



A SUMMARY OF
THE FISCAL ACTIONS
OF THE 2020 LEGISLATURE

Money Matters 20.01
September 2020

This paper provides a summary of 2020 legislation with fiscal implications. Legislation included in this summary is that enacted in the regular session and first, second and third special sessions. Part One is the general fund budget overview section. Part Two provides details organized according to the 2019 conference committee structure. The coronavirus pandemic forced limits on legislative activity and greatly influenced legislation enacted.

The Overall Budget Picture 1-8

The Supplemental Budget in Detail

Agriculture and Housing Finance 9-10
Education Finance 11-12
Environment and Natural Resources Finance 13
Health and Human Services Finance 14-16
Higher Education Finance..... 17
Jobs and Economic Development, Energy and Commerce Finance..... 18-21
Legacy Finance.....22
Public Safety and Judiciary Finance 23-24
State Government Finance..... 25-26
Transportation Finance 27-29
Taxes - Tax Revenues 30
Taxes – Tax Aids, Credits and Refunds 31-32

This page intentionally left blank

The Overall Budget Picture

February Forecast Projects a Budget Balance

Minnesota's February state general fund budget forecast was released on February 28, 2020. That forecast projected a \$1.513 billion balance for the FY 2020-21 biennium ending on June 30, 2021. For FY 2022-23, revenue was projected to exceed spending by \$466 million.

Table 1 illustrates the General Fund budget situation as projected in the February 2020 State Budget Forecast. The change in reserves in FY 2020-21 was due to an increase in the budget reserve at the time of the November forecast of \$284 million and an increase in the stadium reserve. The budget reserve change in FY 2022-23 was due to two changes – a reduction in the budget reserve of \$491.4 million and an increase in the stadium reserve of \$133 million. The budget reserve reduction is specified in law enacted in 2019.

Table 1 General Fund Budget Situation - February 2020 Forecast Dollars in Thousands		
	<u>FY 2020-21</u>	<u>FY 2022-23</u>
Beginning Balance	1,491,551	1,512,744
Revenue/Other Resources	48,752,372	51,501,241
Total Resources Available	50,243,923	53,013,985
Expenditures	48,372,575	51,035,606
Change in Reserves	358,604	-358,375
Balance	1,512,744	2,336,754

Within days of the February forecast being released the negative economic effects of the coronavirus pandemic (COVID-19) were becoming obvious as businesses were closing and employees being laid off.

The Legislature took somewhat of a break with the full House and Senate meeting four times during the March 17 to April 16 period, a time that would normally have been very busy with legislative activity. In late April and May legislative committees met remotely and took action on bills. Committee action was much more limited than it would have been during a typical legislative session. The full House and Senate also started meeting more regularly but with many members participating remotely. While legislative activity was more limited than in normal years a number of bills were enacted.

May Interim Budget Projection

Because the economic situation had changed so dramatically since the February state budget forecast had been released, on May 5 Minnesota Management and Budget released an interim budget projection that updated a limited number of revenue and spending numbers for FY 2020 and 2021. At that time no revision was made to the February forecast numbers for FY 2022 and 2023.

The May 5 interim budget projection showed a decrease in a projected budget balance for FY 2020-21 of \$3.938 billion. Of that amount, \$550 million was due to General Fund spending already enacted in the 2020 session. The other \$3.388 billion (\$3.611 billion revenue reduction, \$159 million reduction in spending, and \$63 million reduction in the stadium reserve) was due to changes in revenue, spending and reserves as a result of changes in economic conditions due to the coronavirus pandemic.

All of the \$550 million of additional spending was related to dealing with the coronavirus situation.

Table 2 summarizes the changes in the May 5 Interim Budget Projection as compared to the February 2020 State Budget Forecast.

Table 2 General Fund Budget Situation - May 5 Interim Budget Projection Dollars in Thousands				
	Feb. Forecast FY 2020-21	Enacted Law Changes FY 2020-21	Forecast Changes FY 2020-21	May 5 Update FY 2020-21
Beginning Balance	1,491,551	0	0	1,491,551
Revenue/Other Resources	48,752,372	0	-3,611,021	45,141,351
Total Resources Available	50,243,923	0	-3,611,021	46,632,902
Expenditures	48,372,575	550,370	-159,553	48,763,392
Change in Reserves	358,604		-63,459	295,145
Balance	1,512,744	-550,370	-3,388,009	-2,425,635
Note: The Interim Budget Projection includes additional spending of \$550.37 million that was enacted prior to May 5. No revenue changes had been enacted prior to the May 5 projection.				

Of the May projection changes, the spending decrease is primarily due to a higher FMAP (federal medical assistance participation) reimbursement rate during an emergency. Since the public health emergency was extended into the April - June quarter of 2020 this change reflects a FMAP rate of 52.6 percent rather than 50 percent. The most substantial revenue changes in the May 5 projections are decreases of \$1.659 billion in individual income tax revenue, \$1.351 billion in sales tax

revenue, \$405 million in corporate income tax revenue, \$64 million in lawful gambling revenue and \$100 million in investment income. The projection for the stadium reserve decreases by \$63 million due to the decrease in lawful gambling revenue.

End of Regular Session and Special Sessions

During the regular legislative session following the May 5 Interim Budget Projection several more bills affecting the General Fund were enacted. Those changes totaled \$1.979 million in spending and a \$12,000 reduction in revenue.

No general fund changes were enacted in the first or third special sessions.

In the second special session in mid-July General Fund spending changes totaling \$7.257 million for FY 2020-21 were enacted.

Table 3 shows the General Fund changes enacted in the 2020 regular legislative session after the May 5 Interim Budget Projection during the second special session.

Table 3 General Fund Budget Changes After May 5 Interim Budget Projection Dollars in Thousands						
	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
Spending Change (1)	-319	2,298	1,979	229	128	357
Spending Change (2)	0	7,257	7,257	10,112	10,112	20,224
Revenue Change (1)	-342	330	-12	-11	-10	-21
Revenue Change (2)	0	0	0	0	0	0
Net Change	23	9,225	9,248	10,352	10,250	20,602
(1) shows changes in regular session after May 5 Interim Budget Projection. (2) shows changes in second special session.						

