

BOMA LEGISLATIVE SUMMARY

General Overview

The 2018 legislative session began on February 20, on a positive note. The February forecast projected a surplus of \$328 million, and in a gesture of goodwill in his final legislative session, the Governor indicated that he would sign legislation restoring the legislature's funding, which he had vetoed in the 2017 session. Additionally, all legislative leaders agreed that the main items to be addressed would be responding to the recently passed federal tax bill and passing a bonding bill. As the year progressed other issues were added to the agenda. They included:

- Responding to the opioid crisis
- Responding to school shootings in Florida and elsewhere
- Responding reports of elder abuse in nursing homes
- Addressing sexual harassment issues at the Capitol and in the workplace
- Fixing the MNLARS vehicle registration system
- Passing a pension reform bill for public employees
- Considering distracted driving legislation
- Increasing funding to schools that had significant budget issues
- Considering a constitutional amendment for transportation funding

As session ended, the legislature had sent the Governor four big bills:

- 1) a bonding bill;
- 2) a tax/education bill;
- 3) an omnibus supplemental budget bill; and
- 4) a pension reform bill for public employees.

The legislature included language and funding in each of these bills that they believed addressed many of the issues noted above. On Wednesday, May 23, the Governor vetoed the tax/education bill and the omnibus supplemental budget bill. He has not indicated his position on the bonding bill, and he has indicated that he will sign the pension bill. The Governor has 14 days to sign or veto any legislation from the date of adjournment. Thus, he has until June 6 to act on the remaining bills.

The Tax/Education Bill

Every elected official indicated that failing to respond to the federal tax bill would be the worst possible outcome of the session as it would have two negative consequences: 1) Minnesotans will pay more in state taxes, and 2) it will be very difficult to accurately determine one's tax bill without an accountant.

The Legislature agreed on a bill that in their words either lowered taxes or did not raise them for 98% of Minnesotans. The Governor vetoed this bill indicating that he would not

sign the bill until the legislature included additional revenue for school districts and made other changes to make it more favorable for lower income Minnesotans. The session concluded with the legislature sending the Governor the same bill, with the inclusion of additional funding for schools, albeit at a lower level than the Governor sought. On Wednesday, May 23, as promised he vetoed this bill.

Notably, the bill did not include a proposal that had been introduced to increase the taxable value that could be excluded in determining the state property tax to \$200,000 from \$100,000 of taxable value.

Finally, the bill that the Governor vetoed did not include the Governor's proposal to repeal the elimination of the automatic inflator on the statewide business property tax that the was enacted last year.

The Bonding Bill

With minutes to spare, the legislature passed a bonding bill that included three parts:

- 1) \$825 million of projects funded by bonds backed by the general fund or general obligation of the state; and
- 2) \$98 million of projects funded by bonds backed by the Environmental Trust Fund; a fund created from revenues from the state lottery. Typically, this bill doesn't include debt service for the issuance of bonds. It also is done separately and is not a part of the "bonding bill."
- 3) \$500 million of road projects funded by bonds backed by the Trunk Highway Fund, which is created from revenues from the gas tax and tab fees.

The Governor had proposed a \$1.5 billion bonding bill backed by the general fund, or general obligation of the state. Environmental groups objected to the use of the Environmental Trust Fund. At present it is not clear what the Governor's intentions are with respect to this bill, other than he repeatedly indicated that it was too small.

Transportation / Transit

Much of the debate surrounding transportation this year centered on a proposal for a ballot question that would have asked voters to constitutionally dedicate 100% of the existing sales tax on auto parts to transportation uses. The ballot question was:

"Shall the Minnesota Constitution be amended to increase funding for roads and bridges by dedicating existing sales tax revenue from the sale of motor vehicle parts?"

This would have provided an additional \$250 million per year for roads and bridges. The House passed the bill. The Senate did not bring it up.

The bonding bill provided over \$500 million to transportation projects, however, transit was not funded in any of the bills that are currently on the Governor's desk.