



*Minnesota Municipal Utilities Association*



## **2018 Legislative Report**

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# Section 1: Overview

The Minnesota Legislature convened the 2018 Regular Legislative Session at noon on Tuesday February 20, 2018, and adjourned sine-die a few minutes before midnight on Sunday May 20, 2018. Adjourning “sine-die” means that the regular 2017-18 legislative biennium ended, and no further action of the legislature can occur unless the Governor calls a special session, which absent a natural disaster or other catastrophe requiring immediate action, is not likely to occur, even though in the end, the 2018 session produced very few bills that were signed into law.

The even-numbered year of a legislative biennium is commonly referred to as the “short year” due to there being fewer days during which the legislature can meet and conduct business. The reason for the even-years having fewer days is a combination of the Constitutional limit on the total number of days the legislature can meet in regular session, and the fact they have, by joint resolution of the House and Senate, traditionally started on a date later than the first Tuesday following the first Monday in January as required by the Constitution for each odd-numbered year. Legislators, however, seem determined to hear as many bills in the “short year” as they do in a “long year”, as evidenced by the 3,493 total bills introduced this year (1,820 House Files and 1,673 Senate Files). Further, any of the 5,165 bills introduced but not resolved in 2017 remained alive for the 2018 session. In all, during the 2017-2018 legislative biennium, MMUA staff reviewed 8,658 bill introductions, determined their relevance to municipal utilities, and then tracked those determined to be of interest, plus their amendments. MMUA also met with bill authors, committee chairs and members, leadership, State Agency delegates, and members of the Governor’s staff, plus attended all hearings on the bills and testified when necessary, all to try to ensure that none of the bills ultimately had an unduly negative impact on municipal utilities.

By the time the 2018 session ended, in a much more peaceful manner than anyone familiar with the process would have guessed (no shouting matches, no serious attempts at filibusters, and no screaming in vain hopes of being recognized after the final gavel had fallen), only 115 bills were sent to the Governor, although through the use of “omnibus” bills, the topics of many additional bills were included in the 115. Fifteen of these bills had a very short life as they were vetoed almost immediately after presentation to the Governor. A sixteenth bill was altered by the Governor when he line-item vetoed some of the proposed expenditures within the bill.

For better or worse, among the vetoed bills were two of the three major bills viewed by most to be essential for the session to be considered a success. These two bills were the Tax Bill (which actually was vetoed twice), and

the Supplemental Budget Bill, which had turned into the omnibus-omnibus bill and came in at just under 1,000 pages (a possible record for most pages in a single bill).

The third major bill was a bonding bill, which was signed into law by the Governor after an earlier version failed to receive the required 3/5 majority vote for passage in the Senate and thus did not even make it to the Governor’s desk. Whether the bonding bill was truly a major bill may depend on who you ask. The odd-numbered years are the first years of each legislative biennium and are generally known as the budget year, as the State must adopt a structurally balanced bill to fund all state government functions for the next two fiscal years. The second year, the even-numbered year of a biennium, has become known as the bonding year in which significant investment is made towards the State’s infrastructure, items of state-wide public interest, and such other projects as needed to secure the three-fifths super majority vote required to adopt a bonding bill. In the more recent years, it has become common for a small bonding bill to be adopted in the first year of the biennium, and a larger bonding bill passed in the second year. However, no bonding bill was passed in 2016. Thus, as part of the larger budget discussions in 2017, the Governor was able to negotiate essentially a \$1 billion bonding bill. While most viewed this as a catch-up for the failure to have passed a bill in 2016, others carried it forward into this year’s debate and argued for a smaller bill. In the end, a mid-sized bill of \$825 million was adopted, although details that will be discussed later have some trying to take credit for a \$1.5 billion bill.

