



Coalition of Greater Minnesota Cities

2022 SESSION REPORT

Session Timeline

January 27: CGMC holds pre-session press conference

January 31: Legislative session begins

March 2: CGMC Legislative Action Day

March 16: CGMC holds joint press conference with trade unions and conservation group on water infrastructure needs

April 8: CGMC hosts LGA webinar

May 4: House passes tax bill including LGA increase and CGMC-supported formula changes

May 17: Governor Walz, Senate Majority Leader Jeremy Miller, and House Speaker Melissa Hortman reveal conference committee budget targets

May 23: Session Adjourns

May 23: CGMC President Pat Baustian urges Governor and legislative leaders to agree to a special session

Many things could have defined the 2022 Minnesota Legislative Session: the historic \$9.3 billion surplus, the partial return to normal operations after two years of remote legislating, a significant bonding bill making investments in infrastructure across the state, the state becoming a national leader in bipartisan compromise as one of only two divided legislatures in the country, an inspiring recommitment to local government aid, the list of possibilities goes on and on. Ultimately, what will define this legislative session are its failures. No bonding bill, no LGA increase, no investments in housing or child care, and many other Greater Minnesota needs left unaddressed.

In early May, there were indications that the legislative session could have ended differently. The legislature and Governor Walz agreed to refill the depleted Unemployment Insurance Fund, relieving businesses of an automatic tax increase, and provide a frontline worker bonus for COVID-19 essential workers. Shortly after, the Governor and legislative leaders published a supplemental budget agreement broadly outlining tax cuts and spending priorities, with details to be ironed out by the respective conference committees. This was the high point of the session.

With three weeks left, conference committees met in fits and starts, committee chairs negotiated in private, and everyone speculated about a possible last-minute appearance of a bonding bill. But by the final weekend of session, it appeared as though everyone was simply going through the motions, having already conceded to themselves that nothing was going to get done.

Despite calls for a special session to resolve their differences, including from the CGMC, it is unlikely that Governor Walz and the legislative leaders will agree on a framework and call legislators back. A waning sense of urgency and a looming election further suggest little action will be done until the legislature convenes again in January.

Despite this disappointing legislative session, the CGMC remains resilient in our fight for our cities' priorities. Read on for more information about the 2022 legislative session and the CGMC's continued role as the leading advocate for Greater Minnesota communities.

CGMC presses for LGA formula updates and appropriation increase

Since its inception in the 1970s, the Local Government Aid formula has periodically undergone revisions and updates following each decennial census. Last year, key legislators asked city groups, including the CGMC, to work together on a formula update proposal for the 2022 legislative session. The city groups, Minnesota Department of Revenue staff, and nonpartisan house and senate staff convened a working group that met consistently throughout the fall, working together to produce an updated LGA formula. The group created a formula proposal that better reflects city needs and supports cities who are seeing a decrease in LGA as well as cities who are approaching their maximum LGA amount.

This session, the CGMC strongly advocated not only for the updated formula proposal we helped create, but also for a \$90 million increase to the LGA appropriation. In April, we hosted a webinar and created an educational video to help members better understand and advocate for LGA legislation.

Throughout the session, the CGMC testified in support of LGA reform and continuously met with legislators on both

sides of the aisle. In late April, the House Tax Committee released their omnibus bill which included both the formula update and a \$34 million appropriation increase. The Senate's version of the bill included neither the proposed formula nor an increase to the appropriation.

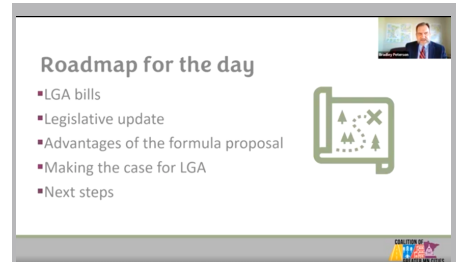
Near the end of session, the Tax Conference Committee was one of very few committees that showed significant progress, collaboration, and effort. Just one day before adjournment, the House and Senate Tax Chairs came together to release their final \$4 billion tax bill agreement. The agreement included a \$30 million increase to the LGA appropriation and a hold harmless provision for 2023 only, which would keep cities at or above their final 2022 LGA allotment. It did not include the LGA formula update.

Unfortunately, the agreed-upon Tax bill was held back as a final bargaining chip and did not pass before session adjourned.

The CGMC remains your voice on LGA. As we look towards next session, we will continue to push for a substantial LGA appropriation increase and advocate for formula reform.



CGMC Executive Director Bradley Peterson testified in support of House omnibus tax bill.



CGMC hosted an LGA update webinar.



CGMC Policy Analyst Ania McDonnell explains LGA formula changes during CGMC Legislative Action Day.

