro area sales tax for use on transit projects to raise \$11 billion in new transportation funding. The bill generates additional revenues for transportation needs by primarily raising gas taxes and fees by \$1.9 billion. This is one of the key areas that the House, Senate and Governor Dayton differ on going into the final weeks of session.

The House and Senate proposals will now go to a conference committee to get worked out. We don't expect much movement until the final days on a transportation bill.

### Responsible Contractor Law Changes

After a round of hearings in the House and Senate in mid-March, [HF 1257](#) (Zerwas) and [SF 1121](#) (Saxhaug) are still awaiting action on both chamber floors. As the weeks count down to the end of session and the budget bills continue to take priority, the calendar is getting shorter and shorter to take action on the bills that look to address only a few minor areas of concern with language regarding the Responsible Contractor Law from 2014. While none of the suggestions that MUCA drafted were included in the bills, MUCA continues to discuss pitfalls with the law and educate members that the proposed bills do not go far enough to address problems highlighted by the industry.

Throughout the hearings and session a few small tweaks have been made to address concerns brought forward by groups. As this has happened it sounds like support for the bill could be weakening in the Senate. If and when the bills come up and if any more amendments are added it could stop the bill from moving forward. Regardless of what happens, MUCA is planning to keep discussing the issue with legislators over the summer to keep informing them about shortfalls with the 2014 language.

### House Tax Omnibus Bill

On Monday April 20, [HF 848](#), the House Tax Omnibus bill, was released. Many capitol observers have been anxiously awaiting this bill because tax relief was a top priority for Republicans coming into the 2015 session. The proposed legislation includes over 120 bills that were heard in the Tax committee throughout session. The biggest policy change is a new state personal or dependent exemption, which is estimated to reduce state revenue by \$539 million over two years. House Majority Leader Joyce Peppin (R-Rogers) said that this would save a middle-class family of four up to \$500 over the next two years. Another key provision of the bill is a proposal to permanently eliminate the statewide general property tax, which is mostly paid by businesses. Eliminating this tax is projected to reduce state revenue by \$453 million over the next two years. The House plans to take the bill up on the floor on Wednesday, April 29.

The Senate bill, [SF 826](#) proposes far less in cuts than what the House has proposed. Roughly \$225 million of the \$460 million dollar bill would be used to pay back accounting shifts from previous sessions. The remaining \$260 million would be used for tax relief with much of it directed at property taxpayers, either through direct cuts or by increasing local government aid to offset taxes. The Senate proposal was unveiled on Monday of this week. The Senate Tax Committee plans to take testimony and amendments on Tuesday and they send the bill to the floor. They could potentially take their bill up on Friday or Saturday.

In the next week the House and Senate will pass their Omnibus Tax bills and then will appoint a conference committee to negotiate the differences between the bills. However, just last week Senate Majority Leader Tom Bakk (DFL-Cook) announced that they only need to pass a budget to avoid a government shutdown, and that comprehensive tax, transportation and other measures could wait to

be passed next year. With three weeks to go there are a lot of moving pieces that will most likely all come together in the final few days.

### **What's next?**

House and Senate leadership along with Governor Dayton must agree to a global budget agreement. As you know from the bills above, they do not agree on a lot of things from what and how much tax relief/tax cuts to provide along with how much to appropriate for each budget division. The three are very far apart (at least publicly) right now. The constitutionally mandated adjournment date is Monday, May 18 and if they do not complete their work a special session will be required. Many believe that an agreement will be reached by the 18<sup>th</sup> but no one is showing their cards rights now.