



# Association of Minnesota Counties **2019 Session Review**



## General Overview

The November 2018 election created sweeping changes to the Minnesota legislative landscape heading into 2019 session. Newly elected Gov. Tim Walz, a new DFL-controlled House, and a strengthened GOP majority in the Senate (after the special election of Republican Jason Rarick to fill a vacancy left by former senator and current DHS commissioner Tony Lourey) left Minnesota as the *only* state in the nation with a divided Legislature. These politics played out throughout session, as both the House and Senate appealed to their bases early in session, pushing forward unique, and contrasting, proposals. After returning post-Easter/Passover recess, many around the capitol were wondering how such differing legislation would ever be able to match up or allow for any grand “compromise” bargain. Adding to this confusion were a new set of expedited committee and budget deadlines that created even more frantic work in a session with the largest total bill introductions in the recent era. With one week to session’s close, it was clear that conference committee chairs were nowhere near finishing final omnibus bills, leaving a special session and possibly even government shutdown looming on the horizon.

With roughly 24 hours left in session, however, Gov. Walz, Majority Leader Gazelka, and House Speaker Melissa Hortman announced a broad-strokes budget agreement that outlined budget targets for each omnibus finance bill that cemented the standings of key session issues. While conference chairs were unable to meet session’s May 20 deadline, they continued working through the week until Gov. Walz called a one day Special Session on May 24 to complete and vote on all budget bills. In lieu of the grand bargain, GOP leaders stood strong on no new transportation/gas taxes along with scrapping several controversial policy proposals for Paid Family and Medical Leave, energy renewal standards and more. In return, Governor Walz and Democrats were able hold on to a slightly diminished, but perpetual, provider tax (1.8% instead of 2%), while also gaining increased budget targets for almost every budget area along with state government agencies. While each political party was able to cite one—or more—frustrations over process, transparency, and content of the final omnibus bills, many commented that the session showed Minnesota proved to the nation that divided government could work and that compromise wasn’t entirely broken in the political process—this proven by mostly overwhelmingly bipartisan votes for each omnibus policy bill taken on both the House and Senate floor.

## How Counties Fared

In all, counties fared extremely well this session winning major victories on a majority of member-voted county priority issues, including provisions on Section 404 permitting, broadband infrastructure, childrens’ mental health, opioids response funding, continuation of the provider tax, appointment of county “row” officers, and increased County Program Aid (CPA) funding.

## Environment and Natural Resources

AMC's priority to continue the process of assuming permitting of the Federal Clean Water Act Section 404 Assumption was funded in the Omnibus Environment and Natural Resources Finance Bill (SS-SF7). This effort will lead to the elimination of redundant permitting processes for both public and private sector projects that have wetland impacts and save time and money while protecting wetland resources. End of session legislation also contained new money for feedlot officer training and to help counties address noxious weeds, Emerald Ash Borer and waste issues. In the end, AMC policy positions held strong across numerous environment proposals including drainage, threatened and endangered species exemptions, and coordinated watershed/clean water act modifications.

## General Government

Prior to session, AMC teamed up with the League of Minnesota Cities to develop a strategy that echoed Gov. Walz's calls for "community prosperity" by advocating for increased investment in County Program Aid (CPA) and Local Government Aid (LGA). Early in session, both organizations worked together to develop and introduce a bill that would get cities and counties back to historic funding levels (2001/2002) by investing an equal \$30.5 million annually. AMC worked alongside bipartisan authors in both chambers to spread the word on the important role CPA has in investing in local communities, providing mandate relief, and reducing levies. From Lac qui Parle and Stevens counties to Hennepin and Dakota counties, AMC presented a united front and message that CPA equals property tax relief. With support from House Tax Chair Paul Marquart, Gov. Walz, and many in the Senate – including former Redwood County Commissioner and current Senate Commerce Chair Gary Dahms – counties received a historic \$26 million in new CPA (increasing to \$30 million/year in FY2022 and out) and were kept as equals to cities in a 1:1 funding ratio.

## AMC Priority Items Scorecard 2019

+ *Success*   +/- *Partial Success*   - *Disappointment*

### SECTION 404 ASSUMPTION

- + Funding included for the start of state assumption of 404 permitting process.

### HEALTH CARE ACCESS FUND

- + Lawmakers agreed to repeal the sunset of the provider tax and decreased the rate from 2 percent to 1.8 percent starting in 2020.

### OPIOIDS

- + A comprehensive bill that increases fees for drug makers and wholesalers and appropriates about \$8 million each year for county child welfare.

### MENTAL HEALTH

- + \$7 million to help counties pay for services at children's residential facilities.
- + Counties will have the option to appeal to DHS to dispute the cost of care for individuals discharged from state-operated facilities.

### COUNTY PROGRAM AID INCREASE

- + \$26 million/year increase in FY 2021 increasing to \$30 million/year in FY 2022 and beyond. 1:1 funding ratio with city LGA.

### UNIFORM ROW OFFICER APPOINTMENT AUTHORITY

- + Statewide process for counties to appoint row officers if there is agreement with incumbent or a vacancy in office.