Budget Changes by Committee

The biggest number of General Fund budget changes were in the Health and Human Services area. Almost all of those changes funded changes to deal with the COVID-19 pandemic. The State Government area also had a substantial dollar amount of change primarily because of a \$200 million transfer to the COVID-19 Minnesota Fund. That fund was available to the Commissioner of Minnesota Management and Budget to deal with needs related to the pandemic. More information on these changes is in the relevant sections of this summary. Table 4 shows General Fund budget changes by the 2019 conference committee structure.

Table 4 2020 Sessions - Enacted Bills - General Fund Impact by Committee (Bills enacted in 2020 regular session through the 2020 third special session)						
	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23
Agriculture & Housing						
Spending Change	1,250	0	1,250	0	0	0
Revenue Change	0	0	0	1	2	3
Net Change	1,250	0	1,250	-1	-2	-3
Education						
Spending Change	-898	680	-218	143	72	215
Revenue Change	-342	342	0	0	0	0
Net Change	-556	338	-218	143	72	215
Environment & Natural Resources						
Spending Change	0	0	0	0	0	0
Revenue Change	0	0	0	0	0	0
Net Change	0	0	0	0	0	0
Health & Human Services						
Spending Change	291,021	244	291,265	98	68	166
Revenue Change	0	0	0	0	0	0
Net Change	291,021	244	291,265	98	68	166
Higher Education						
Spending Change	0	0	0	0	0	0
Revenue Change	0	0	0	0	0	0
Net Change	0	0	0	0	0	0
Jobs, Economic Development & Energy						
Spending Change	10,000	0	10,000	0	0	0
Revenue Change	0	0	0	0	0	0
Net Change	10,000	0	10,000	0	0	0
Public Safety & Judiciary						
Spending Change	30,000	7,257	37,257	10,112	10,112	20,224
Revenue Change	0	0	0	0	0	0
Net Change	30,000	7,257	37,257	10,112	10,112	20,224
State Government & Veterans						
Spending Change	207,678	1,374	209,052	-12	-12	-24
Revenue Change	0	-12	-12	-12	-12	-24
Net Change	207,678	1,386	209,064	0	0	0
Transportation						
Spending Change	0	0	0	0	0	0
Revenue Change	-54	54	0	0	0	0
Net Change	54	-54	0	0	0	0
Taxes, Tax Aids & Credits						
Spending Change	11,000	0	11,000	0	0	0
Revenue Change	0	0	0	0	0	0
Net Change	11,000	0	11,000	0	0	0
Totals						
Spending Change	550,051	9,555	559,606	10,341	10,240	20,581
Revenue Change	-396	384	-12	-11	-10	-21
Net Change	550,447	9,171	559,618	10,352	10,250	20,602

End of Legislative Sessions Summary

Minnesota Management and Budget issued an end of sessions fund balance statement on July 31 that included changes from the regular legislative session and the first and second special sessions. This fund balance statement was based on the May 5 Interim Budget Update but also updated revenue and spending numbers for FY 2022 and 23 using the same methodology and base information that was used for the May 5 update. The fund balance statement also recognized an additional quarter (July - September 2020) of a higher FMAP (federal medical assistance participation) rate and a transfer from the assigned risk plan excess surplus to the budget reserve.

This fund balance statement shows a negative \$2.343 billion negative balance for the FY 2020-21 biennium. That balance improved \$82.9 million over the May 5 Interim Budget Projection. This change is the sum of additional spending and savings from the FMAP change. The FMAP change had a net positive impact in FY 2021 of \$92.2 million.

Table 5 General Fund Budget Situation - July 31 End of Legislative Sessions Dollars in Thousands				
	<u>FY 2020-21</u>	<u>Change from Feb. Forecast</u>	<u>FY 2022-23</u>	<u>Change from Feb. Forecast</u>
Beginning Balance	1,491,551	0	-2,342,705	-3,855,449
Revenue/Other Resources	45,159,960	-3,592,412	46,647,025	-4,854,216
Total Resources Available	46,651,511	-3,592,412	44,304,320	-8,709,665
Expenditures	48,680,450	307,875	51,390,768	355,162
Change in Reserves	313,766	-44,838	-456,682	-98,307
Balance	-2,342,705	-3,855,449	-6,629,766	-8,966,340
Structural Balance*	-3,520,490		-4,743,743	
*Structural balance is current biennium revenue minus current biennium spending.				

Fee Changes

A few changes in fees and other charges were made in the 2020 sessions. General Fund changes are incorporated into the charts above, typically as revenue changes. Total changes in revenue from fees decreased \$804,000 for the FY 2020-21 biennium by legislative actions in the 2020 sessions and increased by \$251,000 in the FY 2022-23 biennium. The most significant changes in fee revenue were delays from FY 2020 into FY 2021 because some licensing requirements were delayed as a result of the COVID-19 situation. Table 6 shows the changes.

Table 6								
Fee Changes - 2020 Sessions								
Changes in Fees, Fines, Assessments and Third Party Reimbursements - 2020 Legislation								
Dollars in Thousands								
Committee								
Agency	Change	FY 2020	FY 2021	FY 2020-21	FY 2022	FY 2023	FY 2022-23	Fund
Agriculture								
MDA	Wholesale Produce Dealers Licensing	0	-140	-140	-140	-140	-280	AG
	Seed Fee Law Changes	0	-30	-30	-30	-30	-60	AG
	Water Source Licensing for Food Sales	0	0	0	1	2	3	GF
Education								
PELSB	License Renewal Extension	-342	342	0	0	0	0	GF
Health & Human Services								
Pharm Bd	Medical Gas Fee	-14	-14	-28	-14	-14	-28	SGSR
Pharm Bd	Medical Gas Fee	-270	-270	-540	-270	-270	-540	ORF
Higher Education								
OHE	Increased Oversight & Student Support	0	146	146	146	146	292	SR
Jobs, Economic Development, Energy & Commerce								
Comm	Appraisal Management Com Reg Fee	0	25	25	25	25	50	SR
State Government								
Cosmt Bd	Licensing Fee- Certain Services	0	-12	-12	-12	-12	-24	GF
Transportation								
DPS	Driver License Renewal Extension	-9,844	9,844	0	0	0	0	SR
DPS	Driver License Renewal Extension	-54	54	0	0	0	0	GF
DPS	Vehicle Registration Tax Changes	0	-225	-225	204	634	838	HUTDF
DOT	Overweight Truck Fee	0	-4,127	-4,127	-4,127	-4,127	-8,254	THF
DOT	Overweight Truck Fee	0	4,127	4,127	4,127	4,127	8,254	SR
Total Change		-10,524	9,720	-804	-90	341	251	All
Subtotal - General Fund		-396	384	-12	-11	-10	-21	GF
Subtotal - Other Funds		-10,128	9,336	-792	-79	351	272	Other
Fund Abbreviations and Names								
GF - General Fund								
AG- Agricultural Fund								
SR - Special Revenue Fund								
SGSR - State Government Special Revenue Fund								
ORF - Opiate Epidemic Response Fund								
HUTDF - Highway User Tax Distribution Fund								
THF - Trunk Highway Fund								

Federal Funding for Coronavirus Relief

As of mid-September 2020 the federal government has enacted four bills that provided funding to states, individuals and businesses to offset costs related to the coronavirus pandemic. This is a brief summary that legislation.