The next regular legislative session will begin at noon on Tuesday, January 8, 2019 pursuant to the State’s Constitution. With the entire House of Representatives up for election, there will be a lot of new members to meet and educate about MMUA issues. In the Senate, only one seat is up for a special election, brought about by former Senator Michelle Fischbach resigning and assuming the duties of Lieutenant Governor. However, with both the Republicans and Democrats holding 33 seats until after the November 2018 general election, control of the Senate rests on who wins the special election.

Whether the House and Senate remain in Republican control, and if so by what margin, or whether the Democrats regain control of one or both chambers, MMUA needs to have a clear message on issues of interest. CIP reform is one issue on which MMUA hopes to be a leader during the 2019 session. Playing defense against bills that would allow third-party sales, limit the dollar amount of consulting fees that can be collected in relation to 5G and other telecommunication infrastructure being placed on municipal utilities’ infrastructure, or any other bill negatively impacting municipal utilities,

will also be part of the process. And of course, MMUA will be involved in Federal matters, many of which mirror the State issues.

2019 will be a budget year, meaning the Legislature and the Governor need to reach an agreement on a new state budget that will take effect on July 1, 2019. Failure to reach an agreement on a new budget by the end of June would result in a shutdown of non-essential programs and services. The size of the new budget will depend, in part, on the size of any surplus or deficit in the State's February budget forecast. If the final quarter of 2018 generates revenue at projected rates, when combined with the existing budget surplus, the 2019 legislature may have an extra \$1 billion to spend. If the economy were to suddenly and unexpectedly tank, then the tough job of reducing expenditures and/or increasing revenue through tax changes would fall to the legislature.

While a budget bill is required, that does not mean a tax bill will be passed. However, expect to see a bill introduced on day 1 and heard almost immediately, to bring Minnesota back into conformity with Federal tax policy. To have support to pass quickly enough to benefit tax payers filing their 2018 tax return by April 15, 2019, the bill will likely need to be very narrowly tailored and not address any issue un-related to federal conformity. A full budget bill and any broader tax bill will likely be adopted on the last night of session, which will be scheduled for May 20, 2019, so that they can be used as bartering tools on other matters. A "small" bonding bill could be part of any global agreement on the budget or on a tax bill.

Questions relating to this 2018 MMUA Legislative Report can be directed to Kent Sulem at [ksulem@mmua.org](mailto:ksulem@mmua.org), 763-746-0703; or Bill Black at [bblack@mmua.org](mailto:bblack@mmua.org), (763) 746-0708.

## Section 2 – New Laws

This section summarizes the new laws enacted during the 2018 legislative session determined by MMUA staff to impact or be of interest to municipal utilities. The laws are presented in numerical order by their Chapter numbers which reflect the order in which they were presented to the Governor. For each bill, the House File and Senate File numbers are also listed with the bolded and italicized number being the version of bill presented to the Governor. The chief author in each chamber and their respective district and home area is also identified, as are the relevant sections of current statutes amended by the session law. The effective date of the new law is listed. When a bill does not provide an effective date, the rule is that expenditure/budget bills become effective July 1 of the year of passage so as to follow the State's fiscal year, and all other bills become effective on August 1 of the year of passage.

### **Chapter 107 – Uniform Municipal Contracting Law modified, and sealed bid threshold increased**

**HF 3841** – Rep. Nash (R – Dist. 47A, Waconia)  
SF 3399 – Senator Hall (R – Dist. 56, Burnsville)  
Amends Minnesota Statutes 2016 Section 471.345 subdivisions 3 and 4

Increases the value after which a contract must be let by sealed bids from \$100,000 to \$175,000. As a result, the range for which written quotes must be obtained is expanded to contracts valued between \$25,000 and \$175,000. MMUA supported this increase, particularly because of 2018 Session Law Chapter 124 as summarized below.

