

Table of Contents

Bonding.....12
-HEAPR
-Met. Council
-Local Projects: Shubert, Northtown Rail Yard Bridge, Parkway Lighting

Constitutionally-dedicated Funds.....16
-Outdoor Heritage Funding
-Clean Water Funding
-Mississippi Critical Areas
-Arts and Cultural Heritage Funding

Energy Appropriations.....15
-MN Solar Electric Rebate Program

Energy Policy.....13
-Central Corridor Light Rail Transit Utility Zone
-Performance Incentives for Solar Projects

Energy Stimulus.....15
-Renewable Energy Grant Program Extensions
-Solar Cities

Environment and Natural Resources.....4
-Water Permit Processing Fees
-Storm Water Discharge
-Composting Grant Program
-Biodegradable Bags
-Alternative Chemicals

Liquor.....14
-Licensing (Public Facilities)
-Licensing (U of M)
-Special Licensing
-Wine Tasting
-Multi-use Bags

Public Finance Issues (Re: Mpls).....19
-LGA
-Levy Limits
-Local Option Taxes
-Revenue Diversification
-Unfunded Mandates
-Mall of America

Public Safety (Policy).....5
-Predatory Offenders
-Crime Victims
-Courts
-Corrections & Sentencing Guidelines
-Criminal Records & Employment
-Trespassing

- Public Safety & Judiciary (Budget).....8**
 - Appropriations
 - Office of Justice Programs
 - Courts & Public Defenders
 - Public Safety & Corrections
- State Government Finance.....13**
 - False Claims
 - TIF Reporting
 - Cooperative Contracting
 - Met Council Contract Bid Provisions
 - Target Center Repealer
- Tax Policy.....10**
 - Property Taxes
 - Levies and Unallotment
 - Special Service Districts
 - Tax Abatements
 - Truth in Taxation
 - TIF Expansions
 - Fee and Tax Definitions
 - City of Minneapolis Provisions
- Transportation Finance.....3**
 - Transit Aid
 - Met. Council Operations Shortfall
 - Tax Abatements for Selected Businesses
 - Design Build Provisions

Chapter 36: Transportation Finance (HF 1309)

Both a Transportation Finance and Policy bill moved through this year's Legislative session. Unfortunately, the Transportation Policy bill, which contained a lot of good policy, was vetoed. The Transportation Finance bill, which the Governor signed, contained the following sections that were important to Minneapolis:

Federal Aide Match. Authorized \$40 Million in trunk highway bonds to match federal aide.

Loss in Transit Aide. Reduced general fund appropriations by about \$14.8m for Metro and Greater Minnesota Transit.

Trunk Highway Reductions. Reduces MnDOT appropriations by \$150 million from the trunk highway funds for the biennium across MnDOT activities including \$120 million from the State Road Construction program, \$17 million from operations and maintenance budgets and \$13m from infrastructure investment support.

Increase Budget for Road Construction. Increase Road Construction appropriations to account for increased federal aide.

Passenger Rail Office. Recreates the MnDOT office of Passenger Rail and funds for \$1 Million for the biennium and requires a passenger rail report by February of 2010

Pupil Transportation Safety. Beefs up funding by 250K a biennium for Pupil Transportation Funding.

Met Council Transit Operations/The Short Fall. Authorizes the Metropolitan Council to fund their operating deficit through Livable Communities Grant fund accounts (\$13 million) Use fund balances from same accounts (\$9 Million) and take funds from the Right of Way acquisition Funds (\$ 5 Million) There is also an acceleration of the MVST revenues for transit purposes which will add an additional \$18.7 million for transit operations in 2010 and 2011. These efforts along with Metro Council efficiencies of \$5 million and one time shifts of \$18 million from capital to operating should make the transit operation deficit a low as possible and hopefully avoid a farebox increase.

Road Construction Business Impacts. There is now a new requirement for road authorities when performing road construction projects that have "substantial business impacts" to identify an individual to be a business liaison who will work with, and communicate to affected businesses on project "duration, lane and road closures, detours, access impacts, customer parking impacts, visibility, noise, dust, vibration and public participation opportunities."

Governor Use for Trunk Highway Funds. Prohibits the Governor's office from using personnel paid through Trunk Highway finds.

Disabled Veterans. Creates a new program where disabled veterans will use metro transit services for no charge and creates a pilot program for discounted bus passes to be distributed through charitable organizations for homeless individuals.

Fracture Critical Bridges. Creates a new grant program for local units of government for fracture critical bridges.

Regional Planning. Requires the Metropolitan Council to submit a report on the effectiveness of local level and regional land use planning on reducing air pollution, mitigation congestion and reductions of the costs for operation, maintenance and improvement of infrastructure. The report must look at approaches that reduce travel demand through land use practices and access to transportation options.

Design Build. Lastly the bill pushes forward a number of provisions around design-build and its use by local units of government. The legislations set forth a pilot program for nine projects that will be selected by a stake holder panel outlined in the legislation. The panel includes local officials and construction industry representatives.