The Coronavirus Preparedness Response Supplemental Appropriations Act (P.L. 116-123, April 24, 2020) appropriated emergency funding to the Health and Human Services Department, the State Department and the Small Business Administration. Appropriations included funding for vaccine development, medical supplies, loans to businesses, grants to state, local and tribal health agencies.

The Families First Coronavirus Response Act (P.L. 116-127, March 18, 2020) provided paid sick leave, expanded unemployment benefits, increased Medicaid funding, funding for COVID-19 diagnostic testing, and additional food and nutrition assistance.

The Coronavirus Assistance, Relief and Economic Security (CARES) Act (P.L. 116-136 March 27, 2020) established the Paycheck Protection Program, sent \$1,200 to U.S. citizens, added \$600 per week to unemployment benefits, provided assistance to hospitals and health care providers, provided funding for food banks, made grants to the airline industry, established a moratorium on eviction filings and created a Coronavirus Relief Fund (CRF) that provided funding with limited discretion to states and larger local governments.

Then the Paycheck Protection Program and Health Care Enhancement Act (P.L. 116-139 April 24, 2020) added more funding to the Paycheck Protection Program and provided more funding for health care providers and for coronavirus testing and tracing.

The Coronavirus Relief Fund (CRF) in the CARES Act provided \$2.187 billion of federal funding to Minnesota. CRF funds must be spent on necessary costs related to COVID-19, cannot be spent on costs previously funded in a budget, must be spent on costs incurred between March 1, 2020 and December 30, 2020, and cannot be spent to replace lost revenue. \$317 million of that was distributed directly to Hennepin and Ramsey Counties by the U.S. Treasury Department. The remaining \$1.870 billion was sent to the state. Of this amount, \$92.1 million has been appropriated in enacted legislation. Another \$1.616 billion has been spent under the statutory appropriation of federal funds with the advice of the Legislative Advisory Commission (LAC). A request for \$53 million of spending is currently (mid-September) being reviewed by the LAC. As of mid-September \$111 million remains unspent. That amount includes \$3.44 million of interest earned since the U.S. Treasury Department sent the money to Minnesota. Table 7 summarizes CRF spending.

Table 7 Coronavirus Relief Federal Fund (CRF) Spending Proposed Spending Through September 17, 2020 Dollars in Thousands		
Total CRF Distribution to Minnesota		2,186,827
Direct Allocation to Hennepin and Ramsey Counties		316,907
Legislative Appropriations		
Small Business Grants (1SS, Chapter 1)	60,000	
Disability Day Service Provider Grants (SS3, Chap	30,430	
Other Legislative Appropriations	1,735	
Total Legislative Appropriations		92,165
Governor's Allocations with LAC Advice		
Summer Food Support for Children	35,500	
Distribution to Local Governments	841,464	
Emergency Child Care Assistance Grants	109,932	
Housing Assistance	100,000	
Education Operating Costs	244,800	
Additional Diagnostic Testing Capacity	55,000	
Case Investigation and Contact Tracing	35,091	
Other Allocations	248,017	
Total Governor's Allocations		1,669,804
Interest Earning on Balance in the Fund		3,440
Remaining Balance		111,391

For further information on overall budget issues, please contact Bill Marx, Chief Fiscal Analyst, at bill.marx@house.mn, or 651-296-7176.

Agriculture Finance

Minnesota Laws 2020, Chapter 101 included several agriculture related appropriations from the Coronavirus Relief Fund totaling \$600,000. The appropriations all occurred in FY 2020 and are one-time:

- \$40,000 in additional farmer mental health support.
- \$100,000 to assist farmers and processors with the loss of existing markets.
- \$175,000 to offset farmer crisis loan origination fees.
- \$125,000 to assist local food retailers and handlers with the purchase of safety and sanitary equipment.
- \$100,000 to establish a grant program for meat and poultry processors to expand processing capacity due to the temporary shutdown of larger facilities.
- \$60,000 in additional support to the farm advocate services.

Minnesota Laws 2020, Chapter 101 also included several General Fund changes to existing appropriations. The previously enacted agricultural research, education, extension, and technology transfer (AGREET) appropriation was amended to include \$675,000 for testing and laboratory equipment for the veterinary diagnostic laboratory on the St. Paul campus of the University of Minnesota. The AGREET appropriation also included a previously enacted designation of up to \$1 million in avian influenza research. Minnesota Laws 2020, Chapter 101 reduced this appropriation to \$900,000 and established a farm safety program in FY 2021 with the remaining \$100,000.

Minnesota Laws 2020, Chapter 89 included several changes to licensing requirements to wholesale produce dealers and fees paid by wholesale seed dealers. The changes resulted in a \$170,000 increase in fee revenue to the Agricultural Fund beginning in FY 2021 and going forward.

Earlier in the legislative session Minnesota Laws 2020, Chapter 74 appropriated \$1.25 million in FY 2020 to Second Harvest Heartland for food shelf support. The appropriation was one-time General Fund. Additionally, Minnesota Laws 2020, Chapter 67 appropriated \$50 million in funding to the Rural Finance Authority for programs that provide affordable financing to Minnesota farmers not available from commercial lenders. Policy changes contained in Minnesota Laws 2020, Chapter 71 granted additional flexibility to the Rural Finance Authority to allow for the Disaster Recovery Loan Program to address the loss of farm revenue due to human contagious disease.

