

June 2012

**2012 Legislation Relating to
Local and Metropolitan
Government**

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Research Department
Minnesota House of Representatives
600 State Office Building, St. Paul, MN 55155
651-296-6753

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**2012 Legislation Relating
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Government**

This report describes legislation enacted in the 2012 regular session relating to local and metropolitan government.

This report was prepared by **Deborah Dyson** and **Patricia Dalton**, legislative analysts in the House Research Department.

Questions may be addressed to **Deb** at deborah.dyson@house.mn or **Pat** at 651-296-7434.

Jessica Vogt provided graphics and production assistance.

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Introduction

This report describes legislation enacted in the 2012 regular session that deals with local and metropolitan government. This report does *not* cover all legislation that affects local governments. With a few exceptions, it does not cover civil or criminal law, employment or pensions, health and human services, transportation, economic development, or environmental issues.

All the citations in this report are to Laws 2012, unless otherwise indicated. See the acts or act summaries of the omnibus bills, and other major bills, enacted in 2012 for other provisions that may affect local government and are not covered in this report:

Agriculture	Chapter 244
Capital Investment	Chapter 293
Criminal Law, Corrections	Chapters 128, 155
Data Practices	Chapter 290
Education – K-12	Chapters 239, 273, 292
Education – Higher Education	Chapter 270
Environment, Lands, Game and Fish	Chapters 272, 236, 277
Legacy Amendment Appropriations	Chapter 264
Health, Human Services	Chapters 216, 247, 253
Liquor	Chapter 235
Pensions and Retirement	Chapter 286
Stadium	Chapter 299
Taxes	Chapter 294
Transportation	Chapter 287

Acts are available on the Revisor of Statutes website (<https://www.revisor.mn.gov/laws/?view=session&year=2012&type=0>). Act summaries are available on the House Research website (<http://www.house.mn/hrd/actsum.asp>).

Local Government Generally

Powers, Duties, State Funding, and Regulation

Municipal Tort Liability

The total liability of the state or a municipality is reduced from a maximum of \$1.5 million to a maximum of \$1 million if the claims involve nonprofit corporations engaged in or administering outdoor recreational activities funded or operating under a government-issued permit. This limit is an aggregate limit that applies regardless of the number of claims filed resulting from a single occurrence. The limit would apply to claims arising from acts or omissions on or after March 16, 2012. Snowmobile organizations that maintain trails under contracts with the state and some local governments sought the change when the \$1.5 million liability limit that went into effect July 1, 2009, increased the cost of insurance premiums.

Ch. 131, amending Minn. Stat. §§ 3.736, subd. 4; 466.04, subds. 1, 3; effective March 16, 2012, and applies to claims arising from acts or omissions that occur on or after March 16, 2012.

Municipal Boundary Adjustments, Detachment

Local governments have worked over the last year to improve the process of detachment and this law is the result of that work. Property detached from a city becomes part of the unincorporated township.

Upfront description of the history and reasons for seeking detachment. In initiating a detachment proceeding, the petitioners or the municipality must state the reasons for seeking the detachment and summarize efforts taken to resolve issues that form the basis for the detachment request.

Notice. Petitioners without a supporting resolution of the city must give a copy of the petition to the city and to each affected property owner who is not a party to the petition, the clerk of the affected town, the clerk of any other abutting town or city, and the county recorder.

Town participation. The town board may submit a resolution of support, opposition, or neutrality. Failure to submit a resolution is deemed neutrality. If the town expresses a position other than neutral and it is opposed to the position of the municipality, the town becomes a party to the hearing.

When a hearing is required or not. No hearing is held and the petition is granted if everyone supports the petition. No hearing is held and the petition denied if both the municipality and the town oppose the petition. In all other cases, a hearing is required, and before the hearing, the chief administrative law judge must order the parties to mediation.

Factors. The chief administrative law judge must consider all applicable comprehensive plans, land use regulations, and land use maps of the affected municipality, town, and county in making findings.

Costs. The chief administrative law judge must apportion costs in an equitable manner and the petitioners must pay at least half of the total costs unless the chief administrative law judge makes specific findings why another party should be responsible for a greater share.

Ch. 135, amending Minn. Stat. § 414.06, subs. 1, 2, 3, adding subs. 1a, 7, effective August 1, 2012.

Water Conservation

The 2008 mandate for public water suppliers to use conservation rate structures to encourage water conservation was modified to allow a public water supplier to meet state water conservation requirements by using “demand reduction measures”—a water conservation rate structure or a uniform rate structure with a conservation program that achieves demand reduction. Demand-reduction measures must be implemented by January 1, 2015. This is an extension of the deadline from 2010 for the metropolitan area and 2013 for the rest of the state.

Ch. 150, art. 1, §§ 2, 3; amending Minn. Stat. § 103G.291, subs. 3, 4, effective August 1, 2012.

**Police Civilian
Review Authority**

The Peace Officer Discipline Procedures Act was amended to eliminate the exemption the Minneapolis Civilian Police Review Authority has had that since the act was enacted in 1991. Also, the law now prohibits civilian review authorities from making binding judgments about police complaints or imposing discipline on peace officers. Civilian review authorities may only make advisory recommendations about police misconduct complaints.

Ch. 156, amending Minn. Stat. § 626.89, subd. 2, adding subd. 17, effective August 1, 2012.

**Solid Waste, Road
Construction**

The definition of “solid waste” was amended to exclude “concrete diamond grinding and saw slurry associated with the construction, improvement, or repair of a road when deposited on the road project site in a manner that is in compliance with best management practices and rules of the [Pollution Control] agency.”

Ch. 161, amending Minn. Stat. § 116.06, subd. 22, effective April 6, 2012.

**Elections; Proposed
Constitutional
Amendment to
Require Voter ID**

This act proposes an amendment to the Minnesota Constitution requiring all voters be subject to substantially equivalent identity and eligibility verification prior to a ballot being cast or counted. The constitutional amendment also requires that persons voting in person present valid government-issued photographic identification before receiving a ballot. The state would be required to provide photographic identification at no charge to eligible voters who do not have identification meeting these requirements. A voter unable to present government-issued photographic identification would be permitted to submit a provisional ballot. The process for certification and counting of a provisional ballot would be enacted by law at a later date.

The proposed amendment will be on the 2012 ballot. If adopted, the amendment would be effective July 1, 2013, for elections conducted on or after November 5, 2013 (this is the general election date for some local units of government in 2013).

Ch. 167.

**County Attorneys,
Assistant County
Attorneys May
Carry Firearms
While On Duty**

County attorneys and assistant county attorneys may now carry firearms while on duty, under the terms of a valid state-issued permit. State statute otherwise prohibits political subdivision employees, other than licensed peace officers, from carrying a firearm when on duty. The new law does not affect the inherent authority of the courts to regulate or ban firearms from courtrooms and other spaces under their control. A county attorney may restrict or prohibit assistant county attorneys from carrying firearms while on duty. The law does not affect carrying a firearm while off-duty under the terms of a permit.

Ch. 171, amending Minn. Stat. § 388.051, adding subd. 4, effective August 1, 2012.

**Local
Transportation
Projects, Design-
Build**

The legislature amended a 2009 law that established a pilot program for selecting and undertaking local transportation projects on the municipal and county state-aid systems using the design-build method of contracting. The 2012 law:

- removes an October 1, 2012, expiration date for the program;
- eliminates a council established to select projects for the program, transferring those duties to the Minnesota Department of Transportation (MnDOT);
- expands MnDOT oversight of the solicitation process;
- removes limits on the distribution of projects between the county versus municipal state-aid systems;
- eliminates an annual legislative report on the program; and
- changes program terminology.

Finally, the program expires upon completion of nine design-build projects.

Ch. 176, amending Laws 2009, ch. 36, art. 3, §§ 28, 29, effective April 19, 2012, and expires upon completion of nine design-build projects.

**Eminent Domain,
Relocation
Assistance**

As part of the 2006 eminent domain legislation, the law governing relocation assistance was amended to provide that disputes would be decided by an administrative law judge. This year, that provision was amended to make it clear that disputes over eligibility for relocation assistance, not just the amount, must be decided in a contested case proceeding before an administrative law judge.

Ch. 184, amending Minn. Stat. § 117.52, subd. 4, effective April 19, 2012, and applies to relocation assistance claims and claims of eligibility for relocation assistance pending on or after April 19, 2012.

**Veterans,
Employment**

Hiring, points. The points awarded to veterans in hiring have been increased by five points, from five to ten points for nondisabled veterans, and from ten to 15 points for disabled veterans.