Chapter 37: Environment and Natural Resources Finance Bill (HF 2123)

The Environment and Natural Resources Omnibus Finance bill had several components that were of importance to the City of Minneapolis, especially in regards to water management and solid waste handling of compostable materials.

Water Permit Fees. Increases water permit processing fees for “other than once-through cooling systems.” The new fee for entities for any permitted use may not exceed \$60,000 per year for an entity holding three or fewer permits, \$90,000 for an entity holding four or five permits, and \$300,000 per year for an entity holding more than five permits. The new amounts represent a roughly 17% increase from previous permit processing fees.

Storm Water Discharge. Further regulates storm water discharge by requiring the PCA to develop performance standards, design standards, or other tools that would enable/promote the implementation of low-impact development and other storm water management techniques.

Competitive Composting Grant Program. Establishes a competitive composting grant program, requiring that the commissioner of the PCA to make competitive grants available to political subdivisions that wish to increase composting, reduce amounts of organic wastes entering disposal facilities, and/or reduce waste hauling costs. The section also lists requirements for priority projects that will provide the highest return in public benefits.

Biodegradable Bags. Starting January 1, 2010, a person residing with the metropolitan county will be prohibited from placing yard waste or source-separated compostable materials in a plastic bag unless that bag meets ASTM compostable plastic standards. Sec. 44, Subdivision (e) allows for the exemption of residents of a first class city (i.e.

Minneapolis) until 2013. This exemption was prompted because of Minneapolis' efforts to transfer to a source-separated cart collection program and allow for one transition period.

Alternative Chemicals Bill. The alternative chemicals section of this bill requires the Department of Health, in consultation with the PCA, to generate a list of "chemicals of high concern" used in the production of children's products. This language was ultimately a diluted form of the original bill that sought to require the PCA to publicly publish (online) a list of alternative chemicals that could be used for the manufacturing of children's products.

Chapter 59: Public Safety Policy (HF 1301)

**** indicates a City of Minneapolis bill.**

Article 1: Predatory Offenders

Intensive supervised release: Authorizes the commissioner of corrections to conduct unannounced searches of computers, or other electronic devices capable of accessing the internet, used by offenders placed on intensive supervised release. Predatory offenders placed on intensive supervised release are prohibited from accessing social networking websites or instant messaging or chat room programs.

Definition of residential care facility: Amends the definition of "residential facility" for the purposes of predatory offender notice. The effect is that cities do not need to hold community notification meetings for predatory offenders who are detainees in regional treatment centers.

Definition of sexual contact: Amends the definition of sexual contact applicable to criminal sexual conduct in the second and fourth degrees to include intentional touching with seminal fluid or sperm by the actor of the complainant's body or clothing.

Article 2: Crime Victims

Notice of decision not to prosecute. Under current law, a prosecutor must provide victims of domestic assault and harassment with information on civil protection orders. Adds victims of criminal sexual conduct to the statute.

Domestic fatality review teams: Authorizes a judicial district to establish a domestic fatality review team. Defines "domestic violence death," outlines the membership of domestic fatality review teams, specifies a team's duties and confidentiality requirements, and outlines data access and privacy provisions. The purpose of the domestic fatality review team is to review and assess domestic violence deaths in an effort to develop recommendations for policies and protocols for community prevention and intervention initiatives to reduce and eliminate the incidence of domestic violence and resulting

fatalities. Requires a team to issue an annual report to the legislature that consists of aggregate recommendations without reference to specific cases.

**** Arrest time:** Expands the timeframe from 12 to 24 hours in which an officer may arrest a person who the officer has probable cause to believe committed domestic abuse. This is an exception (found in current law) to the general requirement that an arrest can only be made for an offense committed in the presence of a peace officer.

Article 3: Courts

Policy on disproportionate minority contact: Sets forth state policy to identify and eliminate racial, ethnic, and gender fairness barriers in the justice system.

Court establishments/locations: Eliminates the requirement that the Hennepin County District Court establish and maintain misdemeanor violations bureaus in specified locations within the county. Locations for these bureaus would be determined by a majority of the court judges. Currently, Hennepin County District Court operates misdemeanor violations bureaus and holds court in downtown Minneapolis, and at regional centers in Brooklyn Center, Minnetonka, and Edina.

License Reinstatement Diversion Pilot Program: Allows eligible cities to establish a license reinstatement diversion pilot program for persons with a class D drivers' license who have been charged with either driving after a suspension or revocation, but have not yet entered a plea. A person charged with driving after revocation is eligible for diversion only if the revocation was due to (1) a failure to produce proof of insurance; (2) refusal or failure of a test for intoxication; (3) a DWI conviction or adjudication; or (4) three charges of violating any traffic regulations (as provided in chapter 169) within a period of 12 months. A person who holds a commercial driver's license or committed an offense in a commercial motor vehicle is not eligible to participate in the pilot program. Cities that are eligible to establish the pilot program: Duluth, St. Paul, South St. Paul, West St. Paul, and Inver Grove Heights. The commissioner of DPS may permit other cities to participate. **** Expansion added at City request, if Minneapolis chooses to participate in the future.**

Article 4: Corrections and Sentencing Guidelines

Juvenile escape from the DOC: Authorizes peace officers to make a warrantless arrest of juveniles who escape from the custody of the commissioner of corrections.