**Effective Date: Applies to contracts entered into on or after August 1, 2018.**

### **Chapter 114 – County authority for storm and sanitary sewer systems modified and extended to include metropolitan area**

**HF 3210** – Rep. Loonan (R - 55A, Shakopee)  
SF 3055 – Sen. Pratt (R – 55, Prior Lake)  
Amends Minnesota Statutes 2016 Section 444.075, subdivision 1a

Authorizes counties within the seven-county metropolitan area to have the same authority as non-metro counties have had to exercise municipal powers regarding the building, constructing, reconstructing, repairing, or enlarging of storm and sanitary sewer systems outside of organized cities and pre-existing sanitary districts. MMUA monitored but remained neutral.

*Effective Date: August 1, 2018.*

### **Chapter 124 – Uniform Municipal Contracting Law modified and scope of exemption for water-tank maintenance reduced**

**HF 1975** – Rep. Vogel (R – 20A, Elko New Market)  
SF 2393 – Sen. Koran (R – 32, North Branch)  
Amends Minnesota Statutes 2016 Section 471.345, subdivision 5b

Subjects the cost of supplies, materials, and equipment, whether purchased or rented, when used for the construction, alteration, repair, or maintenance of a water tank, to be subject to the use of sealed bids if the value of such purchases or rentals exceeds the bid threshold as set out in Section 471.345, subdivision 3 or 3a. The threshold is \$100,00 until August 1, 2018 and then increases to \$175,000 (see summary for Chapter 107 above). Prior to this change, water tank work was exempt from the normal bidding process. The exemption for professional engineering services remains. MMUA strongly opposed the bill as introduced as it extended to professional services. This bill was a carry-over from the 2017 session and negotiations occurred between the legislative sessions involving the author and other city-based organizations, but excluding MMUA, resulting in the language protecting the exemption for professional engineering services related to water-tank work, but subjecting everything else to the regular bidding process. *Effective Date: Applies to all applicable contracts let on or after September 1, 2018.*

### **Chapter 133 – Biodiesel content level modified allowing lawful sale of diesel containing less than mandated levels of biodiesel during certain times of the year, and making #1 diesel exempt**

HF 3523 - Rep. Anderson, P. (R – 12B, Starbuck)  
**SF 3596** – Sen. Weber (R – 22, Luverne)  
Amends Minnesota Statutes 2016, Section 239.77, subdivisions 2 and 3a

In any year in which a seasonal reduction to 5% is in effect, the minimum content level of biodiesel sold or offered for sale, may be less than statutorily required between April 1 and April 14 of that year, so long as the amount of biodiesel is not less than 10 %. The sunset date for the blanket exemption for #1 diesel is repealed, making the exemption permanent. MMUA monitored this bill.

*Effective Date: August 1, 2018.*

**Chapter 148 – Regulatory certainty providing up to 16-years to comply with changes to effluent standards**

**HF 2802** – Rep. Lueck (R – 10B, Aitkin)

SF 2897 – Sen. Weber (R – 22, Luverne)

Amends Minnesota Statutes 2016, Chapter 15, providing new section

Provides that except when prohibited by federal law, a city with a publicly owned treatment works shall have up to sixteen years from the date the facility begins to operate to comply with any new or amended effluent standard adopted after construction begins on the treatment works, if the new or amended regulation would require additional capital investment. The League of Minnesota Cities sponsored this bill and was aware of MMUA's support but did not request assistance.

**Effective date: August 1, 2017 (retroactive).**

**Chapter 155 – Property Assessed Clean Energy (PACE) loans modified**

HF 3688 – Rep. O'Driscoll (R – 13B, Sartell)

**SF 3245** – Sen. Pratt (R – 55, Prior Lake)

Amends: Minnesota Statutes 2016 Sections 45.011, subdivision 1; 46.04, subdivision 1; 46.131, subdivisions 1,2, and 4; 216C.435, subdivisions 1,2,3a,6, and 8; 216C.436, subdivisions 1,2,5,7,8, and 9; 290B.03, subdivision 1; 429.011, subdivision 2a; 429.021, subdivision 1; 429.101, subdivision 1; 462A.05, subdivision 14b; and Minnesota Statutes 2017 supplement, Sections 46.131, subdivision 11; Creating a new Minnesota Statutes Chapter 216C and repealing Minnesota Statutes 2016, Section 216C.435, subdivision 5