Ch. 192, §§ 5, 6; amending Minn. Stat. § 197.455, subds. 4, 5, effective April 19, 2012.

Firing. A veteran may request a hearing within 60 days of notice of discharge from a position of public employment. If there is no civil service commission, the hearing is before an ad-hoc three-person panel, with the veteran selecting one member, the government selecting one, and both parties selecting the third. Now the veteran must include in the response, his or her selected representative for the panel. Also, the law clarifies that the government has the same time frame to appeal a decision as the veteran.

Ch. 230, amending Minn. Stat. § 197.46, effective August 1, 2012.

**Voter List Data,
Jury Selection**

A voter list provided to the courts for jury selection may now include a voter's date of birth, Social Security, driver's license, identification card, passport, or military ID number. The state courts administration requested the legislation to fix a change made in 2004.

Ch. 208, amending Minn. Stat. § 201.091, subd. 9, effective August 1, 2012.

**Local Government
Financial Institution
Deposits**

School districts, towns, counties, and cities may deposit funds in their official depository financial institution under an arrangement permitting the depository financial institution to redeposit the funds into accounts at other financial institutions that would serve as subcustodians of the funds. The three types of financial institutions referenced in the act are banks, savings and loans, and credit unions. The subcustodian financial institution into which the funds are redeposited must have at least five years of general custodial experience. The redeposited funds plus accrued interest must be covered by deposit insurance provided by the Federal Deposit Insurance Corporation or by the National Credit Union Share Insurance Fund.

Ch. 209, amending Minn. Stat. §§ 123B.14, subd. 3; 366.01, subd. 4; 385.07; 427.06, effective April 24, 2012.

**Crime of Fraudulent
Filing to Retaliate
Against the Sheriff
or County Recorder**

It is a crime to knowingly file a record that is not related to a valid lien or security agreement or that contains a forged signature or is based on a document with a forged signature. It is also a crime to file a record with the intent that it be used to harass or defraud another person. The definition of record is contained in article 9 of the Uniform Commercial Code.

This law extends the five-year felony penalty to include a crime committed with intent to retaliate against a sheriff, deputy sheriff, or county recorder because of that person's duties in connection with a sheriff's sale or filing of liens regarding real property. (The five-year

felony previously applied to retaliation against judicial officers, prosecutors, defense attorneys, and officers of the court.)

Ch. 210, amending Minn. Stat. § 609.7475, subd. 3, effective August 1, 2012, and applies to offenses committed on or after that date.

Emergency Medical Services

Cities and towns may make grants to an emergency medical services agency, as defined in Minnesota Statutes, section 144.7401, that serves the city or town. Under section 144.7401, “emergency medical services agency” means an agency, entity, or organization that employs or uses emergency medical services persons as employees or volunteers.

Ch. 226, amending Minn. Stat. § 465.037, effective August 1, 2012.

Seized Animals

A facility that accepts stray animals seized by a public authority must hold the animal for redemption by its owner for at least five business days, and the facility must keep records on each animal in its custody for at least six months. A municipal ordinance may require the animal be held for a longer time. An unclaimed animal must not be released for research or product testing.

Ch. 244, art. 1, § 73, adding Minn. Stat. § 346.47, effective August 1, 2012.

Inspection Delegation Agreement, Water Invasive Species

The Department of Natural Resources may enter into a delegation agreement with a tribal or local government for inspection of watercraft and related equipment. The tribal or local government must assume all legal, financial, and administrative responsibilities for the inspection program on all or some of the public waters within its jurisdiction, and it must have a plan and meet certain standards.

Ch. 272, § 13, amending Minn. Stat. § 84D.105, subd. 2, effective July 1, 2012.

Grant-in-Aid Trails

A local government may designate a grant-in-aid trail for concurrent motorized and nonmotorized use.

Ch. 272, § 16, amending Minn. Stat. § 85.018, subd. 2, effective July 1, 2012.

Mineral Management Account

The Mineral Management Account was enacted in 2005. A 2012 law required the balance of the account that exceeds \$3 million, which is currently distributed to the permanent school fund and the permanent university fund in proportion to the total revenue received from mineral leases on those lands, to also be distributed to counties, cities, towns, and school districts, in proportion to the revenue from mining leases on tax-forfeited lands.

Ch. 272, § 23, amending Minn. Stat. § 93.2236, effective July 1, 2012.

Board of Water and Soil Resources (BWSR)

The three citizen members of BWSR may now be employed by, or appointed or elected officials of, a local government.

Ch. 272, § 28, amending Minn. Stat. § 103B.101, subd. 2, effective July 1, 2012.

Local Water Management Coordination

To reduce duplication in planning, BWSR may develop policies that will allow a comprehensive plan, local water management plan, or watershed management plan to serve as a substitute for one another or be replaced by a “comprehensive watershed management plan” (a new option for areas outside the metropolitan area not required to have a watershed management organization). “Comprehensive watershed management plan” is defined as a plan to manage the water and related natural resources of a watershed consisting of local plans currently required (county water plans, watershed management plans, and county groundwater plans) or a separate plan that has been approved as a substitute by BWSR and adopted by the local units of government. Comprehensive watershed management plans must be consistent with existing goals for watershed management and related areas.

BWSR may also develop criteria for incorporating or coordinating elements of metropolitan county groundwater plans. The policies must use a watershed approach for plans.

BWSR must work with local governments and other stakeholders, and BWSR may establish a working group or work teams (similar to the Drainage Work Group) to develop information, education, and recommendations. Local governments may carry out total maximum daily load (TMDL) implementation plans as part of local water management plans.

Ch. 272, §§ 32, 35, amending Minn. Stat. §§ 103B.101, adding subd. 14; 103B.3363, adding subd. 3a, effective July 1, 2012.

Local water management boundary and plan determinations and appeals. A local government unit may submit a request for a plan boundary determination as part of a plan approval request or apply separately. A local government must provide written documentation of the rationale and justification for the proposed boundary; the law allows BWSR to request additional information. BWSR decisions may be appealed.

Ch. 272, § 33, amending Minn. Stat. § 103B.101, adding subd. 15; effective July 1, 2012.

Water plan revisions. BWSR may grant extensions with or without conditions of the revision date of a comprehensive local water management plan or a comprehensive watershed management plan.

Ch. 272, §§ 34, 36, amending Minn. Stat. § 103B.311, subd. 4; adding § 103B.3367, effective July 1, 2012.

Local water resources restoration, protection, and management program. The existing tax and match requirements applicable to counties for purposes of base grants awarded by BWSR was removed, and BWSR may award performance-based grants to local units of government for implementation of watershed management plans, local

watershed management plans, comprehensive plans, or comprehensive watershed management plans or for carrying out certain TMDL implementation plans. BWSR must establish performance-based criteria. BWSR may award the performance-based grants on an advanced basis. The law removes a provision that the grants be awarded for no longer than two years.

Ch. 272, § 37, amending Minn. Stat. § 103B.3369, effective July 1, 2012.

Log Removal

Removing logs, dead trees, and branches from the shoreland is now exempt from any state permit requirement, but a local government may require the person to get a permit. Public entities are encouraged to allow removal of logs, dead trees, and branches that present a safety hazard on land managed by the public entity.

Ch. 272, §§ 39, 40, amending Minn. Stat. §§ 103F.211, adding subd. 4; 103F.321, adding subd. 4, effective July 1, 2012.

Wetlands

When wetlands are restored on cultivated land, a deed restriction on the use of the land was required by state law. Now a deed restriction is not required, but the law states that the lands must not be converted to a nonagricultural use for at least ten years. However, a local government still may require the deed restriction to prohibit nonagricultural use for at least ten years.

Ch. 272, § 41, amending Minn. Stat. § 103G.222, subd. 1, effective July 1, 2012.

Publication of Notice of Completed Environmental Assessment Worksheet (EAW)

A responsible governmental unit must publish notice of the completion of an environmental assessment worksheet. Now it may publish the notice in at least one newspaper of general circulation in the geographic area where the project is proposed or by posting the notice on a website that has been designated as the official publication site for publication of proceedings, public notices, and summaries of a political subdivision in which the project is proposed. Previously, it had to be published as required by the Environmental Quality Board, which requires publication in the EQB Monitor.

Ch. 272, § 76, amending Minn. Stat. § 116D.04, subd. 2a, effective July 1, 2012.