Article 5: Public Safety

Specialized emergency response team: Authorizes the director of homeland security to deploy specialized emergency response teams to local incidents. Specifies that members of the team not employed by any political subdivision struck by the emergency or disaster

are deemed employees of the state for purposes of workers' compensation and tort claim defense and indemnification.

Employment of individual with criminal history: Limits the admissibility of information regarding the criminal history record of an employee or former employee in civil actions against a private employer based on the conduct of the employee. A criminal history record may not be introduced if:

- (1) the duties of the position did not expose others to a greater degree of risk than that created by the employee interacting with the public outside of the duties of the position or that might be created by being employed in general;
- (2) before occurrence of the act giving rise to the action, a court order sealed any record of the case or the employee received a pardon; or
- (3) the record is of an arrest or charge that did not result in a conviction.

The requirements of the section would not supersede a statutory requirement to conduct a criminal history background investigation or consider criminal history records in hiring for particular types of employment.

Aggravating factors. Authorizes a court to order an aggravated sentence beyond the range specified in the sentencing guidelines grid based on an aggravating factor arising from the same course of conduct. Defines "aggravating factors."

Public employment; consideration of criminal records. Prohibits a public employer from considering the criminal history of an applicant for employment until the applicant has been selected for a job interview.

Chapter 364 provides generally that a person may not be disqualified from public employment based on their criminal history, unless the applicant's criminal history is directly related to the position of employment sought by the applicant, and the applicant has not shown evidence of rehabilitation and fitness to perform the duties of the job.

The prohibition on considering criminal history until an applicant has been selected for an interview does not apply to the DOC or public employers who have a statutory duty to conduct a criminal history background check or consider criminal history in the hiring process.

Based on another existing section of chapter 364, the provisions of this bill also would not apply to a number of specified agencies, including law enforcement agencies and fire protection agencies.

Joint exercise of police power; employees. Requires employees of local public safety organizations that merge to be credited with their accumulated sick and vacation time.

**** Trespassing:** Amends the trespass law to include crossing into or entering any public or private area lawfully cordoned off by a peace officer. Requires that the authority responsible for cordoning off the area identify itself. Provides an affirmative defense. A violation is a misdemeanor.

Chapter 83: Public Safety & Judiciary Budget Omnibus (SF 802)

Article 1: Appropriations

Reduced General Fund base by 5.4%, or \$99.30 million.

Target was reached using:

- \$38 million in one-time federal stimulus funds targeted at corrections (FY10-11 only)
- \$14.545 million in budget cuts
- \$7.822 in revenue transfers
- \$38.933 in fees

Key Reductions:

	FY10-11	%	FY12-13	%
Supreme Court	(\$83,000)	-1.3%	(\$1,480,000)	-2.28%
Court of Appeals	(\$170,000)	-0.8%	(\$170,000)	-0.8%
District Court	(\$4,000,000)	-0.8%	(\$4,000,000)	-0.8%
Civil and Legal Services	(\$200,000)	-0.8%	(\$200,000)	-0.8%
Board of Public Defense	(\$4,000,000)	-3.0%	(\$4,000,000)	-3.0%
Office of Justice Programs	(\$3,400,000)	-4.7%	(\$3,400,000)	-4.7%

Office of Justice Programs

While the bill reduced funding to the Office of Justice Programs, which supports several City of Minneapolis grant initiatives, reduces all grants and spending by 4.7%, reductions in several key areas were capped at no more than a 3% reduction. Capped programs are: (i) crime victim reparations; (ii) battered women shelters and domestic violence programs; (iii) general crime victim programs; (iv) sexual assault victim programs; and (v) youth intervention programs.

The legislation directs OJP to give priority to awarding grants for federal stimulus funds to the following initiatives: (i) mentoring grants for children of incarcerated parents; (ii) youth intervention programs; (iii) the Network for Better Futures; (iv) trafficking victim programs; (v) nonprofit organization providing resources to families of persons who have died traumatically; (vi) juvenile detention alternatives; (vii) restorative justice programs; and (viii) judicial branch efficiency programs.

Article 2: Courts and Public Defenders

Offense restructures: Restructures the crime of possession of meth precursors to allow tracking of first and subsequent offense penalties. There are no changes to the current penalties.

Restructure DWI law to allow tracking of offenses based on the type of vehicle involved (motor vehicle, motorboat, snowmobile, all-terrain vehicles, and off-road vehicles). There are no substantive changes to the current elements or penalties.