Very detailed and technical bill to authorize PACE loans after the authority for the program was halted in 2017. The bill was very controversial. MMUA tracked the bill but remained neutral, while the League of Minnesota Cities ultimately opposed the bill due to concerns at the city council level. The bill was supported by banks, real estate agencies, and an advocacy group for low-income individuals. Many city leaders see the program as non-functional for residential use, primarily due to changes on how special assessments would be treated, particularly in cases of foreclosure or tax forfeiture where special assessments would no longer take precedence over other debts. Any city with questions should contact its city attorney and/or a public finance attorney; however, at the current time no vendor is offering PACE for residential use in Minnesota.

**Effective Date: Primarily May 20, 2018, but some different dates apply to certain provisions.**

**Chapter 159 – Reduced speed required when passing emergency and other Identified vehicles parked or stopped on roadways**

**HF 3249** – Rep. Davids (R – 28B, Preston)

SF 2977 – Sen. Goggin (R – 21, Red Wing)

Amends Minn. Stat. 2016, Section 169.18, subdivisions 11 and 12

Requires drivers to slow down to a speed reasonable and prudent to the conditions present when passing an emergency vehicle, towing vehicle, freeway service patrol vehicle, road maintenance vehicle, utility company vehicle, or construction vehicle, parked or stopped on or next to a street or highway when it is impossible to change lanes or there is only one lane in the same direction as the parked or stopped identified vehicle. MMUA supported this legislation.

**Effective Date: August 1, 2018 for violations committed on or after that date.**

**Chapter 181 – Enforcement of certain water appropriation permit conditions modified**

**HF 4003** – Rep. Runbeck (R – 38A, Circle Pines)

SF 3573 – Sen. Chamberlain (R – 38, Lino Lakes)

Uncodified

Prohibits the DNR from expending any funds to suspend or revoke a water appropriation permit, or take enforcement actions, including implementing fines, based solely on a violation of a requirement added to a groundwater appropriation permit within the north or east metro groundwater management area as a result of a 2017 court order. Relieves a public water supplier in the seven-county metropolitan area of requirements to revise water-supply plans, but may impose irrigation bans. MMUA did not work on this legislation.

**Effective Date: June 1, 2018 until July 1, 2019.**

**Chapter 193 – Solar energy incentive plan modified**

**HF 3232** – Rep. O'Neill (R – 29B, Maple Lake)

SF 2696 – Sen. Osmeck (R – 33, Mound)

Amends Minnesota Statutes 2017 Supplement, Section 116C.7792

Authorizes XCEL Energy to get credit for solar projects not exceeding 40 KW. MMUA monitored but did not act on this bill as it applies solely to XCEL Energy.

**Effective Date: Section 1 took effect June 1, 2018; Section 2 took effect May 30, 2018.**

**Chapter 211 – Omnibus Retirement (Pensions) Bill**

HF 3053 – Rep. O'Driscoll (R – 13B, Sartell)

**SF 2620** – Sen. Rosen, (R- 23, Vernon Center)

Amends multiple statutes dealing with pension plans – contributions, pay outs, investment assumptions, etc. Questions should be directed to PERA. Highlights include:

Article 2, Section 1 eliminates over five years the augmentation of early retirement benefits for annuities starting on or after July 1, 2019;

Article 5, Section 1 reduces the assumptive rate of return on state investments from 8% to 7.5% as of June 30, 2018;

Article 5, Section 8 modifies COLA for the PERA General Plan. Effective June 30, 2018 COLA will be based on 50% of Social Security COLA, but not less than 1% nor more than 1.5%. Retirees after January 1, 2024 must reach normal retirement age before being eligible for COLA. Effective June 30, 2018;

Article 10, Section 2 clarifies that if an employee's salary is spread out over a period of leave, that salary will count towards PERA General Plan purposes only if equal to the employee's full-time rate of pay. Effective June 30, 2018;

Article 10, Section 12 clarifies that an annuitant who becomes re-employed is subject to a pension payment reduction if the re-employed employee's salary exceeds that allowed under the federal Old Age, Survivors, and Disability Insurance Program. Effective June 30, 2018.