Not even a draft of a bonding bill

Typically, the even year of a biennium is considered a bonding year at the legislature. With a record high budget surplus and federal infrastructure dollars requiring matching state funds, the stage was set for what everyone thought would be a robust bonding bill that addressed the extensive infrastructure needs of state agencies and local governments.



Austin Mayor Steve King speaks during CGMC joint press conference with labor unions and conservation group.

By the time the legislative session began, more than \$5.5 billion in capital investment requests had been submitted to the state, including \$4 billion in state agency requests and nearly \$1.5 billion in requests from local governments. Both the House and Senate Capital Investment Committees toured all corners of the state, visiting project sites seeking funding.

In January, the Governor introduced his own version of a bonding bill which included \$2 billion in general obligation bonds and \$730 million from other sources.

Over the course of the session, the House Capital Investment Committee held multiple hearings on agency bills and on multiple individual projects. The Senate Capital Investment Committee also held a series of hearings on specific

topic areas, including water infrastructure, higher education and state agency asset preservation, and transportation.

Numerous advocates, including the CGMC, met countless times with legislators to ask for a substantial bonding bill. Despite all these efforts, both the House and Senate Capital Investment Committees failed to introduce even a draft of a bonding bill. No bills were brought to the floor. No conference committees were held. And though there were allegedly negotiations between the committee chairs and minority leads behind closed doors, no bonding proposal ever came forward.

Since the session ended, the CGMC has called on legislators to come back to the Capitol and pass a bonding bill in a special session.

Urgent workforce housing crisis left unaddressed

This year, the CGMC housing priorities were focused on two areas: establish and secure funding for a new program that provides grants to local communities to help pay for the public infrastructure needed for new housing developments, and secure additional funding for the Greater Minnesota Workforce Housing Grant program.

During the session, the public infrastructure bill was heard in the House Capital Investment Committee. Since the Senate Capital Investment Committee held very few hearings, the bill did not have a hearing in the Senate. With neither the House nor Senate introducing a bonding bill it is unclear what this proposal's standing was as the committee chairs negotiated behind closed doors.

Child care funding falls short

The CGMC child care priorities this year included securing funding for the Greater Minnesota Child Care Facilities Grant program and additional funding for the DEED Child Care Economic Development Grant program.

In both the 2021 and 2022 sessions, the facilities grant bill had hearings in both the House Early Childhood Finance and Policy Committee and the House Capital Investment Committee. With the Senate Capital Investment Committee holding only a few hearings in either session, this proposal was not heard in the Senate. As neither the House nor Senate introduced a bonding bill, it is unclear what this proposal's standing was as the committee chairs worked behind closed doors to negotiate an agreement.

As for the DEED child care grant program, the House Jobs Committee included an additional \$4 million appropriation as a part of their \$217 million omnibus bill. The Senate's version

For the Greater Minnesota Workforce Housing Grant program, our most significant success was Governor Walz including an additional \$10 million for the program in his budget proposal. The Senate proposed an additional \$50 million in new housing spending, with \$10 million going to a different workforce housing program; one that is statewide rather than dedicated to Greater Minnesota and is focused on home ownership rather than workforce housing specifically. The House proposed \$230 million in new housing spending, but none of which was allocated for workforce housing.

As was the case with most budget areas, the conference committee was unable to reach an agreement on a final housing bill, and negotiations were conducted in



CGMC lobbyist Scott McMahon testifies in support of DEED child care grant program.

of the bill contained only \$250,000 in spending targeted at a handful of small grant or nonprofit appropriations, none of which addressed child care.

Near the very end of the session, the Jobs Conference committee did adopt an agreement. Unfortunately, with a target of only \$11 million, it did not include any additional child care funding. The committee focused its investment on economic recovery associated with the pandemic.

In the end, it did not matter. Though the conference committee did pass their agreement, the legislature failed to act on the bill before the end of the session.

private, so it is unclear where any discussions on new investment in workforce housing stood before the end of the legislative session.

CGMC Fights Annexation Proposals

Like clockwork, the Minnesota Association of Townships (MAT) pushed legislation this session that would greatly restrict the ability of cities to annex nearby property. Once again, the CGMC worked with the League of Minnesota Cities to successfully push back on these efforts.

The MAT's efforts were more aggressive this year, beginning with a pre-session so-called stakeholder meeting they organized where they laid out their grievances to legislators sympathetic to their cause. The Local Government Committees in both the House and Senate held informational hearings on two pieces of legislation that would reinstate the election requirement, remove several popular non-controversial forms of annexation by ordinance, make detachment easier, and allow orderly annexation agreements to be used as a weapon, rather than a tool for development.