Court fees: Increases the following court filing fees by the following amounts (current amount/proposed amount) (total increase):

- Initial filing fee in a district court civil action (\$240 to \$310) (\$70)
- Initial filing fee in a marriage dissolution action (\$270 to \$340) (\$70)
- Jury demand fee (\$75 to \$100) (\$25)
- Motion fees (\$55 to \$100) (\$45)
- Certified and uncertified copies (\$10/5 to \$14/8) (\$4/\$3)
- Issuing a subpoena (\$12 to \$16) (\$4)
- Issuing an execution or writ (\$40 to \$55) (\$15)
- Issuing or docketing a judgment (\$30 to \$40) (\$10)
- Filing an account in a trusteeship (\$40 to \$55) (\$15)
- Depositing a will (\$20 to \$27) (\$7)
- Filing fee in conciliation court (\$50 to \$65) (\$15)
- Filing fee for an appeal (\$500 to \$550) (\$50)

Increase the parking surcharge (\$4 to \$12) by \$8. Court filing fees and the parking surcharge are credited to the state general fund.

Court locations: Strikes language identifying specific locations for misdemeanor violations bureaus in Hennepin County.

Records retention: Eliminates the statutory requirement that original documents in probate proceedings be retained for five years

Restorative justice for juveniles: Provides for a restorative justice alternative disposition option for certain juvenile petty offenders.

Unpaid collections: Establishes authority for a court to refer unpaid fines to a collection process.

Prosecution costs: Provides that prosecution costs shall be paid to the municipality or governmental subdivision which employed the prosecutor or otherwise provided for

prosecution of the case. Currently, the statute references payment to the county treasurer and makes no provision for city prosecutions.

Attorney fees: Authorizes the Supreme Court to assess a public defender fee on all licensed attorneys who are actively engaged in the practice of law. The fee must not be more than \$75 or less than the civil legal services fee that the Supreme Court currently collects from attorneys. Funds collected must be deposited in a public defender fee special revenue account and used to fund the public defender. Minnesota's current \$217 registration fee ranks as 15th lowest among the 50 states.

Article 3: Public Safety and Corrections

Controlled substances realignment: Amends the fifth-degree controlled substance crime to make technical and substantive changes. These amendments add the penalty provisions that are currently codified in a separate subdivision of the statute to the subdivisions containing the substantive crimes of fifth-degree controlled substance possession and sale. The intent of these changes is to have unique statutory numbers for fifth-degree controlled substance crimes that contain both the substantive elements of the offense and the penalties in one provision.

Controlled substances mandatory minimums: The substantive changes made convert the current mandatory minimum sentence for repeat offenders (six months in a local correctional facility) from an unwaivable to a waivable one. Permits waiver if the court on its own motion or that of the prosecutor finds substantial and compelling reasons to sentence the offender without regard to the mandatory minimum sentence. Such a sentence is considered a departure from the sentencing guidelines.

Short term offenders: Eliminates the short term offender program under which offenders who are sentenced to prison with less than six months left in their sentence serve the remainder of their sentence in local jails. These changes restore the law to its pre-2003 state.

Chapter 88: Tax Policy (HF 1298)

HF 1298 is the non-controversial tax bill. The bill contains provisions agreed to by the tax conference members and inserted into HF 1298, the public finance bill. The bill contains sections related to property taxes, sales and use taxes, levies and unallotment, special service districts, tax abatements, truth in taxation hearings, and tax increment financing.

Property Taxes. The section includes real and personal property tax exemptions for power plants, a training facility, a nursing home and a proposed elder care facility. The elder care facility is proposed to be located in Minneapolis. The bill provides a property tax exemption on the first \$5.0 million of value for the facility which will be owned by Catholic Eldercare.

Levies and Unallotment. If the December LGA payment is reduced by an allotment, a city may by January 15 recertify its levy to include an additional levy equal to or less than the unallotted amount of LGA.

Special Service Districts. The authority to establish special service and housing improvement districts was extended until June 30, 2013. The authority was to expire on June 30, 2009. The bill also includes several amendments to the special services law that were supported by the city. The amendments do not reference notice to residents.

Tax Abatements for Businesses with Disrupted Access. A city may abate its property taxes in whole or in part on the property of a business with an estimated market value of \$250,000 or less, if access to the property has been impeded for three or more consecutive months and the business has had a loss of revenue due to a public transportation project in the vicinity of the business. If the abatement is granted the property taxes shall be levied on the property and paid. The city will pay the property owner or the lessee the amount of the abatement as determined by the city. The provision is effective for taxes payable in 2010 through 2014.

Truth in Taxation. The truth in taxation hearing requirement is repealed. However the individual notice to taxpayers will continue but is amended to require the time and place of the meeting to adopt the budget and tax levy. The meeting must not start prior to 6 PM.

At the meeting to adopt the proposed budget the city is required to release the schedule of public meetings related to the budget and tax levy. The schedule must be published in the official meeting summary of the meeting.

Tax Increment Financing. In addition to several special bills for individual cities, the five year rule of tax increment financing (TIF) law was amended. The amendment provides that TIF districts established after June 30, 2003 and before April 20, 2009 will have ten rather than five years to comply with the rule.

Fee and Tax. The definition of a tax and fee was amended to clarify that an entity, corporation or organization is not exempt from paying a validly imposed assessment, exaction, fee or charge to a local unit of government.