Article 16, Section 3 authorizes employees aged 65 or more who are part of the PERA-Coordinated Plan to take a lump sum distribution of at least \$5,000 once per calendar year. Effective June 30, 2018.

There was no change in the general contribution rate for employers or employees.

#### **Chapter 214 – Omnibus Bonding Bill**

**HF 4425** – Rep. Miller (R – 17A, Prinsburg) / Amendment by Rep. Urdahl (R – 18A, Grove City)

**SF 4021** – Sen. Draheim (R – 20, Madison Lake) / Amendment by Sen. Senjem (R-25, Rochester)

Appropriates bonding dollars pursuant to numerous provisions of law and allocates Environmental Trust / LCCMR funds, including to back certain bonds.

This second version of the Omnibus Bonding Bill was needed after original bill (**HF 4425** / SF 4013) failed to pass the Senate by required 3/5 super-majority. Projects of interest include:

Article 1, Section 7 - \$20 million to DNR for flood mitigation;

Article 1, Section 17 - \$5 million to Metropolitan Council for Inflow and Infiltration grants;

Article 1, Section 22 - \$64.35 million to the Public Facilities Authority (PFA) including:

- \$14 million for Federal grant matching funds
- \$25 million for WIF program
- Numerous individual community projects

Article 2, Section 7 – requires PCA commissioner to provide

applicant for NPDES permit with written summary of all available methods to participate in permit process, including procedures for challenging and appealing the agency's decision on a permit application;

Article 2, Section 8 – Requires PCA to consider debt service when establishing a compliance schedule for new effluent standards. Any schedule must to extent possible by law maximize the repayment of existing debt on wastewater infrastructure before requiring additional capitol upgrades;

Article 4, Section 2 – Appropriates funds from the Environment and Natural Resources Trust Fund for a wide array of projects, including:

- subd. 4(b) – pilot program by MPCA, U of M, and Rural Wastewater Association to optimize existing local mechanical and pond wastewater treatment systems to improve nutrient removal without costly upgrades;
- subd. 4(g) – Commissioner of Health to develop monitoring network of public water-system wells and surface-water intakes to determine if contaminants persist after standard public water treatment;
- subd. 7(a) – \$350,000 to UofM to develop, evaluate, and optimize thin-film silicon-based luminescent solar window concentrators in order to produce inexpensive, clean energy and reduce air-pollution. Project must be completed by June 30, 2021;
- subd. 7(b) – \$350,000 to UofM to install, demonstrate, and evaluate three community-scale storage systems for renewable energy and develop a guidebook on storing renewable energy for statewide use. Project to be completed by June 30, 2021;
- subd. 11 – From now until June 30, 2021, the LCCMR must consider recommending up to \$10 million from the trust to match bond proceeds to the PFA for wastewater treatment system grants to cities, and up to 5% of the trust's corpus for loans to PFA who in turn will issue loans to cities.

Article 6, Section 4 – Authorizes use of Appropriation Bonds backed by Environment and Natural Resources Trust Fund for a variety of purposes, including:

- subd. 8(1) – PFA for up to \$6 million to the clean water revolving fund for federal grant matching;
- subd. 8(2) – PFA for up to \$14.652 million for WIF Program grants to cities;
- subd. 8(3) – PFA for up to \$38.348 million in Point Source Implementation Grants to cities.