Housing Finance

The Legislative Advisory Commission approved a request from the executive branch for \$100 million from the Coronavirus Relief Fund (CRF) for housing assistance. The amount approved is meant to provide assistance to those facing evictions, prevent homelessness and maintain housing stability for individuals and families impacted by COVID-19. Resources are available for those individuals and families with incomes less than 300 percent of the federal poverty guidelines. The program will be administered at the local level and used to make direct payments to bills from March 2020 for rental, mortgage and utility payments (and other housing related bills). Expenditures from the CRF must be completed by December 30, 2020.

For additional information on Agriculture and Housing Finance issues, contact Ken Savary, Fiscal Analyst, at 651-296-7171 or ken.savary@house.mn.

Education Finance

The 2020 Legislature made a handful of changes in the education finance area that were signed into law by Governor Tim Walz and can be found in Chapter 116 of the 2020 Session Laws. The fiscal impact of the changes results in overall General Fund savings of \$218,000 in the first biennium and an overall General Fund cost of \$215,000 in the second biennium.

2020 Education Changes – Regular Session (\$ in thousands)

	FY 2020	FY 2021	FY 20-21	FY 2022	FY 2023	FY 22-23
Appropriations						
Early Middle College Program	-	-	-	65	72	137
Achievement & Integration Aid	(708)	630	(78)	78	-	78
Statewide Testing and Reporting System	(180)	-	(180)	-	-	-
Developmental Screening Aid	(10)	1	(9)	-	-	-
PELSB - Teacher Licensure System IT	-	49	49	-	-	-
Subtotal Appropriations	(898)	680	(218)	143	72	215
Revenue						
PELSB - License Renewal Extension	(342)	342	-	-	-	-
Subtotal Revenues	(342)	342	-	-	-	-
GENERAL FUND TOTAL	(556)	338	(218)	143	72	215

General Education Program

The early middle college program was previously funded through the end of fiscal year 2021, and Chapter 116 creates an ongoing funding stream for the program. The cost of this change in the 2022-23 biennium is \$137,000.

Education Excellence

The new law moves a portion of the FY 2020 funding for Achievement and Integration Aid to FY 2021 in order to give school districts an additional year to spend funds that would otherwise cancel. The mechanics behind this change shift \$708,000 from FY 2020 and spread it out over the following two years: \$630,000 (90%) in FY 2021 and \$78,000 (10%) in FY 2022.

Statewide Testing and Reporting was reduced by \$180,000 in FY 2020 as a result of school closures and fewer tests administered.

Early Childhood Education and Family Support

There is a net reduction of \$9,000 in Developmental Screening Aid in the 2020-21 biennium, reflecting an interruption of the anticipated number of children screened.

Professional Educator Licensing and Standards Board (PELSB)

There is a onetime cost of \$49,000 in FY 2021 for IT costs related to a change in the teacher licensure system.

Chapter 116 grants teachers a six month license renewal extension, which has a net effect of zero across fiscal years 2020 and 2021. The annual impact is a revenue loss of \$342,000 in FY 2020 and a revenue gain of \$342,000 in FY 2021.

Other Items of Note

The employer pension contributions to the Teachers Retirement Association (TRA) were set for fiscal year 2024 for the following agencies: the Minnesota Department of Education (MDE), Minnesota State Academies, and the Perpich Center for Arts Education. The payment amounts were initially established in Laws 2018, Chapter 211.

There have also been multiple streams of federal money sent to the state for use by the MDE and school districts. One source of federal funding to note is the Coronavirus Relief Fund (CRF), which provided \$256 million in August to assist with the reopening of schools. The funds were distributed as follows:

- \$244.8 million for operating costs and the needs of students, families and educators
- \$5.2 million for school supplies and critical care supplies
- \$6 million for on-demand saliva testing for (public and private school) educators, staff and child care providers

For further information on Education Finance issues contact Emily Adriaens, Fiscal Analyst, at 651-296-4178 or emily.adriaens@house.mn.

Environment and Natural Resources Finance

There were no substantial fiscal changes in the environment and natural resource area made in the 2020 regular, first, second and third special sessions.

For additional information on Environment and Natural Resources Finance issues, contact Brad Hagemeyer, Fiscal Analyst, at 651-296-7165 or brad.hagemeyer@house.mn.

Health and Human Services Finance

During 2020 Legislative sessions through the Third Special Session, nine chapters of session law included Health & Human Services Finance provisions. These included 2020 regular session Chapters 66, 70, 71, 73, 78, and 113. Also included were First Special Session, Chapters 7 and 9 and Third Special Session, Chapter 1. The table below summarizes fiscal changes in the Health and Human Services budget jurisdiction by chapter and by fund.

In total, 2020 legislation passed through the Third Special Session increased General Fund spending for the FY 2020-21 biennium by \$291.3 million with increased tails of \$166,000 in the FY 2022-23 biennium. The table below shows the total fiscal effect of HHS bills passed in 2020 through the Third Special Session. It should be noted that the federal funds numbers represent only specific appropriations made in the chapters listed above. A much larger amount of federal COVID-19 spending in the HHS area has been approved through the Legislative Advisory Commission (LAC) review process rather than in legislation.

Total HHS Fiscal Changes by Fund 2020 Session, 1st SS, 3rd SS				
\$'s in thousands	FY 2020	FY 2021	FY 2022	FY 2023
Appropriation Changes				
General Fund	291,021	244	98	68
Health Care Access Fund	547	212	156	76
Opioid Response Fund	-	2,713	-	-
Federal Child Care Development Fund (including CARES)	-	20,439	32,710	32,648
Federal CARES Act Funds (no child care)	-	31,565	-	-
Revenue Changes				
Opioid Response Fund - Medical Gas Fee	(270)	(270)	(270)	(270)
SGSR - Medical Gas Fee	(14)	(14)	(14)	(14)

Individual Chapters with HHS fiscal impact are as follows, all dollars are in thousands:

Chapter 66 - Public Health Emergency	FUND	FY 2020	FY 2021	FY 2022	FY 2023
Health Department					
Transfer to Public Health Response Account	GEN	20,889	-	-	-

Chapter 66 transfers \$20.9 million into the state Public Health Response Contingency Account to deal with the COVID-19 emergency.

Chapter 70 - COVID-19 Emergency Response	FUND	FY 2020	FY 2021	FY 2022	FY 2023
Health Department					
Transfer to Public Health Response Account	GEN	50,000	-	-	-
Transfer to Health Care Response Fund	GEN	150,000	-	-	-

Chapter 70 transfers funds to assist health care providers to prepare for the COVID-19 emergency. \$50 million in the Public Health Response Contingency Account was for short-term emergency grants to health providers. \$150 million into is transferred into a new Health Care Response Fund for long-term grants to help health care providers to prepare for COVID-19.