Shooting Ranges

The National Rifle Association's November 1999 revised edition of *Range Source Book: A Guide to Planning and Construction*, which was originally identified as the interim standard for shooting ranges, is now the permanent source for standards, and the Commissioner of Natural Resources' authority to adopt rules is repealed.

Ch. 277, art. 1, §§ 16, 17, 91; amending Minn. Stat. §§ 87A.01, subd. 4; 87A.02, subd. 2; repealing 87A.02, subd. 1, effective July 1, 2012.

A publicly owned or managed shooting range located in the seven-county metropolitan area that is publicly funded in whole or part must be available at least twice during the spring and twice during the summer for use by participants in a Minnesota Department of Natural Resources firearms safety instruction course. The shooting range must be available during hours reasonable for youth participants. The range operator may charge a fee to cover any costs directly incurred from use for the firearms safety courses, but may not charge a fee to offset costs for general maintenance and operation of the facility.

This new law does not apply to Minneapolis or St. Paul or a shooting range located on the same premises as a correctional or detention facility.

Ch. 277, art. 1, § 18, adding Minn. Stat. § 87A.09, effective July 1, 2012.

Beavers

A local government may kill beavers that are causing damage to property it owns, including damage to silvicultural projects and drainage ditches. Road authorities no longer have to consult with the Board of Water and Soil Resources before implementing a local beaver control program, and local government units may also implement a local beaver control program.

Ch. 277, art. 1, § 66, amending Minn. Stat. § 97B.667, effective July 1, 2012.

Data Practices

Personnel data. The law previously provided that the terms of an agreement settling a dispute arising out of an employment relationship involving an entity covered by the Government Data Practices Act are public data. Now it has been amended to state that the *complete* terms of the agreement are public data. Additional public officials in political subdivisions were made subject to the law providing for public disclosure of data relating to a complaint or charge against the official.

Ch. 280, amending Minn. Stat. § 13.43, subd. 2, effective May 5, 2012, and applies to any agreement entered into or modified after May 5, 2012.

Default responsible authority. If a political subdivision has not designated an official to serve as the responsible authority, the following are designated by law: the county coordinator or administrator for a county; the city clerk for a city; the superintendent for a school district; and the chief clerical officer for filing and record-keeping purposes for any other political subdivision.

Ch. 290, § 9, amending Minn. Stat. § 13.02, subd. 16, effective August 1, 2012.

Other data practices changes. The determination of whether data meets the definition of “security information” is a decision of the responsible authority and requires the government entity to provide, upon request, a short explanation of the necessity for determining data are security information when denying a request for access.

The personal telephone number, home address, and email address of a current or former employee of a contractor or subcontractor, maintained as a result of contractual relationship entered on or after August 1, 2012, are private data. The data must be shared with another government entity to perform functions authorized by law and must be disclosed to any government entity or person for prevailing wage purposes.

The estimated or appraised value of real property subject to a potential sale or purchase by a government entity may be made public, at the discretion of the governing body of the entity. If the government entity is a state agency, the data may be made public at the discretion of the agency's commissioner.

Ch. 290, §§ 16, 17; 23; amending Minn. Stat. §§ 13.37, subds. 1, 2; 13.43, adding subd. 19; effective August 1, 2012; and § 24, amending Minn. Stat. § 13.44, subd. 3, effective May 11, 2012.

**Rules, CSAH,
MSAS**

The rules that set engineering standards for cost estimation when calculating money needs for the County State-Aid Highways and Municipal State-Aid Streets, and apportionment of money to counties and cities under the funding programs, are exempt from the full rulemaking process and may be adopted by expedited rulemaking. The rules adopted under the expedited process do not expire after two years.

Ch. 287, art. 3, § 12, amending Minn. Stat. § 162.155, effective August 1, 2012.

Minitrucks

The sunset of the law that allows local governments to permit minitrucks to operate on roads within their jurisdictions is extended until July 31, 2014, from 2012.

Ch. 287, art. 3, § 56, amending the effective date of Laws 2009, ch. 158, § 10, effective May 11, 2012.

**Electric-assisted
Bicycles**

In general, the law now treats electric-assisted bicycles more like pedal-powered bicycles. Electric-assisted bikes do not have to be registered with the state and do not need a license or permit. State agencies and local governments cannot prohibit their use on any state or local trail where pedal-powered bikes are allowed, unless there is a safety issue.

Ch. 287, art. 4, §§ 1 to 4, 20; amending Minn. Stat. §§ 85.015, adding subd. 1d; 85.018, subds. 2, 4; 160.263, subd. 2; 169.222, subd. 4; effective August 1, 2012.

**Use of Shoulders by
Buses**

A "road authority" may authorize buses to operate on freeway and expressway shoulders. Previously, only the Commissioner of Transportation could authorize use of the shoulder by buses. The commissioner may specify operating conditions and maximum speeds based on an engineering study performed by a local road authority and its recommendation. The road authority must consult with the public transit operator before recommending operating conditions different from those authorized by law. This law was originally enacted in 2002 to allow buses in the metropolitan area to use the shoulders and

expanded to statewide authority in 2010. “Road authority” means the commissioner for trunk highways; the county board for county state-aid highways and county highways; the town board for town roads; and the governing bodies of cities when the governing bodies or city streets are specifically mentioned. Minn. Stat. § 160.02, subd. 25.

Ch. 287, art. 4, § 21, amending Minn. Stat. § 169.306, effective August 1, 2012.

**Contractors’ Bonds
for Public Work**

The threshold for requiring a contractors’ bond for public work is now linked to the threshold for competitive bidding in the Uniform Municipal Contracting Law. This means the threshold now is raised from \$75,000 to \$100,000.

Ch. 287, art. 4, § 45, amending Minn. Stat. § 574.26, subd. 2, effective May 11, 2012.

**Capital Grant, Loan
Programs**

The 2012 Legislature expanded the existing redevelopment account program to cover demolition and provide for loans as well as grants and established two grant programs to be administered by the Department of Employment and Economic Development. Money for the programs was appropriated from state bond proceeds.

Redevelopment account. Demolition is now eligible for funding under the redevelopment account program. In addition, the program is expanded to provide loans to development authorities for up to 100 percent of the estimated land acquisition and demolition costs of the project. A project qualifies for a loan under this section, if:

- the property and structures are owned by the development authority (a city, county, housing and redevelopment authority, economic development authority, or port authority);
- the structures on the property have been vacant for at least one year;
- the structures constitute a threat to public safety because of inadequate maintenance, dilapidation, obsolescence, or abandonment;
- the structures are not listed on the National Register of Historic Places; and
- upon completion of the demolition, the development authority reasonably expects that the property will be improved and these improvements will result in economic development benefits to the municipality.

Ch. 288, §§ 2 to 9, amending Minn. Stat. §§ 116J.571, 116J.572, 116J.575; adding §§ 116J.5761 to 116J.5765, effective August 1, 2012.

Business Development Through Capital Projects Grant Program. This is new a matching grant program for local governments to help finance capital projects, including public infrastructure. The discussion of the program described it as for the convention centers, civic centers, and

regional sports facilities (Saints ballpark) that were seeking specific grants in the 2012 bonding bill. The new program lists criteria that DEED must consider in awarding grants.

Transportation Economic Development Infrastructure Program. This new grant program is to finance predesign, design, acquisition of land, construction, reconstruction, and infrastructure improvements to improve transportation systems to accommodate private investment and job creation. It is intended to foster coordination between the Departments of Transportation and Employment and Economic Development.

Ch. 293, §§ 33, 34, adding Minn. Stat. §§ 116J.433, 116J.436, effective May 12, 2012.

Public Finance, Economic Development

Overview

Chapter 294, article 2, eliminated a number of expired, little used, and obsolete provisions of chapter 469 (economic development) along with related provisions and cross-references in other chapters. All of the provisions, including the tax increment financing (TIF) provisions, from this article are summarized below.

International Economic Development Zone

The International Economic Development Zone program, enacted in 2005, is repealed. The program was enacted to permit development of an airfreight zone, originally proposed in the city of Rosemount, and included income, sales, and property tax exemptions. The zone was never designated and the promoters abandoned the idea. The program and related provisions are repealed and all cross-references to the program are eliminated.

Ch. 294, art. 2, §§ 9, 10, 43 (part); amending Minn. Stat. § 290.01, subds. 19b, 29; repealing Minn. Stat. §§ 272.02, subd. 83; 290.06, subds. 24, 32; 297A.68, subd. 41; 469.321 to 469.329; effective August 1, 2012. Ch. 294, art. 2, §§ 3, 11 to 18, eliminate cross-references.