While the Governor signed the bill, he did line-item veto a million-dollar appropriation to create a new level of review of MPCA water quality standards and permits by the Department of Administration. He also blasted the unprecedented use of the environmental trust fund money in a manner not approved by the LCCMR. The ultimate size of the bill depends on how one views the

inclusion of these funds which historically travelled on their own and were in addition to, not part of, bonding proceeds. The package as structured this year does total \$1.5 billion, but only \$825 million is actual General Obligation Bonds, whereas the Governor had proposed \$1.5 billion in GO bonds alone. The package also includes \$63

million in user-financed bonds; \$417 million in Trunk Highway Bonds; \$80 million in appropriation bonds backed by the trust funds as discussed above; and \$41 million cash from the general fund.

## Section 3 – Vetoed Legislation

This section summarizes bills of interest to municipal utilities that were passed by the Legislature but were vetoed by the Governor. Some of these proposals could be re-introduced during the 2019 legislative session.

### Chapter 126 – Wild rice water quality standards modified

HF 3280 – Rep. Lueck (R – 10B, Aitkin)

SF 2983 – Sen. Eichorn (R – 5, Grand Rapids)

Would have deleted mandate for PCA commissioner to have adopted new standards by January 15, 2019 and imposed legislative findings regarding identified wild rice waters. Among these findings was a determination that the sulfate standards imposed in 1973 have never been enforced and that no waters have been properly designated by rules to be subject to such regulations, therefore no enforcement could be commenced and new rule making procedures would be required to adopt new standards. Existing sulfate standards could not be used in NPDES decisions. Stakeholders group would have been established to start process over.

### Chapter 147 – Legislative approval required for water permit fees

HF 2940 – Rep. Bliss (R – 5A, Pennington)

SF 2637 – Sen. Ingebrigtsen (R – 8, Alexandria)

Would have prohibited MPCA from increasing water fees under Minnesota Statutes Chapters 115.03, 115.77, 115.84, and 116.07 unless the increase was ratified by the legislature.

### Chapter 172 – Omnibus Tax Bill #1

HF 4385 – Rep. Davids (R -28B, Preston)

SF 3982 - Sen. Chamberlain (R – 38, Blaine)

This was the first attempt at passing an Omnibus Tax Bill, but it was quickly vetoed for lack of any action on school funding, and for being, in the Governor's eyes, too heavy on corporate tax breaks and too light on assistance to individuals and families, especially those in the lower tax brackets. Provision of possible interest to municipal utilities include:

Article 1 – Federal Tax Conformity. Designed to match much of Minnesota's tax code with the new Federal standards. Without conformity, tax preparers, finance personnel, and the individual tax payer will find with-

holding proper State taxes and filing tax returns and other paperwork much harder to do.

Article 3, Section 12 – Would have granted Elko-New Market a sales tax exemption for its water treatment plant. The exemption would have been retroactive for purchases between June 1, 2014 and June 1, 2016.

### Chapter 197 – Liability and penalty for trespassing on critical infrastructure increased

HF 3693 – Rep. Smith (R – 34B, Maple Grove)

SF 3463 – Sen. Utke (R – 2, Park Rapids)

Would have increased penalty for trespassing with the intent to damage, destroy, or tamper with equipment or to seriously impede the operation of any critical infrastructure as that term was defined, to be a fine of up to \$5,000 or imprisonment for up to three years, or both, unless an even greater penalty was provided for elsewhere in law. In addition, they could be held responsible for the value of damage caused, and anyone found to have knowingly assisted, trained, recruited, hired, counseled or conspired with such a person could be held jointly and severally liable for the damage.