City of Minneapolis Provisions. The bill includes three provisions related to the city of Minneapolis. One – the boundaries of the downtown taxing district (Restaurant Alma- was included in the legislative program and two were prompted by either legal interpretations or legislative initiative.

A legal interpretation by the city and county attorney concluded that the caterer at the Minneapolis Convention Center did not have legislative authority to be exempt from property taxes. Prior to taxes collected in 2010 the caterer was exempt from property

taxes. The exemption was based on the interpretation that municipal auditoriums are exempt from property taxes. It was determined that the convention center was not an auditorium and there was no special law provision to provide an exemption as there is for River Centre and the Metrodome. The legislature approved an exemption for the convention center.

Rep. Loeffler introduced legislation that permits the city to use excess city sales tax revenues for expanded purposes. For revenues collected in 2009 and 2010 any excess can be used to offset LGA losses sustained in 2008 through 2010 by unallotment or legislative action. In subsequent years revenues can be used for capital projects located throughout the city.

Excess is defined to be revenue that exceeds the amount needed to maintain, operate, promote, improve and retire debt related to the convention center.

Chapter 93: Bonding (HF 855)

2009 was not a traditional bonding year, however after the vetoes of bonding projects 2008 and the feeling of bonding chairs that bonding should be used as an economic stimulus effort, a reasonable size bonding bill was presented to the governor.

The bonding bill that passed was dominated by four areas, Higher Education Asset Preservation and replacement (HEPER), Funds to leverage Federal dollars made available through the American Recovery and Reinvestment Act (ARRA), transit corridor funding including funds for Central Corridor and Intercity Passenger Rail development and flood mitigations, particularly for west central Minnesota.

The University of Minnesota (HEPER)	\$25 Million
MN State Colleges and Universities (HEPER)	\$40 Million
Flood Hazard Mitigation Grants	\$53 Million
State Funds for Federal Transportation ARRA	\$54 Million
Intercity Passenger Rail Projects (non specific)	\$26 Million
Transit Capital improvement Program	\$21 Million*

*All funds to Metro Council which includes \$8.5 million for Central Corridor and list other projects w/o specific amounts for Bottineau, Cedar Avenue, I-94, Red Rock, Riverview, Robert Street, Rush Line, Southwest and the Union Depot.

Very few local projects were included in the bill and a number of those that were vetoed by the Governor including the Shubert Theater (\$2m) in Minneapolis. Surviving the veto pen was the Northtown Rail Yard Bridge (\$600K) and Victory Memorial Parkway betterments (\$1m).

Chapter 101: State Government Finance Bill (SF 2082)

As with previous years, the 2009 State Government Omnibus bill was a compilation of an eclectic group of provisions. The final bill signed by the Governor, with surprisingly no line-item vetoes, was a diluted form of the House’s original proposals—which encompassed an array of issues ranging from domestic partner rights to naming rights on State buildings.

The “False Claims Act”, Article 2, sections 24-27, turned out to be one of the more controversial pieces of the bill. The act originally sought to penalize those who knowingly make a false claim 3 times the amount of damages the State sustained and an additional fee of \$5,000-\$10,000 per claim. The bill, a product of Rep. Simon, originally gave those accused of making a false claim against the State no right to cure. The Senate conferees were not comfortable with this language and amended the House position, allowing a person who committed a false claim against the State—without proof of specific intent—to repay the amount of actual damages to the state or political entity within 45 days of being informed of their wrongdoing. In effect, the Senate’s amendment diluted the bill of its original intent but was in more accordance with the Governor’s liking.

Article 2, Sec. 90 relates to Tax Increment Finance (TIF) reporting, reducing the current reporting requirements on local units of government. This will ultimately lessen the burden for both local governments and the State Auditor’s office.

Article 2, Sec. 92 allows municipalities to cooperatively contract for the purchase of supplies, materials, or equipment by using contracts available through the State’s cooperative purchasing venture.

Article 2, Sec. 93 allows the Met Council to award up to six percent preference in the amount bid for specified goods/services to small targeted group businesses AND veteran-owned small businesses.

Article 2, Sec. 110 Repealers:

- a) Minnesota Statutes 2008, section 240A.08: this section was an annual appropriation to the Minnesota Amateur Sports Commission for the purpose of financing the Target Center. 2009 was the last year in the original financing plan; thus, the section was repealed.

Chapter 110: Energy Policy Bill (SF 550)

Establishes a “Central Corridor Light Rail Transit Utility Zone” between Saint Paul and Minneapolis and directs the electric utility to develop solar energy and energy efficiency along the mass transit zone. The bill also provides the utility with the ability to ask the Commissioner of the PUC for a special tariff to pay for such improvements and other utility work necessary for the Central Corridor Light Rail project.

Authorizes Xcel Energy to count up to one percent solar generated electricity toward its renewable energy standard (RES) in addition to wind. (Currently, Xcel cannot count any solar generation toward its RES mandate.)

Authorizes the creation of a performance incentive for solar projects. Currently, only energy savings from solar projects can be considered under the utility Conservation Improvement Program (CIP)

Authorizes utilities to request permission from the Commissioner of Commerce to increase the existing 5% cap to 10% on CIP expenditures for solar projects.