Border City Enterprise Zones and 1983 Enterprise Zones

The 1983 enterprise zone program is rewritten to limit it to the border city enterprise zones and to remove obsolete provisions.

The border city enterprise zones are the only portion of the enterprise zone law enacted in 1983 that remain in effect. These five zones, in the cities of Breckenridge, Dilworth, East Grand Forks, Moorhead, and Ortonville, are permanent and continue to receive state funding.

The other zones included in that law were designated in 1983 and were in effect for a seven-year period. The tax incentives for businesses located in those other zones extended beyond the seven-year designation period but ended in the 1990s.

As part of the revision of this program, the employment property tax

classification (class 3b) is also repealed. Although some of the property in the border city enterprise zones are currently classified as 3b, the tax advantage to this classification was eliminated several years ago, therefore there is no property tax impact to reclassifying this property as 3a.

All existing cross-references to enterprise zone programs in other laws are modified to refer only to the border city enterprise zones.

Ch. 294, art. 2, §§ 6, 21 to 26, 33, 43 (part); amending Minn. Stat. §§ 273.13, subd. 24; 469.166, subds. 3, 5, 6; 469.167, subd. 2; 469.171, subds. 1, 4; repealing Minn. Stat. §§ 469.166, subds. 7 to 12; 469.167, subds. 1, 3; 469.168; 469.169, subds. 1 to 13; 469.170; 469.171, subds. 2, 5, 6b; 469.173, subds. 1, 3; effective August 1, 2012. Ch. 294, art. 2, §§ 1, 2, 4, 7, 27 to 32, eliminate cross-references.

Housing and Redevelopment Authorities (HRA)

The following two provisions related to HRAs were eliminated:

- An exemption from the bidding requirements for certain transportation-related facilities that expired August 1, 2009

Ch. 294, art. 2, § 19, amending Minn. Stat. § 469.015, subd. 4, effective August 1, 2012.

- Authority for an HRA to provide a partial property tax exemption. This authority was originally granted to redevelopment companies created by HRAs, however these companies were rarely created. During the 1987 recodification of the HRA statute, authority to create redevelopment companies was repealed, and the property tax exemption authority was given directly to the HRA; however, the authority has been used rarely, if ever.

Ch. 294, art. 2, § 43 (part), repealing Minn. Stat. § 469.043, effective August 1, 2012.

The HRA dissolution authority was modified to make it a general authority to dissolve an HRA provided that it no longer has operative contracts with the federal government. The old provision was obsolete since it only provided for the transfer of HRA assets funded from a special benefit tax for redevelopment imposed before March 6, 1953.

Ch. 294, art. 2, § 20, amending Minn. Stat. § 469.033, subd. 7, effective August 1, 2012.

Pre-1979 Tax Increment Financing (TIF) Districts

All statutory authority related to pre-1979 TIF districts are repealed since all districts authorized before 1979 are now decertified. Cross-references to pre-1979 TIF districts are also eliminated.

The 1979 TIF act replaced a number of individual statutes and special laws governing TIF districts. However, the provisions under the old laws were not eliminated, and districts that existed prior to 1979 continued to be governed under those pre-existing laws. The 1979 act required all pre-1979 districts to decertify by 2009. Although a couple of districts received extensions, the last districts were decertified in

2011.

Ch. 294, art. 2, § 43 (part), repealing Minn. Stat. §§ 469.042, subds. 2 to 4; 469.043; 469.059, subd. 13; 469.129; 469.134; 469.162, subd. 2; effective August 1, 2012. Ch. 294, art. 2, §§ 8, 34, 37, 38, 40, 42 eliminate cross-references.

TIF – Never Used Provisions

The following two TIF provisions have never been used and are now repealed:

- The TIF guaranty fund that was a mechanism to use TIF to help fund contamination and pollution cleanup

Ch. 294, art. 2, § 43 (part), repealing Minn. Stat. § 469.1765, effective August 1, 2012.

- A special taxing district authority enacted in 1998 to help districts deal with funding shortfalls caused by property tax reforms that occurred during that period

Ch. 294, art. 2, § 43 (part), repealing Minn. Stat. § 469.1791, effective August 1, 2012.

TIF – Technical Modifications

The TIF law was modified as follows to reflect changes made to the property tax system in earlier legislative sessions:

- The law now prohibits including property in the rural preserves program in TIF districts. Parcels in the green acres, open space, and metropolitan agricultural preserve programs were already excluded from TIF use; the new rural preserves program created in 2009 is made up of a subset of parcels that were in the green acres program and similar parcels newly enrolled in the program.

Ch. 294, art. 2, § 36, amending Minn. Stat. § 469.176, subd. 7, effective August 1, 2012.

- The law now provides for an adjustment of the original tax capacity in a TIF district for changes in value resulting from homestead market value exclusions. In 2011, the homestead market value credit was eliminated and replaced with a homestead market value credit exclusion. This adjustment is made in the same manner as the adjustment that occurs for property that becomes tax exempt or that loses its tax-exempt status in a TIF district.

Ch. 294, art. 2, § 39; amending Minn. Stat. § 469.177, subd. 1, effective only for exclusions that reduced taxable market value beginning with taxes payable in 2012 or thereafter.

Other Obsolete Development Provisions

The following other obsolete provisions in chapter 469 or related to chapter 469 were also repealed:

- A provision in the economic development property tax abatement law related to abatements for certain qualifying businesses that expired July 1, 2004

Ch. 294, art. 2, § 41, amending Minn. Stat. § 469.1813, subd. 6b, effective August 1, 2012.

- Income tax job credits and authority to create a TIF district as part of the Northwest Airlines financing in the early 1990s

Ch. 294, art. 2, § 43 (part), repealing Minn. Stat. §§ 290.06, subds. 24, 32; 473.680; effective August 1, 2012.

- Authority to issue revenue anticipation notes for hospitals that expired August 1, 1990

Ch. 294, art. 2, § 43 (part), repealing Minn. Stat. § 469.1651, effective August 1, 2012.

- Special levy authority for school districts with pre-2001 property tax abatements. These abatements had a ten-year duration and have now been paid off.

Ch. 294, art. 2, § 43 (part), repealing Minn. Stat. § 469.1799, subd. 2, effective August 1, 2012.

- Enterprise zone authority related to qualifying for federal designation under the federal empowerment zone, renewable community, and enterprise community programs that were federal programs in the 1990s.

Ch. 294, art. 2, § 43 (part), repealing Minn. Stat. §§ 469.301 to 469.304, effective August 1, 2012.

Stadium

Overview

The last bill enacted in the 2012 legislative session was the Vikings stadium bill. The new stadium is to be built on the Metrodome site in Minneapolis and is estimated to cost a total of \$975 million, \$14.5 million per year to operate (not considering inflation), and \$3 million per year for capital reserves. The Vikings must commit to a 30-year lease. Chapter 299 was signed by the Gov. Mark Dayton on May 14, 2012, and except as otherwise noted, is effective May 15, 2012.

The law expands charitable gambling to include electronic pull tabs and bingo, with the increase in tax revenues attributable to these new forms of gambling intended to cover the cost to the state general fund of the state appropriation bonds issued to cover the state's share of \$348 million and Minneapolis' share of \$150 million. Minneapolis's share will be repaid to the state through a capture of the Minneapolis convention center sales taxes. The Vikings must pay at least \$477 million.

Until the state issues appropriation bonds for the project, the law appropriates from the state general fund to the newly created Minnesota Sports Facilities Authority an amount equal to the estimated amount of gambling tax revenues generated by the new forms of gambling authorized.

Minnesota Sports Facilities Authority

The Minnesota Sports Facilities Authority is established as a political subdivision and will own the new stadium. The authority consists of five members: the chair and two members are appointed by the governor, and two members are appointed by the mayor of Minneapolis. Gubernatorial appointees are subject to Senate confirmation. Members serve four-year, staggered terms. The chair serves at the pleasure of the governor. Other members may only be removed for misfeasance, malfeasance, or nonfeasance. Members may be compensated as provided for members of state boards and commissions (\$55/day).

The authority may appoint an executive director who serves as the chief executive of the authority. The executive director serves at the pleasure of the authority and is responsible for operation and management of the authority's affairs. The authority is directed to establish and maintain a website.

A majority of the members constitute a quorum, except a four-member quorum applies during the design and construction phase for matters related to zoning, land use, exterior design, parking, and the plaza.

In addition to any other sports facility constructed or acquired by the authority, Target Center, Target Field, and Xcel Energy Center may join the facilities under the authority, if the governing body of the facility requests it and the authority approves.