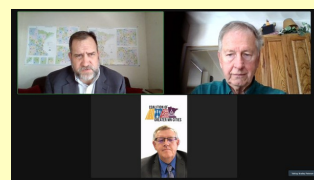
Despite the informational nature of these hearings, the MAT kept up their fight in the conference committee where they pushed legislators to create another legislative task force to discuss these issues. Though legislators rejected all of these efforts this year, we anticipate that the townships will continue to push for restrictions in the next legislative session.

The CGMC uses innovative and effective communications strategies

This session, the CGMC utilized press conferences, social media campaigns, letters to government officials, virtual and in-person events, and informational handouts and videos to advocate for Greater Minnesota priorities.



Watch our LGA video at bit.ly/LGA-Explained



CGMC pre-session priorities press conference



CGMC Legislative Action Day legislative panel

Legislature misses the moment to invest in environment

With a record-setting budget surplus, \$12.3 billion in estimated need over the next 20 years, federal money on the line, and over 200 local government water-related projects ready to go, 2022 presented the opportunity for the state to make a transformational investment in water and wastewater infrastructure.

This year, the CGMC partnered with trade unions and an environmental group to introduce and support a package of infrastructure investments that would have had a generational impact on clean water in our state.

Our proposal includes \$299 million for the Public Facilities Authority (PFA) to fund wastewater and drinking water grants and loans. We also proposed making a long-term investment in the Point Source Implementation Grant (PSIG) program with \$75 million in general fund money going forward. And to help meet the ever-escalating costs of construction, we proposed raising the cap on Water Infrastructure Fund (WIF) grants and removing the cap PSIG grants. Lastly, we proposed a technical assistance grant program to help cities better plan for the future of their water infrastructure costs and more readily access available resources.

With cities facing a 2024 federal EPA deadline to inventory lead service pipes in their communities and the knowledge that no level of lead in drinking water is safe for children, we also pushed for \$10 million in grants to help cities perform the lead pipe inventories and develop mitigation plans as well as \$30 million per year until 2032 for grants to help pay for their removal.

Right away, our proposals received a positive reception. Responses to our joint-press conference, meetings



CGMC members, including Pipestone Mayor Myron Koets and Worthington Mayor Mike Kuhle, testified in support of lead pipe removal grants.

with legislators, social media campaign, and testimony in House committees on both bills were largely positive. We began to run into roadblocks, however, with several metropolitan legislators who wanted to put requirements on the lead pipe money so that most would funnel into the metro and to rework programs in a way that they would no longer address the affordability needs in our communities. Unfortunately, we had to spend a significant amount of time pushing back against these proposals and working on alternatives. Whether our efforts to support additional funding or to stop negative policy changes were successful is unknown because neither the House nor the Senate ever introduced a bonding bill.

The CGMC also stayed engaged on many other environmental issues. We worked with other municipal groups to seek funding for PFAS monitoring at wastewater facilities and to direct the MPCA to perform rulemaking on the Wild Rice Sulfate rule. We also pushed back against several concerning policy provisions. In the end, none of these items were included in the final Environment Conference Committee report, and the legislature adjourned before passing the agreement.

Optimistic session for transportation ends with frustration

Transportation saw a lot of discussion in 2022, but little action. The state's massive general fund surplus and the passage of the federal Infrastructure Investment and Jobs Act should have combined to create an opportunity for legislators to make massive one-time investments in advancing Minnesota's transportation system. Instead, they let political dynamics stop them short, and a final transportation bill never passed the legislature. Small cities, Corridors of Commerce, and federal matching dollars are all potential victims of the legislature's failure.

Cities with populations under 5,000 received one-time assistance for their streets in 2021, but without the passage of a transportation bill in 2022, they will receive nothing this year. Yearly, dedicated funding for small cities is one of CGMC's top transportation priorities, and a mechanism for funding these streets was included in the Senate's

omnibus transportation bill.

Unfortunately, unless the legislature reconvenes for a special session, small cities will be left behind.

Proposals to enhance the Corridors of Commerce program also advanced in both chambers. While the House and Senate versions differed, both would have resulted in significant efficiencies for MnDOT in administering the program. That said, the House version would have done a better job at balancing regional interests and ensuring Greater Minnesota projects had a chance to compete.

Other issues, such as the disposition of federal matching dollars, have lingered even after the legislature went home. Legislators appeared poised to appropriate the state dollars necessary to unlock billions in federal funds during session, but no bill passed.

Since adjournment, the conversation has continued, with legislators pointing out that MnDOT has the authority to seek the federal funds on its own and does not need the legislature's go-ahead. Stay tuned to see what happens next.



CGMC cities are dedicated to a strong Greater Minnesota. Our mission is to develop viable, progressive communities for businesses and families through strong economic growth and good local government. We support fair property taxes, good land use planning, sensible environmental regulation, a balanced transportation system, and effective economic development tools to meet that goal.