Chapter 120: Liquor: (HF 1476)

Licensing public facilities. Public facilities are redefined to include parks, community centers, or other accommodations or facilities owned or managed by or on behalf of a subdivision of the state—including any county, city, town, or township, or independent district of the state. It clarifies that rental of a public facility is not a commercial transaction, and a permit is not required. This was brought forward to clarify situations where a family rents a community center to host a family reunion, and may be serving beer—but are not charging for the beer. A license is not needed, as long as the city allows alcohol in the building.

Wine-tastings. This section allows for the general public to participate in a wine-tasting at a club, under the law governing on-sale liquor stores and their wine tastings in Minn. Stat. 340A.419. Section 12 allows wine tastings at wine licensees or clubs, as long as they are insured.

Amateur sports events. Section 7 allows for the sale of liquor at amateur sports events that do not involve youths.

University of Minnesota. Section 8 has changes outlining that no alcohol can be sold under the existing seven University of Minnesota liquor licenses unless liquor is provided in all areas of these facilities. It also extends that prohibition to the new TCF football stadium.

Multi-use bags and storage devices. Section 9 adds to the list of what can be sold at exclusive liquor stores by adding multiple use bags, and devices designed to ensure safe storage and monitoring of alcohol consumption in the home.

Special licenses. Section 14, is permissive language that allows the City of Minneapolis to issue an on-sale intoxicating liquor license to Augsburg College or to its caterers upon approval of the City Council of the City of Minneapolis. Section 16 is also permissive language that allow the City of Minneapolis, upon approval of the City Council to issue an intoxicating liquor license to Sporty's Bar located, at 2124 Como Avenue Southeast.

Chapter 37: Energy Appropriations Bill

Appropriates \$400,000 from the Renewable Development Fund for the Minnesota Solar Electric Rebate Program. Guidelines from the existing Program are subject to change

Chapter 138: Energy Stimulus Bill (SF 657)

Appropriates a minimum of \$3 million for solar energy programs, including the Solar Electric Rebate Program, the Solar Hot Water Program, and potentially a solar air heating program, as well. Guidelines from the existing Program are subject to change.

Creates a School District and Local Government Renewable Energy Grant Program

Requests for proposals will be issued for qualifying projects. The maximum grant to a local government under this section may not exceed:

- (1) for solar electric projects greater than or equal to 100 kilowatts rated capacity, the lesser of 40 percent of total project cost or \$200,000;
- (2) for solar electric projects less than 100 kilowatts rated capacity, the lesser of 40 percent of total project cost or \$100,000;
- (3) for wind projects greater than or equal to 40 kilowatts rated capacity, the lesser of 35 percent of total project cost or \$150,000;
- (4) for wind projects less than 40 kilowatts rated capacity, the lesser of 35 percent of total project cost or \$25,000;
- (5) for geothermal energy projects, the lesser of 35 percent of total project cost or \$100,000;
- (6) for solar thermal projects, the lesser of 50 percent of total project cost or \$75,000; or
- (7) for combined heat and power projects and district energy projects, the lesser of 35 percent of total project cost or \$200,000.

School districts must integrate information about the renewable energy system for which a grant is received under this section in its educational programming.

Creates a Solar Cities Grant Program for the installation of large and small-scale solar projects, including innovative energy storage technology.

Local Government and School District Renovations. The commissioner may make grants to local governments and school districts to make energy improvements to existing public buildings. The use of the ARRA funds must be coordinated with the local public building energy efficiency program under Minnesota Statutes 216C.43 or other available financing programs. The commissioner is directed to:

- 1) Prioritize lighting upgrades, energy-efficient windows, energy recommissioning, and other cost-effective energy projects that are ready for immediate implementation.
- 2) Coordinate with the Commissioner of Education to prioritize school district projects for funding.

The commissioner may require a grant recipient, as a condition of the grant, to commit to implement future activities that are designed to create additional energy or operating savings. A similar program has been authorized for state buildings.

General information. Installation work under all the above programs must be performed by licensed contractors. Measuring performance outcomes and quality of installations will be important for these programs. Expect system monitoring along with site audits to verify system performance and appropriate sighting. There are also some provisions related to certain programs that require preference for disadvantaged businesses, and certified solar contractors. Additionally, there are prevailing wage requirements that apply to some or all of the above programs.

Local governments will need additional guidance from the U.S. Department of Energy regarding the use of stimulus funds before we can open the programs. For instance, there are questions at the federal level relating to how states should track green jobs and how to interpret, monitor and enforce the prevailing wage requirements established by

Congress. We must also wait for approval from the U.S. DOE for our planned energy stimulus programs.

*A more detailed summary of this bill is available upon request.

Chapter 172: Constitutionally-dedicated Funds (HF 1231)

HF 1231 is the newly established funding vehicle for revenue generated through the new three-eighths of a cent sales tax expansion which was approved by voters in the last election. The legislation has separated the nearly \$400m of biennial spending into four categories/funds: outdoor heritage, clean water, parks and trails, and cultural heritage and arts (the four areas specified in the constitutional amendment).