### Chapter 201 – Omnibus Supplemental Budget Bill

HF 4099 – Rep. Knobloch (R – 14B, St. Cloud)

SF 3656 – Sen. Rosen (R – 23, Vernon Center)

At 989 pages, this bill likely holds the record for largest bill ever adopted by the Minnesota State Legislature. The fate of the bill was destined from the start when the Governor sent the conference committee 9 pages outlining 51 reasons why he would veto the bill and the response was five pages of why the governor wasn't only wrong but was referencing the wrong bill in his threatened veto. With amendments that probably only worsened the bill in the Governor's eye, the veto came immediately upon delivery. Despite the size of the bill, the Governor singled out a glaring omission as an additional reason for his veto – insufficient addressing of the opiate crisis.

Items of interest to municipal utilities included:

- Article 2, Section 19 – Department of Revenue required to modify rules for the valuation of property owned by a public utility;
- Article 5, Section 1 - Changed XCEL RDA payments;
- Article 5, Section 3 – Awarded Prairie Island Indian



- Community \$45 million from the RDA over six years to develop a zero-emissions energy system;
- Article 5, Section 6 – Eliminated requirement that a community solar garden plan reasonably allow for financing solar gardens;
- Article 5, Section 10 – Would have required investor owned utilities to include an assessment of energy storage systems in an integrated resource plan or plan modification;
- Article 5, Section 13 – Would have modified the type of data utilities provide to Gopher State One Call and that GSO provides to callers. MMUA worked extensively on this provision which was also a stand-alone bill (HF 2719/SF 3441) in order to avoid undue burden on small utilities, and to avoid data-practices challenges;
- Article 20, Section 33 – Would have allowed any local unit of government, and not just counties, to be eligible for assistance under the Local Water Resources Protection and Management Program.

**Chapter 210 – Wild Rice Bill**

**HF 3422** – Rep. Fabian (R – 1A, Roseau)  
**SF 3170** – Sen. Ingebrigtsen (R -8, Blaine)

This represented a second attempt to block enforcement of any existing sulfate discharge regulations in waters determined to be Wild Rice waters. It also sought to impose new requirements before any other bodies of water can be deemed Wild Rice waters. And a workgroup would have been created to study and issue a report on numerous issues related to Wild Rice waters.

**Chapter 205 – Omnibus Tax Bill (amended into Omnibus Education Bill)**

**HF 947** – Rep. Loon (education) (R – 48B, Eden Prairie); Rep. Davids (tax) (R – 28B, Preston)  
**SF 945** – Sen. Nelson (education) (R – 26, Rochester); Sen. Chamberlain (tax) (R – 38, Blaine)

Governor Dayton informed the legislature that he would not negotiate or sign a tax bill until his request for emergency school funding to address the achievement gap was agreed to. The legislature responded by merging the Omnibus Tax Bill with the Omnibus Education Bill. It didn't work as the Governor was not satisfied with the amount of funding to address the achievement gap. Further, he pointed out that the \$225 million provided for schools was not really new money but the early advancement of already allocated funds plus a one-time transfer from the State's reserves. The Governor then went on to criticize most of the tax bill. Provisions of interest to municipal utilities include:

Article 2 – Would have implanted changes to the State's tax code that would have brought Minnesota into conformity with the new Federal tax changes. Without conformity accountants, finance clerks, etc. will have a difficult time preparing tax documents, and individual tax payers could have a harder time calculating their income taxes, etc.

Article 4, Section 11 – Would have authorized Elko-New-Market's water plant to make sales-tax exempt purchases of supplies and materials used by the treatment facility. It also established a fund to reimburse the city for purchases related to the period between June 1, 2014 and June 1, 2016.

## Section 4 – Returning Issues?

MMUA does not have a crystal ball that allows us to see what issues will be drafted into bills, what bills will be heard, what bills will be passed by the legislature, or what bills will be signed/vetoed by the Governor, as part of the 2019 legislative session. With the Governor's office and all House seats up for election in November, and control of the Senate hinging on the outcome of a special election, which party is in control of which chamber(s) and/or the Governor's office will dictate what issues actually gain traction and are ultimately signed into law.