Chapter 71 - HHS Sections	FUND	FY 2020	FY 2021	FY 2022	FY 2023
Board of Pharmacy					
Medical Gas Fee Adjustment - Revenue loss	SGSR	(14)	(14)	(14)	(14)
Human Services Department					
Emergency Child Care Grants	GEN	29,964	-	-	-
Emergency Assistance - Homeless	GEN	26,537	-	-	-
Housing Support Rate Increase	GEN	5,530	-	-	-
MN Food Shelf Program	GEN	9,000	-	-	-
Opioid Response Fund					
Medical Gas Fee Adjustment - Revenue loss	ORF	(270)	(270)	(270)	(270)

Chapter 71 Health & Human Services provisions include appropriations to give emergency grants to child care providers to help them stay in business during the pandemic, funds to provide shelter to homeless populations, an increase in rates for housing support programs, and funds for Minnesota food shelves. Chapter 71 also corrected an erroneous fee increase from the 2019 Opioids bill (Laws 2019, Ch. 63) causing a revenue loss to the Board of Pharmacy and the Opioid Response Fund.

Chapter 73 - Emergency Insulin	FUND	FY 2020	FY 2021	FY 2022	FY 2023
Board of Pharmacy					
Program Implementation	HCAF	-	76	76	76
Health Department					
Survey	HCAF	-	136	80	-
MnSure					
Navigator Training	HCAF	108	-	-	-
Application assistance Payments	HCAF	189	-	-	-
Public Awareness Campaign	HCAF	250	-	-	-

Chapter 73 appropriates Health Care Access Fund money for cost related to starting and administering an emergency insulin program and getting eligible people insurance coverage through the state health insurance exchange. These appropriations do not include the cost of emergency insulin which is covered by an insulin fee enacted on insulin producers in this Chapter. Note – pharmaceutical companies filed a lawsuit challenging the constitutionality of this Act, that lawsuit is still pending.

Chapter 78 - Rx Drug Price Transparency	FUND	FY 2020	FY 2021	FY 2022	FY 2023
Health Department					
Adjust 2019 appropriation	GEN	(899)	244	98	68

Chapter 78 corrects the amounts appropriated in Laws 2019, First Special Session, Chapter 9, Article 14, Section 3, Subdivision 1. That law appropriated the funding for the drug transparency program but the enabling language for the program was not enacted. Chapter 78 includes the enabling language and adjusts the appropriation to reflect the program starting one year later.

Chapter 113 - Opioid Response Fund Grants	FUND	FY 2020	FY 2021	FY 2022	FY 2023
Human Services Department					
Grants	ORF	-	2,713	-	-

Chapter 113 funds specific projects from the Opioid Response Fund. \$1.1 million is for grants to three entities to purchase and distribute Nalaxone. \$412,000 is for grants to ECHO treatment programs. \$200,000 is for grants to four entities to expand treatment capacity. \$1 million is for grants to seven entities or jurisdictions to support and expand medication assisted treatment.

1st SS, Chapter 7 - Housing Support Waiver	FUND	FY 2020	FY 2021	FY 2022	FY 2023
Human Services Department					
Housing Support - Waive Absent Day Limit	CRF	-	1,135	-	-

Chapter 7 (1SS) appropriates additional Federal CARES Act funds to extend a waiver of the absent day limit so persons do not lose their place in group housing if they are gone for extended periods due to the COVID-19 pandemic.

1st SS, Chapter 9 - Child Care Rates	FUND	FY 2020	FY 2021	FY 2022	FY 2023
Human Services Department					
BSF Child Care - Adjust Max Rate	FED	-	6,897	10,525	10,288
MFIP Child Care - Adjust Max Rate	FED	-	13,542	22,184	22,360

Chapter 9 (1SS) adjusts the maximum reimbursement rate for both child care programs to the 25th percentile of the 2018 rate survey. This increase is funded entirely with federal Child Care Development Block Grant (CCDBG) funds and federal CARES Act CCDBG funds.

3rd SS, Chapter 1 - HCBS/Day Services Grant	FUND	FY 2020	FY 2021	FY 2022	FY 2023
Human Services Department					
HCBS COVID-19 Retention Grants	CRF	-	20,305	-	-
Disability Services COVID-19 Grants	CRF	-	10,125	-	-

Chapter 1 (3SS) appropriates federal CARES Act funds to provide grants to home and community based services providers and disability day services providers to help them remain open and to cover COVID-19 related costs.

For further information on Health and Human Services Finance issues, contact Doug Berg, Fiscal Analyst, at doug.berg@house.mn or 651-296-5346.

Higher Education Finance

Action by the 2020 Legislature included several changes to fee based provisions in Chapter 109, enacted on May 27, 2020. Chapter 109 made fee increases to the Statewide Authorization Reciprocity Agreement (SARA) for public and private institutions of higher education. Fees are based upon the enrollment of the institution and range from \$750 to \$7,500 annually. Fees related to institutional registration with the Office of Higher Education also rose from \$1,200 to \$1,500 per institution. In total Chapter 109 provides an additional \$146,000 of revenue to the Special Revenue Fund beginning in FY 2021. The Office of Higher Education will use the revenue to provide increased oversight of higher education institutions in Minnesota. The new spending will occur in FY 2021.

For additional information on Higher Education Finance issues, contact Ken Savary, Fiscal Analyst, at 651-296-7171 or ken.savary@house.mn.

Jobs, Economic Development, Energy, and Commerce

2020 Regular Legislative Session

Budgetary changes for the jobs, economic development, energy, and commerce finance policy areas were included in four bills¹ in the 2020 Regular Legislative Session. Chapter 71 includes General Fund appropriations and net zero Special Revenue Fund transfers, as well as budgetary changes in other policy areas. Chapter 72 contains unknown costs concerning workers' compensation. Chapter 94 includes net zero Special Revenue Fund changes. Chapter 118 contains Renewable Development Account spending.

General Fund – The Legislature increased the total General Fund appropriation for the jobs, economic development, energy, and commerce finance policy area by \$10 million. This amount, in Chapter 71, Article 1, Section 12, is an appropriation to the Small Business Loan Guarantee Program, for the purpose of guaranteeing loans taken out by small businesses for COVID-19 relief.