The Metropolitan Sports Facilities Commission (MSFC), which owns the Metrodome, must pay the new authority's operating expenses until the MSFC is abolished, pay its own outstanding obligations by August 15, 2012, and transfer its assets to the new authority. Once the MSFC's assets are transferred to the new authority, the MSFC is abolished.

Ch. 299, art. 1, amending Minn. Stat. §§ 3.971, subd. 6; 3.9741, adding subd. 4; 10A.01, subd. 35; 297A.71, adding subd. 43; 340A.404, subd. 1; 352.01, subd. 2a; adding ch. 473J, effective May 15, 2012.

Minneapolis

Stadium contribution. Beginning in 2021, the state will retain a portion of the revenues collected from the existing "convention center" taxes to fund the city's allotted share of the stadium construction and operations costs. "Convention center" taxes, which fund operations and bond repayment on the Minneapolis Convention Center, include:

- a half-cent general city sales tax,
- 3 percent lodging tax on places with 50 or more rooms, and
- 3 percent restaurant and liquor tax in the downtown business district.

The convention center bonds are scheduled to be repaid by the end of 2020.

The state will retain part of the revenues from these taxes for the years 2021 through 2046, based on the amount necessary to fund the

following stadium associated costs:

- The city's share of \$150 million in construction bonds
- \$6 million per year for the years 2016 to 2046, adjusted annually for growth in the local tax revenues, for stadium operation costs
- \$1.5 million per year for the years 2016 to 2046, adjusted annually for the growth in the local tax revenues, for a capital reserve fund
- Additional revenue every year to the Minnesota Sports Facilities Authority equal to a portion of the growth in the local tax revenues above a certain calculated amount

Any tax revenues returned to the city that are not needed for ongoing costs related to the convention center may now be used by the city to support a basketball arena or to pay for other capital and economic development projects in addition to the neighborhood and downtown capital projects authorized under the old law.

Ch. 299, art. 3, adding Minn. Stat. § 297A.994; amending Laws 1986, ch. 396, §§ 4, 5, as amended, effective upon local approval, which had to be completed by June 14, 2012, and was completed June 4, 2012.

Referendum exemptions. The city charter provisions that could otherwise require a referendum on the stadium project do not apply. Similarly, the general law requirement for a referendum on whether to impose a local sales tax does not apply.

Ch. 299, art. 3, §§ 4, 6, effective upon local approval, which had to be completed by June 14, 2012, and was completed June 4, 2012.

St. Paul

The legislature appropriated \$2.7 million per year from the state general fund for the city of St. Paul from fiscal year 2014 to 2033 for the operating or capital costs of new or existing sports facilities.

Ch. 299, art. 1, § 5, adding Minn. Stat. § 16A.726, effective May 15, 2012.

Other Facilities in First-class Cities

Minneapolis, St. Paul, Duluth, and Rochester may use local sales tax revenues not needed for the purposes stated in the special laws that authorized the taxes, to construct, expand, or renovate a sports facility or convention or civic center with a construction cost of at least \$40 million.

Ch. 299, art. 5, § 6, adding Minn. Stat. § 297A.9905, effective May 15, 2012.

Legislative Commission on Minnesota Sports Facilities

The Legislative Commission on Minnesota Sports Facilities with 12 members is created to oversee the new Minnesota Sports Facilities Authority's capital and operating budgets.

Ch. 299, art. 1, § 1, adding Minn. Stat. § 3.8842, effective May 15, 2012.

Cities

Municipal State-Aid Street (MSAS) System

A city that had 5,000 population before a federal decennial census, and now has fewer than 5,000 according to the census, is deemed to have 5,000 population (and thus is eligible for municipal state aid for streets) until the end of the fourth year of the decade.

For the purpose of calculating a city's allocation (based 50 percent on population), a city receiving municipal state aid for streets has a population equal to the greater of 5,000 or as otherwise determined by statute.

Ch. 287, art. 3, §§ 10, 11, amending Minn. Stat. §§ 162.09, subd. 4; 162.13, subd. 1; effective July 1, 2012.

A city that dropped below 5,000 population based on the 2010 federal census and did not receive a 2012 allocation will receive in 2013 an amount from the MSAS fund that is equal to its 2011 allocation. In 2013, the city will receive the 2011 amount plus the 2013 allocation under the statutory formula before the 2012 amendment described above.

Ch. 287, art. 3, § 61, effective May 11, 2012.

Local Government Aid (LGA) Payments to Cities

LGA payments to cities with a population of 5,000 or more will continue to be frozen at calendar year 2012 levels for one more year. Cities under 5,000 will receive calendar year 2013 LGA payments equal to the greater of (1) their 2012 LGA amount, or (2) what they would get if the LGA formula was used to distribute \$426 million to all cities in 2013. The current formula for distributing aids will resume beginning with aids payable in 2014.

The total spending for city LGA will increase by about \$1 million for calendar year 2013, before decreasing back to its statutory annual appropriation of \$426.4 million.

Originally, the formula for calculating and distributing city LGA was to go back into effect for all cities beginning in calendar year 2013. However, since the formula has not been used in determining aid payments for the last several years, a number of cities would have experienced substantial aid decreases under the formula. In addition, both the legislature and the governor have set up LGA study groups that should make recommendations for a new LGA formula in time for the 2013 legislative session.

Ch. 294, art. 1, § 2, amending Minn. Stat. § 477A.013, subd. 9, effective for aids payable in 2013 and thereafter; and § 3, amending Minn. Stat. § 477A.013, adding subd. 12, effective for aids payable in 2013.

**LGA Penalty
Forgiveness for Late
Filing of 2010 State
Auditor Reports**

The 18 cities that missed the final deadline for filing their 2010 financial statements with the state auditor will receive penalty forgiveness and be paid their calendar year 2011 LGA amounts by June 15, 2012, provided that they completed the required filing by May 31, 2012.

Current law prohibits paying a city or county its city LGA or county program aid if they do not file their annual financial statements from the previous year with the state auditor in a timely fashion. The state auditor has set up the following process to enforce this law:

- Depending on its size, the city must file by May or June of the year after the end of the calendar year. Any jurisdiction that asks for an extension is automatically granted one. Any city that does not ask for an extension and does not file on time loses the first half of its LGA payment, normally paid in July.
- Any city that does not file by the extension deadline of September 1 loses its December LGA payment.
- A city that lost its July LGA payment may receive it with the December payment if it files the paperwork by September 1.
- The state auditor will grant rare special exceptions in cases of natural disasters (i.e., fire, death), but will still withhold payment until the financial reports are filed.

Normally there are only three to five cities that do not meet the state auditor filing deadlines each year. The 18 cities that missed the deadlines in 2011 lost a combined \$794,579 in LGA. The affected cities are Bigfork, Biscay, Bluffton, Bovey, Dalton, Dennison, Echo, Elysian, Henriette, Hoffman, Holland, Jeffers, Lake Henry, Manhattan Beach, McGregor, Nelson, Vesta, and Villard. No county missed the deadline.

Ch. 294, art. 1, § 4, effective May 15, 2012.

Counties

**Public Defender
Representation**

The roles and financial responsibilities for representation of the indigent, including Children in Need of Protective Services (CHIPS) were clarified and some protections enacted to help prevent unnecessary costs being imposed on counties.

Ch. 212, amending Minn. Stat. §§ 244.052, subd. 6, effective July 1, 2012, and applies to review hearings requested on or after that date; 257.69, subd. 1; 260B.163, subd. 4; 260B.331, subd. 5; 260C.163, subd. 3; 260C.331, subd. 5; 609.115, subd. 4; 609.131, subd.1; 611.14, effective August 1, 2012, and applies to requests for appointment of a public defender made on or after that date; 611.16; 611.17; 611.18; 611.20, subd. 4; 611.25, subd. 1, effective August 1, 2012, and applies to requests for appointment of a public defender made on or after that date; 611.26, subd. 6; 611.27, subd. 5, adding subd. 16; repealing Minn. Stat. § 611.20, subd. 6; except as otherwise provided, effective August 1, 2012.

Pesticide Disposal

The Minnesota Department of Agriculture (MDA) may provide an opportunity for pesticide users to dispose of nonagricultural waste pesticide in one location—rather than in each individual county. The department may contract for household hazardous waste disposal with a group of counties under a joint powers agreement or a contract.

County employees collecting waste pesticides according to the terms of a cooperative agreement with MDA are granted the same legal liability protections as state workers once the county turns the waste over to the state's authorized hauler and while the hauler transports the waste between county facilities. The state would be obligated to defend or indemnify the county for the amount of a legal claim that exceeds the county's liability insurance coverage.