### COMMUNITY SUPERVISION FUNDING

- No increase in community supervision funding for both CCA and CPO counties.

### BROADBAND

- + \$40 million for the Border-to-Border Broadband Grant Program over the biennium.

### TRANSPORTATION

- No increase in constitutionally dedicated transportation funding, and no bonding bill

After over a decade's worth of work by legislators, commissioners, county professionals, and former staff, AMC is proud to report that the statewide uniform county row officer appointment bill made it through the Special Session and awaits signature from the governor. The language included in the State Government Finance omnibus bill—a compromise and partnership with the Minnesota Association of County Officers (MACO)—will provide a statewide process for the appointment of auditor/treasurer/recorder positions that includes transparency, local control, and public input.

## **Health and Human Services**

Overall, counties fared well in health and human services. The final budget bill scaled back spending from the original proposals, with an overall \$358 million reduction in spending. However, each of the county priority issues were addressed.

The extension of the provider tax stabilizes the Health Care Access Fund to help pay for health care services for about one million Minnesotans. The tax on health care services has been in place since 1992 and was scheduled to sunset at the end of this year. Republicans had argued for the tax to sunset and a final deal extended the tax indefinitely at a reduced rate of 1.8 percent instead of 2 percent.

When counties started the session, they faced paying 100 percent of the costs of care for services at children's residential facilities, thanks to a change in a federal designation. Following the federal change, certain residential facilities with more than 16 beds were no longer eligible for federal Medical Assistance (MA) funds. Federal reimbursement stopped in 2018, and while state funds were authorized to fill the gap, those funds expired in May. Gov. Walz signed a bill early in the session to extend those funds to the end of the biennium. The final budget agreement extended state funding to fill the federal gap indefinitely. The legislation also authorizes the expansion of additional facilities – psychiatric residential treatment facilities – to help build out the continuum of care for children needing intensive mental health services.

## **Public Safety**

Community supervision funding is a priority for AMC. Although the governor's budget did not include base increases for the Community Corrections Act subsidy or County Probation Officer reimbursement, it did include funds for pre-trial and intensive supervised release services. The House adopted the governor's budget recommendations, but the Senate held firm to their low starting position throughout end of session negotiations. In the end, neither CCA nor CPO counties received any increased funding for the biennium.

One successful transportation/public safety policy bill that AMC supported was the hands-free phone bill. The hands-free phone bill had broad support in the Legislature, but also sparked a lot of debate. Many legislators commented that it would not stop people from distracted driving by other means and would be a burden for those with older cars that are not equipped with Bluetooth technology. Ultimately, the bill was passed by the Legislature and signed into law by the governor on Friday, April 12, making Minnesota the 18th state with a hands-free law. The law prohibits use of a phone when a motor vehicle is in motion or part of traffic to send text messages, emails, make phone calls, or watch video content, etc. There are limited exceptions for use with a hands-free system to initiate the call or use GPS.

## Transportation

Counties experienced a big win on broadband funding this session after receiving no funding for the grant program last session. At the end of last year, the Governor's Task Force on Broadband identified a need of \$70 million per biennia for the broadband grant program until the state meets its broadband speed goals in 2022 and 2026. At the start of the 2019 session, both House and Senate leadership announced that broadband funding was one of their top ten priorities for the year.

Legislators on both sides introduced bills to fund the Minnesota Rural Broadband Coalition funding goal of \$70 million over the biennium in the first ten bill introductions. As part of the final budget agreement, Gov. Walz, Speaker Hortman, and Majority Leader Gazelka included \$40 million for the Border-to-Border Broadband Grant Program over the next biennium. Most importantly, the grant program will receive multi-year funding for the first time, making this investment the most consistent funding that has been available to date.

In the last several years, transportation has been a top priority at AMC and it was a big topic of conversation going into the 2019 legislative session. Gov. Walz campaigned on wanting to increase the gas tax and his transportation funding proposal did just that – he proposed a record 20-cent gas tax increase in addition to changes to the tab fee structure and an increase in the overall motor vehicle sales tax – all three funding sources that bring revenue to the Highway User Tax Distribution Fund (HUTDF). Republican legislators fought hard against a gas tax increase, and in the end, they won. While counties won't see any new, constitutionally dedicated revenue for transportation in the next biennium, the auto parts sales tax revenue that was statutorily dedicated to transportation in 2017 will increase over the 2020-2021 biennium. In addition, the current allocation of the Motor Vehicle Leased Sales Tax will remain the same, which includes annual funding for the Local Bridge Replacement Program. This continuation of local bridge funding is important because the legislature did not pass a bonding bill this year.

## Looking Ahead

With session now over, policy analysts look forward to joining other AMC staff to visit and present during district meetings. District meetings serve as an excellent time to review session outcomes and start talking about prospective legislative issues and priorities for our fall platform development. Please also be on the lookout for AMC's more detailed session summary which staff are aiming to release in the next two weeks. As always, if you have any questions, do not hesitate to reach out to the Government Relations team!

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