Fund	SFY 2010	SFY 2011	2010-11 Biennium
Outdoor Heritage	\$69.5 m	\$18 m	\$87.5 m
Clean Water	\$69.6 m	\$81.5 m	\$151.1 m
Parks and Trails	\$29.9 m	\$35.1 m	\$65 m
Arts and Cultural Heritage	\$44.5 m	\$48.8 m	\$93.3 m
TOTAL:	\$213.5 m	\$183.4 m	\$396.9 m

Article 1, Emerald Ash Borer. This article funds outdoor heritage projects to address a wide range of hunting, fishing, and other habitat conservation concerns. It includes \$2 million to respond to the recent discovery of the emerald ash borer beetle in Minnesota. The funds go through the Department of Agriculture and can be used to deal with local government costs of addressing control.

Article 2, Impaired Water. This article contains funding for the state impaired waters program. The program is intended to bring Minnesota into compliance with federal Clean

Water Act requirements to assess water quality, identify lakes and rivers that are 'impaired' because they fail to meet water quality standards. This includes a process to develop sound scientific models that determine the sources of the pollution causing the problems, develop plans to reduce pollutant loads to appropriate water quality levels, and implement those plans' funding of the necessary public and private infrastructure using best management practices for controlling land use and agricultural impacts on water quality. The final funding plan closely follows the recommendations made by stakeholder groups and the recommendations of the Clean Water Council, which was the group formed to advise the administration on priorities and funding to clean up state lakes and rivers.

Also funded were programs that help cities finance additional wastewater and stormwater infrastructure required to meet more stringent environmental standards is a key part of the final package. More than \$32.7 million of new funding is made available through the Public Facilities Authority to qualified city infrastructure projects. Most of those funds are grants for 50% of the cost of the new controls required to meet higher standards and suitable environmental outcomes. Significant new funding is also provided to find and replace failing septic systems and straight pipe sewage discharges. Over \$4.6 million is also made available for 50% grants to design and implement projects that use treated

wastewater for industrial facilities rather than drawing water from aquifers for that purpose.

Drinking water protection was also a part of the constitutional amendment and several programs are funded to better monitor groundwater quality and quantity, including funding for the Metropolitan Council to continue to develop a regional master water supply plan. \$5 million is also set aside for groundwater protection activities that have not yet been determined. State agencies are required to come back next session with a plan for how best to use those funds.

High levels of a particular carcinogen were found in the sludge of a stormwater pond being dredged as part of its normal maintenance. The City, in this case, ended up spending \$500,000 to have the sludge handled as a hazardous waste. The most likely source of the contamination was runoff from blacktop parking lots and driveways sealed with undiluted coal tar sealants. \$500,000 was allocated to the MPCA in Article 2, section 4(g) with associated policy language in sections 26 and 28. These sections instruct the agency to develop best management practices for treating and cleaning up contamination caused by coal tar sealants, a stormwater pond inventory schedule, and a model ordinance for restricting the use of coal tar sealants. It also allows for grants of up to \$100,000 to help cities that have adopted such an ordinance to implement the best management practices to treat or clean up stormwater ponds or other waters contaminated by coal tar runoff.

Article 2, Critical Areas. This section was one of the most controversial sections of the bill. It relates to the management of the Mississippi River Critical Area, an area along

each side of the Mississippi River in the metropolitan area. This zone was created through an executive order by Governor Quie in 1979 and has since come under federal protection. The area was determined to be of significant state and national importance to warrant special protective standards be developed to assure that key characteristics of the river corridor were preserved. The executive order was drafted very broadly, however, and was never replaced by statutes or rules. Local units of government were required to complete plans for how they would meet the requirements of the executive order and had to submit those plans to certain agencies. For the past several years, legislation has been advanced that would have placed the wording of the executive order into state statute, which was opposed to many cities due to the generic nature of the language and the likelihood that cities would face litigation because of that vagueness.

This year, there was legislation to instruct the DNR to commence rulemaking to implement the 1979 executive order. The authors and proponents worked throughout the session with the League of Cities, Metro Cities, the cities of St. Paul and Minneapolis, and numerous other interested parties along the corridor to address concerns with the possible impact the legislation would have on their jurisdictions and property owners within them. Several cities passed resolutions opposing the initial legislation.

Language was specifically added to require that the DNR take existing local plans and controls into account as the develop rules and land use districts and to make it clear that existing non-conforming use laws would continue to apply to residences in the corridor. Property owners feared that they would be prevented from continuing a nonconformity by the new rules. Sections that created new fees and penalties against local governments were removed, as was language that created concerns about whether DNR was being given zoning authority and language that gave DNR veto authority over local ordinances.

The final language related to local authority requires, as in current state shoreland rules, that a local unit of government provide notice to the DNR ten days prior to taking final action on any variance, conditional use permit, or zoning change affecting the designated critical area. If the state wishes to make comments or appear at the decision-making meeting, they would then have that opportunity. They could also challenge a local decision in district court as being inappropriate, exactly as is currently allowed in state shoreland regulations. In the end, all of the changes to this legislation that were requested by the City of Minneapolis and League of Cities were adopted.