Ch. 244, art. 1, §§ 4, 5; amending Minn. Stat. § 18B.065, subd. 2a, adding subd. 10, effective August 1, 2012.

Veteran-owned Small Business Preferences

A county may create a bid preference program for veteran-owned small businesses competing for county contracts for goods and services, including construction-related services. This program is modeled on existing law for state agencies.

Ch. 254, art. 2, adding Minn. Stat. § 375.771, effective July 1, 2012, for contracts awarded by counties on or after that date.

Subsurface Sewage Treatment Systems

A county may adopt alternative local standards for new or replacement subsurface sewage treatment systems that have a flow of 2,500 gallons per day or less for:

- systems in shoreland areas, as long as the local alternative standards are not less restrictive than the Pollution Control Agency rules in effect on April 3, 2006; and
- systems used by food, beverage, and lodging establishments, as long as the local alternative standards are not less restrictive than the Pollution Control Agency rules in effect on April 3, 2006, except that current standards applicable to waste strength must be met.

Ch. 272, § 62, amending Minn. Stat. § 115.55, subd. 7, effective July 1, 2012.

Recycling Goals

The legislature eliminated the automatic credits towards the statutory recycling goals (the goals still remain). Previously, a county would get credit towards the recycling goal if it had an approved solid waste reduction plan, demonstrated waste reduction, curbside yard waste collection or a drop-off site and an education program on how to manage yard waste, or approved activities likely to reduce yard waste by increasing on-site composting.

Ch. 272, § 67, amending Minn. Stat. § 115A.551, subd. 2a, effective July 1, 2012.

**County Veteran
Service Officers**

The legislature appropriated \$200,000 from the general fund to the Commissioner of Veterans Affairs for fiscal year 2013 for a grant to the Minnesota County Veteran Service Officers. The grant is for community outreach to all eligible veterans regarding the availability of benefits they have earned and especially those relating to posttraumatic stress disorder for all veterans, including World War II, Korean War, and Vietnam War era veterans.

Ch. 292, art. 4, § 18, subd. 2, effective July 1, 2012.

Towns

Town Road Account

A town no longer has to levy at least 0.04835 percent of taxable market value for roads and bridges in the previous year in order to be eligible to receive state road aid. Other criteria still apply.

Ch. 287, art. 4, § 9, amending Minn. Stat. § 162.081, subd. 4, effective August 1, 2012.

**Payment and
Performance Bonds**

Towns no longer have to obtain payment and performance bonds from contractors providing snow removal, ice removal, grading, or other similar routine road maintenance on town roads.

Ch. 287, art. 4, § 44, amending Minn. Stat. § 574.26, subd. 1a, effective May 11, 2012.

Special Legislation

Albert Lea

The city of Albert Lea by ordinance may authorize an industrial sewer charge rebate program to provide an incentive for new or expanded businesses. The ordinance must establish criteria for the rebate, and the rebate cannot result in increased charges to current users.

Minnesota Statutes, section 444.075, governs sanitary and storm sewer charges. It requires that sanitary sewer charges be imposed on an equitable basis and requires storm sewer charges to be proportionate to the cost of furnishing the service as possible. It does not provide for charges related to job creation or economic development, and it does not provide for rebates.

Ch. 288, § 11, effective upon local approval.

**Anoka County
Housing and
Redevelopment
Authority (HRA)**

The Anoka County HRA has jurisdiction in and may operate in all areas of the county, including within cities in the county that do not have their own HRAs established as of May 3, 2011. After May 3, 2011, a city may establish an HRA with concurrence of the county. The location of a county HRA project within a city requires approval by the city. The law

also provides that the Anoka County HRA operates under the current laws governing county HRAs, striking references to the prior municipal HRA statutes.

This law is in response to a May 3, 2011, court decision. *City of East Bethel v. Anoka County Housing and Redevelopment Authority*, 798 N.W.2d 375 (Minn. App. 2011). The county HRA was established in 1994 under authority of a 1978 special law. It had been levying countywide outside of those cities with their own HRAs at the time the county HRA was established, including in the city of East Bethel. In 2009, East Bethel established its own city HRA and then sued to prevent the county HRA from continuing to levy in the city. The county HRA argued that the law only prevented it from levying in cities with their own HRAs that existed at the time the county HRA was established. On May 3, 2011, the Minnesota Court of Appeals sided with East Bethel.

Ch. 199, §§ 1, 2, amending Minn. Stat. §§ 383E.17, 383E.18, effective upon local approval.

Lake Superior- Poplar River Water District

The Lake Superior-Poplar River Water District is created as a municipal corporation with the powers in Minnesota Statutes, chapters 110A (providing for rural water districts), 429 (special assessments), and 444 (water works, storm, and sanitary sewer systems). The district cannot issue general obligation bonds. The sections of chapter 110A relating to establishing the district by petition and identifying the area to be included in the district (110A.04, 110A.09 to 110A.18) and election of directors (110A.07) do not apply to this district. The system must be user financed, apart from any initial capital investment funded by the state. No one is obligated or entitled to receive water from the district unless as a party to a contract to purchase water. The board of directors is between three and 13 members with the initial board appointed by the Cook County board of commissioners. The members serve staggered terms. After the initial appointed members' terms end, the board is elected under general law. The DNR permits for water appropriation from the Poplar River are terminated once the district is operational and fully permitted. The 2011 law allowing appropriation of water from the Poplar River is repealed once DNR terminates the permits.

The district is eligible to receive funding from the Greater Minnesota Business Development Public Infrastructure Grant Program, which was appropriated \$6 million in the bonding bill. A grant to the district is contingent on at least \$1.2 million in nonstate match.

Ch. 293, § 21, subd. 2; effective May 12, 2012; § 52, effective upon local approval by Cook County; § 54, para. (b), repealing Laws 2011, ch. 107, § 101, effective the day the permits have been terminated under section 52, subdivision 6.

Minneapolis

Police Civilian Review Authority. The Peace Officer Discipline Procedures Act was amended to eliminate the exemption the Minneapolis Civilian Police Review Authority has had from the act

since it was enacted in 1991.

Ch. 156, § 1, amending Minn. Stat. § 626.89, subd. 2, effective August 1, 2012.

Liquor license. The city of Minneapolis may extend any interim zoning, liquor licensing, or other approvals granted to Kick's Liquor Store, which was destroyed in the 2011 tornado. This allows continuation of operations in the temporary structure and more time to rebuild the store.

Ch. 235, § 10, effective upon local approval.

See the description of the stadium law on page 16, for information on provisions specific to Minneapolis.

Moorhead

The city of Moorhead may issue an on-sale liquor license to the Bluestem Center for the Arts.

Ch. 235, § 9, effective upon local approval.

Paynesville

The city of Paynesville may keep money originally granted to it to acquire land for the city airport and use that money for other airport improvements. The city has until June 30, 2015, to spend the money or return it to the state airports fund.

Ch. 287, art. 4, § 47, effective August 1, 2012.

Scott County

General law limits sites for the office of deputy registrar based on either the distance to an existing deputy registrar office or the annual volume of transactions processed by any deputy registrar. Under this special law, the Commissioner of Public Safety must appoint a county deputy registrar of motor vehicles for Scott County to operate an extension of Scott County's license bureau, with full authority to function as a registration and motor vehicle tax collection bureau, at the new library in the city of Elko New Market. The license bureau extension must operate during the same hours as the new library.

Ch. 219, effective August 1, 2012.

St. Paul

See the description of the stadium law on page 17, for information on provisions specific to St. Paul.

South St. Paul

The city of South St. Paul is eligible to receive \$500,000 to extend a floodwall on bank the Mississippi River, contingent on a nonstate match.

Ch. 293, § 21, subd. 8, effective May 12, 2012.

Steele County

Steele County may include up to \$650,000 for county fair buildings in its capital improvement plan.

Ch. 244, art. 1, § 79, effective upon local approval.

Tamarack

The city of Tamarack was granted an extra \$12,000 of aid for calendar years 2012 and 2013 to provide temporary help with a failing waste water treatment system. The business that the city contracted with to install the system has gone bankrupt and the city asked for short-term assistance while looking for a long-term solution. The calendar year 2012 payment is a separate grant to be paid with the city LGA, while the calendar year 2013 payment is part of the city's LGA payment.

Ch. 294, art. 1, § 1, amending Minn. Stat. § 477A.011, subd. 36, effective for aids payable in 2013 and thereafter; and § 5, effective May 15, 2012.