Table 1 summarizes General Fund changes adopted by the Legislature in the 2020 Regular Legislative Session.

Table 1 Jobs, Economic Development, Energy, & Commerce Finance Total General Fund Spending Dollars in thousands				
Agency	Forecast Base	Ch. 71 Change	Ch. 71 Change	Total with Change
	FY 2020-21	Dollars	Percent	FY 2020-21
Department of Employment and Economic Development	250,509	10,000	3.99%	260,509
Department of Labor and Industry	7,688	0	0	7,688
Bureau of Mediation Services	5,282	0	0	5,282
Department of Commerce	52,528	0	0	52,528
Public Utilities Commission	15,586	0	0	15,586
Public Facilities Authority	0	0	0	1,800
Iron Range Resource and Rehabilitation Board	5,708	0	0	4,995
Total	337,301	10,000	.03%	348,388

Special Revenue Fund – The legislature passed two bills in the 2020 Regular Legislative Session that have impacts to the Special Revenue Fund. Chapter 71, Article 2, Section 4 creates the Small Business Emergency Loan Account in the Special Revenue Fund. Article 1, Section 11(1)

¹ Chapter 68, which establishes a \$30 million General Fund transfer to the Disaster Assistance Contingency Account, is included in the Public Safety and Judiciary Finance summary.

transfers \$20 million to this new account from the Minnesota 21st Century Fund in the Special Revenue Fund, and Article 1, Section 11(2) transfers \$10 million to this new account from the Minnesota investment revolving loan account in the Special Revenue Fund. This chapter therefore resulted in a \$30 million transfer in to the Small Business Emergency Loan Account and a net zero impact on the Special Revenue Fund.

Chapter 94 aligns Minnesota Statute with 12 U.S. Code § 3338, regarding Appraisal Management Company (AMC) annual registry fees. Specifically, Chapter 94 provides statutory authority for the Minnesota Commerce Department to collect an annual fee from all AMCs and remit it to the Appraisal Subcommittee for the National Registry. The Commerce Department estimates that \$25,000 in fee revenue will annually be collected by the State from AMCs and remitted to the National Registry. This results in \$25,000 in revenues per year and \$25,000 in spending from the Special Revenue Fund, a net zero impact.

Table 2 summarizes Special Revenue Fund changes adopted by the Legislature in the 2020 Regular Legislative Session.

Table 2 Jobs, Economic Development, Energy, & Commerce Finance Total Special Revenue Fund Spending Dollars in thousands				
Citation	Agency	Content	FY 20-21	FY 22-23
<u>Chapter 71</u>		<u>COVID-19 Response</u>	-	-
Art. 1 Sec. 11	DEED	Revolving MIF \$ to SBEL	(10,000)	-
Art. 1 Sec. 11	DEED	Minnesota 21st Century \$ to SBEL	(20,000)	-
Art. 1 Sec. 11	DEED	Small Business Emergency Loan Program	30,000	-
<u>Chapter 94</u>		<u>Modifying Appraisal Mgmt. Co. Licensure</u>	-	-
	Commerce	Revenue Collection	25	50
	Commerce	Remitment of funds to Federal Government	(25)	(50)
Total Special Revenue Fund Impact			-	-

Renewable Development Account – In Chapter 118, the Legislature established a \$25.75 million increase in spending/revenue change from the Renewable Development Account (RDA)² in fiscal year 2021, \$25.2 million in fiscal year 2022, and \$15 million in fiscal year 2023. In Section 5, Subdivision 1, the Legislature appropriated \$2 million in fiscal year 2021 to the Department of Employment and Economic Development for community energy transition grants. In Section 5, Subdivision 2, the Legislature appropriated \$16 million in fiscal year 2021 to the Department of Commerce for the Prairie Island Net Zero Project, for which it also set a base of \$15.2 million in fiscal year 2022 and \$15 million in fiscal year 2023. Section 5, Subdivision 3 contains an appropriation of \$2.75 million in fiscal year 2021 to the Department of Commerce for the Granite Falls hydroelectric generating facility.

² Though the RDA was established in law as an account in the Special Revenue Fund, Minnesota Management and Budget used their statutory authority in Minn. Stat., Section 16A.53, Subdivision 3, to manage and track the RDA as a separate fund in the [Consolidated Fund Statement](#), calling it the Renewable Development Fund. Because the account at Xcel Energy prior to the 2017 statute change was also referred to as the Renewable Development Fund (RDF), this document uses the term Renewable Development Account (RDA) to specify the fund in the state treasury.

Chapter 118, Section 1 makes changes to Minnesota Statutes, Section 116C.7792, clarifying language and extending the solar energy production incentive program an additional year. The new language increases the funds Xcel Energy is to withhold for the solar energy production incentive program in calendar year³ 2021 from \$5 million to \$10 million, creating a decrease in revenue to the RDA of \$5 million. It establishes \$10 million as the amount Xcel is to withhold for the program in calendar year 2022, establishing a decrease in revenue of \$10 million.

Table 3 summarizes the changes Chapter 118 makes to the Renewable Development Account.

Table 3 Jobs, Economic Development, Energy, & Commerce Finance Total Renewable Development Account Spending Dollars in thousands				
Citation	Agency	Content	FY 20-21	FY 22-23
<u>Chapter 118</u>				
		<u>RDA Spending</u>	<u>20,750</u>	<u>30,200</u>
Sec. 5 Subd. 1	DEED	Community Energy Transition Grants	2,000	-
Sec. 5 Subd. 2	Commerce	Prairie Island Net Zero Project	16,000	30,200
Sec. 5 Subd. 3	Commerce	Granite Falls Hydroelectric Generating Facility	2,750	-
		Carve Out for Building Repair	[400]	-
		<u>RDA Revenue Decrease</u>	<u>5,000</u>	<u>10,000</u>
Sec. 1	Commerce	Solar Incentive Program	5,000	10,000
Total Renewable Development Account Spending/Revenue Changes			25,750	40,200
Renewable Development Account Balance before Ch. 118			84,170	139,275
Renewable Development Account Balance after Ch. 118			58,420	73,325

Other Funds

Chapter 71, Article 2, Section 12 has an unknown impact that could affect a variety of funds. It allows for the commissioner of commerce to delay, stay, or waive licensing, investigative, or other deadlines to provide relief or safe harbor from legal obligations with respect to licensees or other persons regulated by the Department of Commerce. This has potential to delay the receipt of a variety of license and application fees, creating unknown fiscal impacts. The receipt of various affected fees may be pushed back from FY 2020 to FY 2021.