Endocrine Disrupters. is the policy language guiding an appropriation for establishing ongoing monitoring related to levels of endocrine-disrupting compounds being discharged from wastewater treatment facilities.

Sustainable Water Plan. funds the Water Resources Center at the University of Minnesota to craft a comprehensive statewide sustainable water resource ten-year plan and a detailed 25-year framework by January 15, 2011.

Article 3, Parks and Trails. Article 3 is the funding allocation for parks and trails funds. The biennial totals break down to \$28 million for state park, trails and recreation areas, \$28 million for metropolitan area parks and trails, and \$9 million for other parks and trails of ‘statewide or regional significance’.

Of the \$28 million for “metropolitan area parks and trails”, Met Council will receive approximately \$12.6m in 2010 and \$15.1m in 2011. Of these amounts, the Minneapolis Park and Recreation Board expects to obtain roughly \$2.68m in 2010 and \$3.23m in 2011. Money will be distributed to several parks—including Wirth Regional Park, the Central Mississippi Riverfront Regional Park, the Mississippi Gorge Regional Park, and the Minneapolis Chain of Lakes Regional Park—and will be used for an assortment of capital projects ranging from parking lots, trail construction, picnic shelters, pools, playgrounds, and more.

There is also a third category of grants, which amount to \$12.7m for the biennium, that will be used to fund parks and trails of “regional or statewide significance” with priority for trails that provide “connectivity, enhanced opportunities for commuters, and enhanced safety.” These grants will be administered through the DNR.

Article 4, Arts and Cultural Heritage. Article 4 funds the arts and cultural heritage programs. \$43.3 million will go out through the state Board of the Arts, with 30% of that amount going out through regional arts councils. \$22 million goes to projects and programs connected to the Minnesota Historical Society and its local and regional partners. \$8.5 million goes to the Department of Education to enhance fine arts education. \$14.4 million goes to through the Department of Administration to fund a specific list of public broadcasting, museum, and zoo projects and programs. Finally, \$2.1 million goes through the Minnesota Center for Humanities for use by a list of ‘councils of color’ and for civics educational efforts, and \$1 million goes to the Perpich Center for the Arts.

Article 5, Governance. Language in article 5 relates to the future governance of spending from these dedicated accounts. It instructs the Legislative Coordinating Commission to be the central body for managing public web site access to information related to projects requesting or receiving funds from these accounts. The article also defines ‘enhance’, ‘protect’, and ‘restore’, since those terms are prevalent in the wording of the constitutional amendment. Language is included that specifies what money from the Clean Water Fund can be used for. It closely matches the language adopted in the Clean Water Legacy Act and specifically names city wastewater and stormwater infrastructure as eligible for funding from the account.

Public Finance (re: City of Minneapolis)

Local Government Aid. The Governor proposed a \$245.0 million reduction in LGA as part of a reduction to cities and counties; city would lose \$16.8 million in 09’ and \$35.0 million in 10’. As a result, the City’s LGA would approximate \$72.0 million in ’09 and \$54.0 million in ’10.

The House and Senate tax proposals reduced LGA by \$70.0 and \$11.0 million respectively and were linked to revenue increases.

Since there was no tax bill with a new or expanded revenue source, the Governor will unallot 2010/2011 appropriations approximating \$1.0 billion. Among the unallotments identified during the waning days of the session by the Governor was \$450 million in aids and credits which includes LGA, county aid and market value homestead credit. The distribution of the reductions among the three programs is yet to be determined.

Levy Limits. The Governor continued the levy limit with no change. The House and Senate tax bill repealed levy limits for taxes levied in 2009 and paid in 2010 and subsequent years. There were some amendments to the levy limit law but levy limits continue for 2010 and 2011.

Local Option Taxes. During session, the House proposed an optional county imposed ½% sales tax. The tax would offset losses in state paid County Program Aid and provide revenue for the county's general fund. If a city within the county imposes a sales tax the county tax would replace the city tax. The county tax would pay the remaining debt service or other obligations. A local sales tax imposed by a city of the first class will remain in effect and would not be folded into the county tax. The Senate tax bill had no comparable general law provisions. Once again, since the Governor did not sign the tax bills, the county local option sales tax and other local options were not enacted.

Revenue Diversification. The House bill provided for a street improvement district as means to maintain public infrastructure. However, revenue diversification did not occur this session.

Unfunded Mandates. Throughout session, there was a significant amount of discussion regarding mandates; so much so, Property Tax Committee Chair, Rep. Marquart established a working group to address unfunded mandates. Ultimately, there were no city mandate reliefs besides the elimination of the truth in taxation hearing and required newspaper meeting notice. All other mandate proposals, including the mandate commission, were not enacted.

Mall of America (MoA). While no bills were introduced, several sections of the Senate tax bill amended portions of the MoA legislation to permit the expenditure of local tax revenue on all phases of the MoA. Current law limited the use of revenue to Phase II. The provisions were not enacted.