Wadena County

Wadena County may include up to \$1,000,000 for county fair buildings in its capital improvement plan.

Ch. 244, art. 1, § 80, effective upon local approval.

**Washington County
Housing and
Redevelopment
Authority (HRA)**

The Washington County HRA has jurisdiction in and may operate in all areas of the county, including within cities in the county whether or not they have their own HRAs. A county HRA project and its location within a city or town requires approval by the city or town. The law also provides that the Washington County HRA operates under the current laws governing county HRAs, striking references to the prior municipal HRA statutes. Finally, the law's provisions are remedial in nature and do not affect the validity of any actions taken by the county HRA before the effective date of the act.

Ch. 199, §§ 3 to 6, amending Laws 1974, ch. 475, §§ 1; 2, subd. 1; 3, effective upon local approval, which was completed May 30, 2012. (A technical correction to the section references in section 6 will need to be made.)

Winnebago

Out-of-state craft brewers that comply with brand registration laws have a onetime exception to state law in order to participate in a festival in the city of Winnebago.

Ch. 235, § 8, effective upon local approval, which was completed May 10, 2012, and expires December 31, 2012.

Metropolitan Government

Metropolitan Council

Bonding for transit capital program. In addition to previously authorized amounts, the council may issue up to \$39.6 million in certificates of indebtedness, bonds, or other obligations for capital expenditures identified in the council's transit capital improvement program and for related costs, including the costs of issuance and sale of the obligations. Up to \$4.2 million of this may be used for capital projects that would otherwise have been paid for with opt-out providers' reserves that were reduced in 2012 as a result of the 2011 special session law.

Ch. 287, art. 3, § 55, amending Minn. Stat. § 473.39, adding subd. 1r, effective May 11, 2012.

Parks and Open Space

The council was given \$4.586 million for regional parks in the bonding bill. According to the council this will finance improvements for the following parks:

- Anoka County: Roadway, parking, stormwater drainage, and other improvements at Coon Rapids Dam Regional Park
- City of Bloomington: Trail construction in Hyland-Bush-Anderson Lakes Regional Park Reserve
- Dakota County: Final design, acquisition, and construction of 1.6 miles of Mississippi River Regional Trail and redevelopment projects to improve buildings, roads, ADA accessibility, and stormwater management at several regional parks
- Minneapolis: A variety of improvements to facilities in Theodore Wirth Regional Park and Central Mississippi Riverfront Regional Park
- Ramsey County: A trailhead facility in Battle Creek Regional Park and a variety of improvements in Keller Regional Park
- St. Paul: Extension of the Cherokee Regional Trail and initial design, engineering, and construction of roadway, trails, and parking in Lilydale Regional Park
- Scott County: Lakeshore development, shoreland restoration, facility renovations, and trails in Cedar Lake Farm Regional Park
- Washington County: A variety of campground improvements in St. Croix Bluffs Regional Park, cross-country ski trailhead improvements in Lake Elmo Park Reserve, and repairs to the Hardwood Creek Regional Trail

The state funds will be matched with just over \$3 million in regional

bonds. Four projects already completed will be partially reimbursed with regional funds:

- St. Paul: Design and construction of an aquatic facility and restoration of the historic Lily Pond, both at Como Regional Park
- Three Rivers Park District: New development at Silverwood Special Recreation Feature in St. Anthony
- Carver County: Land acquisition for Lake Waconia Regional Park

Ch. 293, § 17, subd. 2, effective May 12, 2012.

Inflow and Infiltration Grants

The bonding bill also provided \$4 million to the council for grants to communities to help finance the cost to repair cracked municipal sewer pipes and remove other sources of excessive inflow and infiltration (I/I) in public sewer infrastructure.

Ch. 293, § 17, subd. 3, effective May 12, 2012.

Vetoed Legislation

Public Employment Labor Relations Act (PELRA)

Definition of public employee. Gov. Mark Dayton vetoed a bill that would have changed the definition of “public employee” under PELRA so that all full-time students working on a temporary or seasonal basis for not more than 100 days in a year would be excluded from PELRA coverage, regardless of age. Under current law, they are excluded only if they are under the age of 22. Only those persons defined as “public employees” are included in bargaining units established under the act.

H.F. 212/S.F. 134 (ch. 129)

Continuation of contract terms. The governor vetoed a bill that would have provided that a public employment collective bargaining unit’s contract term does not continue in effect after the expiration date stated in the contract, and the parties may not agree to extend or honor a contract term beyond that date, if the contract term would: (1) provide a wage or salary increase; or (2) provide an increase in the dollar amount of the employer contribution for insurance. The bill provided exceptions to certain bargaining units. Under current law, after a public sector collective bargaining contract expires, the terms of the contract remain in effect until the right to strike matures, and for additional time if the parties agree.

H.F. 1974/S.F. 2078 (ch. 245)

- Metropolitan Council** The governor vetoed a bill that would have reestablished staggered, four-year terms for members of the Metropolitan Council.
H.F. 2404/S.F. 2014 (ch. 158)
- Public Employees Insurance Program (PEIP)** The governor vetoed a bill that would have required both employee and employer approval for a local government collective bargaining unit to participate in or withdraw from PEIP, an insurance pool administered by Minnesota Management and Budget. Under current law, each bargaining unit determines whether its members will receive health insurance through PEIP, whether or not the employer or other bargaining units agree.
H.F. 371/S.F. 247 (ch. 213)
- Fireworks** The governor vetoed a bill that would have legalized additional kinds of fireworks, aerial and audible fireworks such as fire crackers and bottle rockets, for sale and use between June 1 and July 7 of any year.
H.F. 1774/S.F. 1694 (ch. 243)
- Fire Sprinklers, State Building Code** The governor vetoed a bill dealing with a variety of State Building Code matters because it contained a provision that would have prevented the State Building Code, the State Fire Code, or political subdivisions from requiring the installation of fire suppression sprinklers in new or existing single-family homes. He vetoed the same provision in 2011.
H.F. 2087/S.F. 1717 (ch. 284)

Tax and Public Finance

The majority of the tax and public finance provisions affecting local governments proposed by the legislature were contained in one of two vetoed tax bills. Some provisions were included in both bills. The following lists the local government tax provisions not enacted in chapter 294, which were included in one or both of the following vetoed bills:

- H.F. 2337, 4th engrossment (ch. 285) – Tax Relief and Job Creation Bill
- H.F. 247, 2nd engrossment (ch. 296) – Omnibus Tax Bill

Generally

Definition of Market Value In 2011 the market value credit was repealed and replaced with a market value credit exclusion. The change from a credit to an exclusion had the unintended consequence of reducing a number of local government levy, tax, spending, debt, and similar limits that are currently based on “market value” or “taxable market value.” This issue was identified by local government organizations after the end of the 2011 Special Session

and these groups worked with legislative staff on a solution.

The article in both bills would have defined “estimated market value” to be the fair market value of property before exclusions and other value adjustments and tax deferrals. This newly defined value would have been substituted in place of “market value” in the various laws as needed in order to maintain the existing limits.

H.F. 2337, art. 7; H.F. 247, art. 12.

Expenditure Type Reporting

The legislature proposed that cities with a population of 5,000 or more and counties with a population of 5,000 or more be required to publish four years of budgetary data by function and type on their websites. The local governments would also have been required to advertise the availability of this information as part of the budget hearing and truth-in-taxation processes. This proposal was an initiative of NAIOP, the Commercial Real Estate Development Association.

H.F. 2337, art. 1, §§ 1, 4, 5, 9; H.F. 247, art. 7, §§ 1, 5, 6, 10.

State Auditor Late-Reporting Penalties

The legislature attempted to modify the existing penalty for late filing of annual financial reports with the state auditor. Currently a city or county loses all of its county program aid or city LGA if the reports are not filed by September 1. The vetoed bills would have phased in the penalty, making it 10 percent of the aid for filing more than 45 days late, 30 percent for filing more than 60 days late, and 50 percent for filing more than 90 days late.

H.F. 2337, art. 1, § 13; H.F. 247, art. 7, § 11.

Tax-Exempt Property Leases

Chapter 296 contained a provision that would have clarified that the requirement to impose property taxes on leased exempt property applied when a local unit of government owns the exempt property.

H.F. 247, art. 2, § 11.

