

Date: May 25, 2023  
To: MRC Board  
From: Britta Torkelson  
Re: End of Session Legislative Update

The 2023 session has come to a close and as promised, the DFL Trifecta managed to pass all of the major budget bills before the mandated adjournment on May 22nd. We have become accustomed to a massive flurry of last-minute legislative activity on the final weekend of a session, including a scramble on the last day to get budget work done. This year was no different, three of the largest bills were passed in the three final days, pushing staff and legislators to the brink. In most years we've seen the legislature stumble into June special sessions to finish budget bills ahead of the June 30 fiscal year deadline. Partially thanks to a 'global agreement' on budget targets on March 21st, lawmakers have avoided a special session as the budget debate came to a timely close on Monday. The legislature will reconvene this regular session on February 12, 2024.

### **Bonding Bill and Nursing Home Funding**

A late-breaking deal between Republican and DFL leaders brought a much-anticipated bonding bill into reality. Over the final weekend, leaders announced a deal that included the following:

- \$2.6 billion total for jobs and infrastructure bills
  - \$1.5 billion in General Obligation bonds
  - \$1.12 billion in cash funding
- \$300 million cash funding (over 4 years) allocated to long-term care and nursing homes

### **CPA and Other Tax Bill Provisions of Interest**

County advocates were pleased to see a CPA increase of \$80 million/year (FY24-25) in the final bill. LGA saw an identical increase. PILT saw an increase from \$2 to \$3/acre for county and DNR administered lands, in addition to supplemental PILT payment for counties with a disproportionate amount of PILT lands.

SCORE grants will also be receiving an increase. 3% of the Solid Waste Management Tax will now be redirected from the general fund to SCORE grants. This will amount to approximately \$3.4 million/year starting in year four, and is the biggest bump to SCORE since 2014. Both tax chairs agreed that this is a wrong that needs to be righted, and we will continue to push for a complete redirection to this account in sessions to come.

### **Transportation**

Chairs Dibble and Hornstein fought hard to successfully pass a historic bill including long-sought after ongoing and dedicated funding to transportation throughout the state. Many

were surprised to see a gas tax increase added to the bill during the final days of session. An increase of this type has been viewed as a nonstarter for years. Major revenue raisers listed below.

- Tab Fees - increases the rate to 1.54% for vehicles registered prior to November 16, 2020, and 1.575% for those on or after that date
- Delivery Fee - 50 cent fee on deliveries over \$100, some exemptions include tax-exempt items and small businesses with retail sales of less than \$1 million
- Indexing of Motor Fuels Tax - gas tax and special fuel tax are indexed annually on August 1 (this is expected to raise the gas tax by 5 cents/gallon by FY2027)
- Motor Vehicle Sales Tax - MVST increased from 6.5% to 6.875% for purchases on or after July 1, 2023
- Metro Area Sales Tax - regional transportation sales tax at a rate of  $\frac{3}{4}$  of one percent, proceeds split between Met Council and the 7 metro area counties
- Auto Parts Sales Tax Dedication - dedication is phased in gradually, with full dedication in 2033

## **Rural Broadband**

As predicted, the Agriculture Omnibus was one of the first budget bills to wrap up and was signed into law on May 11, 2023. The package includes \$75.35 million in FY2024 and \$50.35 million in FY2025 for the Border-to-Border broadband grant program. The bill also included an earmark of \$20 million each of the two years for lower population density areas.

## **Drainage**

We successfully kept the problematic Drainage Registry Portal provision out of the final Environment and Energy Omnibus bill. We stayed in Senate conference committee members' ears, and they carried our position through negotiations. The final bill does include a directive to the DWG to come back to the legislature in 2024 with a report on outlet adequacy and public notice requirements. We were pleased to see that this requirement does not instruct the DWG to come forward with any legislative recommendations. The first summer meeting of the DWG is on June 8th, we will continue to report on discussions as they develop. Referenced bill language below:

The Board of Water and Soil Resources and the Drainage Work Group established under Minnesota Statutes, section 103B.101, subdivision 13, must evaluate and develop recommendations on the following subjects: (1) the definition and application of outlet adequacy as provided in Minnesota Statutes, section 103E.261; and (2) public notice requirements for proposed public drainage activities, including a drainage registry portal. (b) The board must submit the report to the chairs and ranking minority members of the house of representatives and senate committees and divisions with jurisdiction over environment and natural resources by February 1, 2024.