Chapter 72 establishes a presumption for COVID-19 workers' compensation claims that certain public-facing employees who have contracted COVID-19 did so in the course of employment. This has unknown costs for the Workers' Compensation Fund.

³ Xcel Energy operates the solar energy production incentive program on a calendar year basis. Under Minn. Stat., Section 116C.779, Xcel must transfer otherwise unencumbered cash fees to the Renewable Development Account in the state treasury each January 15, meaning that additional funds withheld from the account would impact the equivalent fiscal year. (e.g., Xcel must now withhold an additional \$5 million from its January 15, 2021 transfer to the state for the program's calendar year 2021, impacting the state's fiscal year 2021.)

2020 First Special Session

Budgetary changes for this policy area were enacted in the First 2020 Special Session in Chapter 1, which contains a \$60 million appropriation from the Coronavirus Relief Fund (CRF) for the DEED Small Business Relief Grants Program, as well as a \$2.5 million appropriation from the Small Business Loan Guarantee Program account (mentioned above) in the Special Revenue Fund for use in administering and granting funds for the Small Business Relief Grants Program. Chapter 1 also amends Minnesota Statutes 2018, Section 16A.152, Subdivision 2 to account for the gradual repayment of the Minnesota 21st Century Fund from the General Fund for the \$20 million transferred out of the Minnesota 21st Century Fund in Chapter 71 of the 2020 Regular Legislative Session.

2020 First Special Session Chapters 5 and 10 included policy changes related to Jobs and Economic Development but contained no budgetary changes.

2020 Second Special Session

The 2020 Second Special Session included an appropriation to the Bureau of Mediation Services in Chapter 1, the Criminal Justice Reform Package, but this appropriation of \$120,000 in fiscal year 2021 was tracked in the Public Safety and Judiciary Finance policy area.

2020 Third Special Session

The 2020 Third Special Session did not include any budgetary changes to the jobs, economic development, energy, and commerce policy area.

For further information on jobs, economic development, energy, and commerce finance issues, please contact Solveig Beckel, Fiscal Analyst, at solveig.beckel@house.mn, or 651-296-4162.

Legacy Finance

Minnesota Laws 2020, Chapter 104, appropriates money from the Outdoor Heritage Fund. In total 43 projects received \$117.915 million in funding. The projects fall into five categories; there were 13 projects in the *Prairies* category totaling \$35.832 million, six projects in the *Forests* category totaling \$13.669 million, four projects in the *Wetlands* category totaling \$12.625, 18 projects in the *Habitats* category totaling \$55.429 million, and two projects in *Administration* totaling \$360,000. In addition to the appropriations, two past projects were cancelled for a total savings of \$5.319 million. The bill has a net expenditure of \$112.596 million and the Outdoor Heritage Fund maintained a statutorily required five percent reserve. A complete tracking of the projects can be found at [file:///C:/Users/template/Downloads/SS_Legacy2020CH104_052720%20\(1\).pdf](file:///C:/Users/template/Downloads/SS_Legacy2020CH104_052720%20(1).pdf). Additional information on individual projects can be found at <https://www.isohe.leg.mn/>.

Chapter 104 also appropriates \$250,000 in FY 2020 from the Arts and Cultural Heritage fund to complete construction of the Medal of Honor memorial on the Capitol mall. This appropriation is a replacement for a previous appropriation from 2017 that canceled at the close of FY 2019.

For further information on legacy finance issues, please contact Brad Hagemeyer, Fiscal Analyst, at brad.hagemeyer1@house.mn, or 651-296-7165 or Helen Roberts, Fiscal Analyst, at helen.roberts@house.mn, or 651-296-4117.

Public Safety and Judiciary Finance

The House Public Safety and Judiciary Finance committees had limited fiscal actions during the 2020 legislative sessions. While both committees pursued budget actions typical of a supplemental budget year, those proposals were not finalized due to many factors. The shutdowns linked to Covid-19, resulting budget shortfalls, and civil unrest focused the Legislature's priorities and attention to other issues.

House initiatives and Governor's supplemental budget requests, therefore, fell short of final passage into law. That does not mean, however, that because there were no omnibus budget bills signed by the Governor, that items of importance were not in fact passed into law. Total new expenditures for Public Safety and Judiciary Finance came in at just over \$37 million from the General Fund during the legislative session. The actions are summarized below.

Disaster Contingency Account

The Laws of 2020, Chapter 68 included a transfer of \$30 million into the Disaster Contingency Account. The account was created to set aside funds for state disaster needs that do not meet the threshold for federal disaster aid. The account had become depleted and the transfer was to provide funds for unforeseen needs until the next legislative session.

Criminal Justice Reform Package

Civil unrest in Minneapolis and St Paul focused attention on reform in the criminal justice system. The Legislature passed a reform package which became the Laws of 2020, Second Special Session, Chapter 1. The package included many policy and financial provisions, the costs of which include:

\$3.3 million annually for a special investigations unit created at the BCA (Bureau of Criminal Apprehension). The newly created unit will be tasked with investigating allegations of law enforcement misconduct.

\$3.5 million for a database at the Peace Officer Standards and Training (POST) board to track incidents of complaints against law enforcement officers. \$96,000 was also including for ongoing costs of staffing the database at the POST board.

\$145,000 also to the POST Board for Crisis Intervention Training. The money will provide training to peace officer to better understand and deal with persons suffering from mental illness.

\$23,000 for an advisory council through the POST board to help improve relations between the public and law enforcement.

The Legislature extended for two years, POST board funds to help train local police officers. The four year funding boost was originally passed in 2016 and was set to expire. The extension will provide an additional \$6 million annually and extend into fiscal years 2022 and 2023.

Finally, the reform package included \$8,000 per year to train BCA personnel in autism recognition and \$120,000 to Mediation Services for rulemaking and additional mediators that specialize in arbitration issues with law enforcement.

For further information on public safety and judiciary finance issues, contact John Walz, Fiscal Analyst, at john.walz@house.mn or 651-296-8236.