Street Reconstruction Bonds

Both vetoed tax bills would have modified the reverse referendum provisions governing street reconstruction bonds issued by cities, counties, or towns, in the same manner as the reverse referendum change for city and county capital improvement program bonds. If the jurisdiction chose not to hold an election when petitioned to do so, it would not have been able to issue bonds for one year. If the issue failed at the election, the municipality could bring up the issue again after 180 days.

H.F. 2337, art. 6, § 7; H.F. 247, art. 6, § 10.

Cities

Border Cities

The vetoed tax bills would have allocated \$250,000 to the border city enterprise zone and border city development zone tax reductions. The money would have been allocated between the qualifying cities of Breckenridge, Dilworth, East Grand Forks, Moorhead, and Ortonville, based on population. The allocation was divided evenly between the two programs but each city could have reallocated their shares between the two programs.

H.F. 2337, art. 8, § 5; H.F. 247, art. 13, § 4.

City Capital Improvement Program (CIP) Bonds

Two changes would have been made to the city CIP program; similar changes were also proposed for the county CIP program.

The first change was to the reverse referendum requirement for CIP bonds; if the city chose not to hold an election when petitioned to do so, it would not have been able to issue CIP bonds for one year. If the issue failed at the election, the city could bring up the issue again after 180 days.

The second change was to exclude from the limit on principal and interest for CIP bonds, any interest paid by the federal government, such as under the Build America Bond program. Only interest paid by the city counts toward the limit.

H.F. 2337, art. 6, §§ 5, 6; H.F. 247, art. 6, §§ 8 to 9.

Local Sales Taxes

Both bills proposed modifications to the following existing local sales taxes:

- Clearwater: modifying the allowed use of the revenue to reflect specific projects
- Central Cities (St. Cloud, St. Augusta, Sartell, Sauk Rapids, St. Joseph, and Waite Park): allowing them to extend the local tax from 2018 to 2038 with voter approval
- Rochester: (1) changing the local sales taxes authorized to fund the Mayo Center Complex renovations by increasing the allowed lodging tax from 1 percent to 3 percent and repealing the food and beverage tax authority; (2) extending the date for issuance of bonds in order to use the lodging tax; and (3) adding Wanamingo to the list of cities eligible to get a portion of Rochester's general sales tax to pay for economic development

H.F. 2337, art. 3, §§ 10 to 15; H.F. 247, art. 9, §§ 11 to 15, 17.

**Property Held For
Economic
Development
Purposes**

The legislature proposed a temporary increase in the time that certain political subdivisions can hold property for later resale for economic development purposes. The proposal was to increase the holding period from nine years to ten years for property located in the metropolitan area, or in outstate cities with a population of 5,000 or more. The temporary increase would have expired December 31, 2015. No change was proposed to the 15-year holding period for outstate cities with a population of less than 5,000.

H.F. 2337, art. 1, § 18; H.F. 247, art. 7, § 15.

**Tax Increment
Financing (TIF)**

Both vetoed bills contained the same or similar modifications to the general TIF law. These changes included:

- Extending the special TIF authority granted in the 2010 jobs bill (Laws 2010, chapter 216) for expanded use of economic development districts and surplus increments by 18 months, to January 1, 2014. The 2011 Legislature (Laws 2011, chapter 112) extended this authority by one year, to July 1, 2012;
- Expanding authority to use TIF in mining reclamation project areas;
- Modifying the redevelopment blight test to reduce the percentage of parcels that must contain substandard structures from being greater than 50 percent to 50 percent or more;
- Clarifying that the market value limit on homes that may be assisted with the 2011 pooling exception is to be applied to the value of the homes prior to rehabilitation or construction and shortening the six-month waiting period to 30 days; and
- Creating a new soil deficiency TIF district where 70 percent of the area of a district requires substantial filling, grading, or other preparation. These districts would have had the same duration limit, 20 years, as existing soils condition districts.

H.F. 2337, art. 4, §§ 1 to 13; H.F. 247, art. 10, §§ 1 to 13.

Both bills also had special law TIF provisions for the following cities or development authority:

- Oakdale (modification of an existing special law passed in 2008 and modified in 2010): extending the period in which the districts must be established and modifying the “blight test” rules
- Dakota County Community Development Agency: allowing the establishment of a redevelopment TIF district in the city of West St. Paul
- Bloomington: extending duration of two TIF districts—No. 1-G north of the Mall of America to 2038 and No. 1-I containing the Central Station property through 2035
- Brooklyn Park: granting an extension of the five-year rule in a

district to July 1, 2014

H.F. 2337, art. 4, §§ 14 to 18; H.F. 247, art. 10, §§14 to 18.

Chapter 296 included one additional TIF special law provision for the city of St. Cloud clarifying that district No. 2 should be deemed a “gap” district, certified between August 1, 1979, and July 1, 1982, when applying TIF laws.

H.F. 247, art. 10, § 19.

Counties

Assessors

Chapter 296 would have allowed county assessors to do appraisals for land exchanges in their jurisdiction, even if they are not licensed as real estate appraisers. Currently assessors are prohibited from doing these appraisals within their jurisdiction.

H.F. 247, art. 2, §§ 3, 17.

County Capital Improvement Program (CIP) Bonds

Three changes would have been made to the county CIP, of which the last two are similar to changes made in the city CIP. The first would have expanded the allowed uses of these bonds to cover improvements of public works facilities, fairground buildings, and records and storage data facilities.

The second change was modifying the reverse referendum requirement for CIP bonds, stating that if the county chose not to hold an election when petitioned to do so, it would not have been able to issue CIP bonds for one year. If the issue failed at the election, the county could bring up the issue again after 180 days.

The third change was to exclude from the limit on principal and interest for CIP bonds, any interest paid by the federal government, such as under the Build America Bond program. Only interest paid by the county counts toward the limit.

H.F. 2337, art. 6, §§ 1 to 3; H.F. 247, art. 6, §§ 1 to 3.

Truth-in-Taxation Notices and Tax Statements

The legislature proposed separate reporting on the truth-in-taxation notices and tax statements, of any special taxing levy that was at least 25 percent of the total special taxing district property tax levy. Currently the notice and statement only require the inclusion of the sum of all special taxing district levies.

H.F. 2337, art. 1, §§ 6, 7; H.F. 247, art. 7, §§ 7, 8.

Special Legislation

Carlton County (Sawyer Township)

In 1999, Carlton County was allowed to levy \$1,000 annually in the unorganized township of Sawyer for cemetery purposes. This authority ended in 2009. Both vetoed bills proposed reinstating this authority permanently with no cap on the annual amount.

H.F. 2337, art. 1, § 16; H.F. 247, art. 7, § 13.

Cook-Orr Hospital District

The hospital district currently has authority to levy a property tax dedicated to ambulance acquisition. The legislature proposed modifying this authority to allow the levy to be used to fund ambulance parts, and attached and portable equipment used in the ambulances.

H.F. 2337, art. 1, § 15; H.F. 247, art. 7, § 12.

Itasca County

An existing 2003 special law allowed the county to issue revenue bonds to pay for replacement of an existing 35-bed nursing home facility with a new facility with the same capacity. The vetoed bills proposed modifying the language so that the county could issue general obligation refunding bonds to obtain a better interest rate on the bonds. If passed, the issuance of the new bonds would have been subject to a reverse referendum requirement similar to the one for county CIP bonds.

H.F. 2337, art. 6, § 9; H.F. 247, art. 6, § 12.

St. Paul

The vetoed bills proposed extending the special law authorizing the city's capital improvement bonding program from 2013 to 2014. Currently these bonds are issued upon a vote of five of the seven city council members, without voter approval. Without this extension, beginning in 2014, these bonds will need only simple majority council approval but they will be subject to voter approval at a general or special election.

H.F. 2337, art. 6, § 8; H.F. 247, art. 6, § 11.

Vergas

The legislature proposed allowing the city of Vergas in Ottertail County to impose the aggregate materials (gravel) tax in the city if the county is not imposing a county-wide tax. The revenues from the tax are still limited to the same purpose as a county tax—road and bridge repair and quarry restoration. This authority has already been granted to another place in Ottertail County—Scambler Township.

H.F. 2337, art. 8, § 4; H.F. 247, art. 13, § 3.

Woodbury

Both bills proposed allowing the city to issue general obligation bonds to rehabilitate and expand the Bielenburg Sports Center without voter approval, but subject to the same reverse referendum requirements as county CIP bonds. To qualify, the bonds had to be secured with facility revenues and the city had to determine that any property tax levy needed for debt service would not be bigger than the levy used to pay the original bonds used to build the facility.

H.F. 2337, art. 6, § 10; H.F. 247, art. 6, § 14