Further complicating matters is the fact that no one party, and to great extent, no single legislator, is better or worse for MMUA issues. A friend on one issue can be an opponent on another. All, however, need to be made aware of key issues to MMUA.

So, applying experiences and best guesses, the following issues are expected to be dealt with in some manner during the 2019 session. While no bill from 2018 will carry over, references to applicable 2018 legislation is provided as examples of how the issues may appear:

**Taxes** – It seems likely that an attempt will be made early in the 2019 session to pass a limited tax bill designed to bring State tax laws into conformity with the Federal changes that took effect in 2018. However, such a bill will likely be very narrowly tailored leaving other policy issues to another bill. Things that may be in that second bill include:

Revised valuation process of public utility property by the Department of Revenue and/or revised pipeline valuation process (see [Article 5, Section 19 of Omnibus Tax Bill](#); and [HF 4144/SF 3707](#));

Sales tax exemption clarification for contractor purchases directly for a public entity's facility (see [HF 299 / SF 460](#));

Referenda / Reverse Referenda requirements for increasing property taxes, certain rates, etc.; and dates for referenda limited (see [HF 654 / SF 1590](#); [HF 1146 / SF 2092](#));

Tax credit for combined heat and power plants and expander generator facilities (see [HF 1495 / SF 1788](#)).

Transportation and Public Safety:

Designated "Charging Station Only" parking (see [HF 2751](#)).

Critical infrastructure trespassing penalties enhanced (see [vetoed Chapter 157](#)).

**General Energy** - Study of state-wide preparedness to deal with possible vulnerabilities of the electric grid (see [HF 2819 / SF 2840](#));

Energy storage – multiple bills introduced but as DFL bills did not gain traction in 2018 (see [HF 3112 / SF 2714](#); [HF 3113 / SF 2712](#); [HF 3114 / SF 2710](#); [HF 3115 / SF 2711](#));

Cost Reporting (see [HF 3111 / SF 2709](#));

Limitation on amount of fees that can be passed through to wireless providers. Rep. O'Neill wants stakeholder discussions during interim (see [HF 3497 / SF 3166](#));

Third party sales. Accomplished by direct authority or modifying definition of what constitutes a utility. Sen. Pratt would like stakeholder discussions during interim (see [HF 3685 / SF 2919](#));

Sulfate discharge standards to Wild Rice waters (and possible changes to definition of such waters) (see [Chapters 126 and 210](#));

Data provided by utilities to Gopher State One Call (GSOC) and information GSOC provides when contacted modified. Sen. Lang may want interim discussions after contentious "compromise" vetoed with rest of Omnibus Budget Bill (see [Chapter 201, Article 5, Section 13](#); [HF 2719 / SF 3441](#)). However, GSOC has independently modified data collection form so issue may become mute.

**CIP** - MMUA is working closely with MREA and has touched base with other interested parties regarding CIP reform. MMUA hopes to be a leader on this issue to create a modernized CIP program that offers broader parameters and flexibility for and in achieving stated goals and objectives. Legislators have also broached CIP reform, usually in a way MMUA could not actively support.

(see [HF 4340 – increased exemption threshold](#); [HF 3794 – allowing opt-outs](#); [HF 3993 / SF 3656 - ongoing financing of CIP software](#) (MMUA could not verify a single municipal user of software, but did not want to strand anyone so accepted Senate compromise of 4 years funding w/study due after 2 years); [HF 4068](#) Barring State funding of CIP through assessments.

**Broadband** – MMUA supports State funding of broadband expansion grants. Annual bill at current time. Some would like to see wireless (satellite) technologies be eligible for funds (see [HF 3537 / SF 2787](#); [HF 4180](#)).

**Bonding** – MMUA supports bonding dollars for PFA grants and other capitol-intensive needs of utilities. 2019 will be a budget year and not a traditional bonding year, but supplemental bonding in the odd-numbered years has become more common (see [Chapter 214](#); [HF 3122 / SF 2668](#)).

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