



MUCA Legislative Update

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DEED Commissioner Katie Clark Sieben Announces Resignation

On Thursday last week, DEED Commissioner Katie Clark Sieben announced that she will step down effective Friday, April 22, to pursue other opportunities. She was appointed DEED Commissioner in October 2012 and previously served as the Executive Director of the Minnesota Trade Office. Taking the place of Commissioner Sieben, Governor Mark Dayton appointed Shawntera Hardy to serve as Commissioner of the Minnesota Department of Employment and Economic Development (DEED). Hardy has served as Deputy Chief of Staff in the Office of the Governor and Lt. Governor since March 2015.

Senate DFL Releases Budget Targets

Two weeks ago, House Republicans released their budget priorities for this year's session, and on Wednesday this past week the Senate Democrats released their committee budget targets. These targets indicate how much money each committee has to spend on their omnibus bill packages.

The Senate budget targets (with a House comparison) are as follows:

Committee	Senate Budget Targets	House Target Comparison
Broadband	\$85 million	\$35 million
E-12 Education	\$48.2 million (<i>assumes E-12 spending of \$100.5 million, which includes \$50 million of additional K-12 spending offset by allowing school districts the option of early state loan repayments</i>)	0 change (<i>Approximately \$50 million of additional K-12 spending offset by allowing school districts the option of early state loan repayment, \$7 million of savings will fund expanding broadband access</i>)
Environment and Energy	\$7.5 million	\$3.9 million (<i>Funding for MnDNR to uphold decisions regarding copper and nickel mining by Polymet in Northeastern Minnesota</i>)
Equity	\$91 million	No funding
Health & Human Services	\$43.3 million	0 change (<i>Committee will repurpose federal grants for different priorities</i>)
Higher Education	\$47.7 million	0 change
Judiciary and Public Safety	\$45 million	\$1 million (<i>recouping extra funds from MINNCOR enterprise fund</i>)
Natural Resources, Economic Development, and Agriculture	\$60 million	\$11.7 million (<i>Including \$13 million in 2017 and \$15 million in 2018 toward Minnesota's Border-to-Border Broadband Development Program offset by savings to be determined by committee</i>)

State Departments and Veterans	\$30 million	\$9.5 million (<i>efficiencies to be determined by committee</i>)
Taxes	\$300 million	TBD
Transportation and Public Safety	\$31.5 million	TBD

The deadline for the major budget bills is Thursday, April 21. The legislature will then have Friday, April 22 to Monday, April 25 off for Passover break. When they return, it is expected that committee meetings will give way to longer floor sessions to pass bills off the House and Senate floor. The legislature then has until Monday, May 23 to come to an agreement over the supplemental budget bill, as well as Transportation and Tax packages. Here is an update on where the legislature stands on each major budget area:

Omnibus Jobs Bill Update

Last week both the House and Senate Jobs committees wrapped up hearing individual bills in committee for possible inclusion to their omnibus bills. This week both the committees will work at drafting and marking up their respective bills to head to the floor of each chamber for passage. In the House, work will begin on Monday in committee as the delete all amendment to HF 3931 can be found [here](#) and the spreadsheets [here](#). Currently in the House proposal the two year allocation for broadband funding is at \$40 million. This is a slight increase from the \$35 million that was proposed earlier this session.

In the Senate, the Finance Committee will begin hearing budget articles on Monday morning. On the schedule is the Broadband Article that proposes \$85 million for 2017. A copy of that article can be found [here](#)

Tax Omnibus Update

The 2015 legislative session adjourned without passing an omnibus tax bill, and the Senate and the House could not have been much further apart on their approaches to tax policy. That distance may have grown after the House and Senate announced their spending priorities for the projected \$900 million surplus.

Though the details have yet to be released, House Republicans have announced that they plan to use the projected surplus entirely on tax cuts and transportation. Senate Democrats released their supplemental budget targets, which include approximately \$300 million in targeted tax cuts. Details on how both the Senate Democrat and House Republican majorities plan to structure tax cuts will become more evident in the next two weeks.

Transportation Omnibus Bill Update

With failure to agree on a substantial transportation funding package during the 2015 legislative session, there continues to be trepidation at the legislature as to whether the House and Senate will be able to agree on a funding and policy package by the conclusion of this year's session. The Senate's long-term plan passed last year uses an increase to the gas tax to provide comprehensive funding for the next 10 years, while House Republicans look to redistribute existing revenue sources to fund transportation projects around the state.

House Republicans have announced they plan to utilize Minnesota's projected \$900 million budget surplus for transportation funding and tax cuts, while Senate Democrats have proposed supplementing transportation spending by \$31.5 million. Earlier this week, the Senate Transportation and Public Safety Committee outlined its supplemental spending priorities which include increases for state airports, establishing an interagency rail director at the Department of Transportation, rail planning, rail safety, state road program planning and delivery, and funding to the State Patrol to recruit, hire, train and equip a State Patrol Academy.

Senate Subcommittee on Disparities Continues Work

Last week the Senate Subcommittee on Disparities began hearing a number of proposals from community groups across the state on how to deal with economic and workforce disparities that are facing the state's population. Proposed investments will support programs that provide community-specific business grants, workforce development programs, and youth and community resiliency programs. Earlier this year, Gov. Mark Dayton pledged \$100 million to address the issues concerning racial disparities in Minnesota. In the Senate, \$93 million is in the budget while the House has a budget of \$0.

This week the Senate will continue to hear bills for possible inclusion into their bill. There is no word on what the House will do as we near closer to the end of session.

State Revenue Falls Short of Projections

The office of Minnesota Management and Budget (MMB) recently released its quarterly review, which provides an update on how actual state revenue compares to projections made earlier in the year. Following the trend that was announced in February (the projected state surplus fell by \$200 million), MMB is reporting that state revenue has fallen \$11 million short of projections made under two months ago. MMB cited lower-than-expected revenue from individual income tax as the main culprit for the shortfall. The overall revenue loss was bolstered by corporate tax payments exceeding expectations, but the state budget continues to experience a shortfall from projections made earlier in the year. This economic news has already served to make legislators cautious with spending, and this news will surely further that narrative throughout the rest of the legislative session.

Bills MUCA is Tracking

The following bills are items that MUCA has been tracking since last session:

[HF2451/SF 1898](#) - Building and construction contracts regulated, subcontractor payments regulated, and progress payments and retainages provided: Both are awaiting hearings on the floor

[HF1099/SF 924](#) - Building construction and contract requirements clarified: Both are awaiting hearings on the floor

[HF 3658](#) - Construction career pathway initiative: Laid over for possible inclusion in the House Jobs bill, still awaiting a hearing in the Senate.

[SF 3212/HF 3597](#) – Responsible Contractor Repeal: Did not get a hearing and make committee deadlines

[SF 2415](#) - Utility easements location for new subdivisions regulation: Did not get a hearing and make committee deadlines

[SF 2278/HF 2340](#) - Uncollectible judgments against prime contractors permitted to be paid from contract retainage, and direct payments to subcontractors required: Did not get a hearing and make committee deadlines in either chamber.

[SF 2261/HF 3079](#) - Retainages regulated: Did not get a hearing and make committee deadlines in either chamber.