State Government Finance

Chapters 71 and 81, Minnesota Management and Budget (MMB), COVID-19 Minnesota Fund

Chapter 71 creates a new COVID-19 Minnesota Fund to pay expenditures related to the peacetime emergency declared by Walz in response to the COVID 19 pandemic. \$200 million is transferred from the General Fund to the new fund and appropriated to the commissioner of management and budget. The commissioner may disburse or transfer funds to state agencies as necessary to (1) protect Minnesota citizens from the COVID-19 outbreak, and (2) maintain state government operations throughout the duration of the peacetime emergency.

A new temporary ten member legislative oversight commission is established to review proposed expenditures of \$1 million or more. The joint commission has 24 hours to review the proposed expenditures, and can prohibit the executive branch from expending the funds if a majority of both the house members and the senate members make a negative recommendation. The commissioner of MMB must report on the fund's expenditures to the commission bimonthly.

Chapter 81 extends the availability extends of the fund until December 31, 2020. Upon expiration, any money in the fund that remains unobligated will transfer back to the general fund.

Chapter 71, Department of Veterans Affairs, Emergency Assistance Grants

Chapter 71 appropriates \$6.2 million from the General Fund in fiscal year 2020 to the commissioner of veteran's affairs for financial assistance grants to any veteran or surviving spouse impacted by COVID 19. The grants may be used for emergency financial relief, hospital and medical care, or any other COVID 19 related assistance determined by the commissioner. The funds are available until June 20, 2021.

Chapter 77, Secretary of State, Help America Vote Act Matching Funds

Chapter 77 appropriates federal funds made available through the Help America Vote Act and the General Fund matching dollars required to secure the federal funds. Two separate appropriations are made to the Secretary of State. The first appropriation is for the federal consolidated appropriations act authorized by Congress in December of 2019 and includes a 20 percent state match. The funds are intended for elections security purposes, and a list of authorized uses is outlined in Chapter 77.

The second appropriation is for the federal CARES act included in the March 2020 federal stimulus bill and also includes a 20 percent state match. These funds are intended to mitigate the impact of the COVID 19 pandemic on the 2020 elections and authorized uses are outlined.

All appropriations are in fiscal year 2020 except the General Fund match for the Cares Act match is in FY 2021. All appropriations are one-time.

Federal Consolidated Appropriations Act (December 2019)

Federal HAVA funds: 7,389,506

General Fund match: 1,477,901

Federal CARES Act (March 2020)

Federal HAVA funds: 6,930,610

General Fund match: 1,386,122

Total Federal Funds: 14,320,116

Total General Fund: 2,864,023**Total All Funds: 17,184,139****Chapter 106, Board of Cosmetologists Examiners, Licensing Changes**

Chapter 106 removes licensing requirements for certain hairstyling and makeup services. This change is projected to reduce licensing fees collected by the board by \$12,000 each year. The annual appropriation for the board was reduced by \$12,000 per year beginning in fiscal year 2021.

For additional information on State Government and Veteran's and Military Affairs Finance issues, contact Helen Roberts, Fiscal Analyst, at 651-296-4117 or helen.roberts@house.mn.

Transportation Finance

Regular Session and First and Second Special Sessions

During the 2020 Legislative sessions up to August, Transportation provisions were included in six chapters of session law signed by the Governor as Chapters 69, 71, 74, and 100 all during the regular session, Chapter 3 during the First Special Session in June and Chapter 2 during the Second Special Session in July. Below is a summary of fiscal changes by chapter and by fund.

Transportation Fiscal Changes 2020 Sessions, 1st & 2nd Special Sessions					
Chapter 69 - Transportation Infrastructure Finance and Innovation Act (IFTA)					
	FUND	FY 2020	FY 2021	FY 2022	FY 2023
Revenue Change - Overweight Truck Fee Loss	THF	-	(4,127)	(4,127)	(4,127)
Revenue Change - Overweight Truck Fee Gain	SR	-	4,127	4,127	4,127
Expenditure - Debt Service for IFTA Loan	SR	-	1,787	1,287	1,287
Chapter 71 - Transportation Sections					
Public Safety - Driver & Vehicle Services					
Appropriation - REAL ID Implementation & Proc	SR	2,400	-	-	-
Revenue Change - License Extension	SR	(9,844)	9,844	-	-
Revenue Change - License Extension	GEN	(54)	54	-	-
Chapter 74 - Transportation Sections					
	FUND	FY 2020	FY 2021	FY 2022	FY 2023
Revenue Change - Vehicle Reg. Tax Changes	HUTD		(225)	204	634

Chapter 69

Presented and signed by the Governor on March 17, 2020, Chapter 69 contained a transportation finance provision that allows MnDOT to enter into a loan agreement with the Federal Government to finance a portion of the US Highway 14 freeway conversion. The Federal finance mechanism is known as the TIFA or Transportation Infrastructure Finance Act. Chapter 69 makes changes the allocation of overweight truck fees from the Trunk Highway fund to a Special Revenue Fund to support the TIFTA loan repayment, and maintain a reserve for loan repayment.

Chapter 71

Presented to the Governor and signed March 28, 2020, Chapter 71 contained several COVID-19 related measures, including two for the transportation budget area. The first was a \$2.4 million Special Revenue Fund (Vehicle Services Account) appropriation for additional processing

capacity at DVS (Driver and Vehicle Services) for implementation and processing of REALID compliant licenses. Since the enacting of Chapter 71 the Federal Government has moved back the deadline for REALID implementation. The second transportation item in Chapter 71 was an extension of driver's license renewal periods due to the pandemic. At the time DPS estimated that the extension would mean a shift of revenue between FY 2020 and FY 2021 of \$9.8 million in the Special Revenue Fund, and \$54,000 in the General Fund.

Chapter 74

Presented to the Governor April 14 and signed April 15, 2020, Chapter 74 contained multiple provisions including a change to the Motor Vehicle Registration Tax that changed the vehicle value base that the tax is calculated with, removed a surcharge, and increased the tax rate. Those changes resulted in a small net estimated decrease in registration tax revenue in FY 2021 followed by estimated slight increases in FY 2022 and 2023. It should be noted that the estimated changes are very small when compared to the normal swings in estimated and actual revenue for the registration tax. As a result of the registration tax change a small General Fund tax impact is possible but the Department of Revenue estimated that the impact would be negligible. Chapter 74 also contained programing change for DVS assumed to cost about \$13,000 from existing appropriations.

Chapter 100

Presented to the Governor May 18 and signed May 27, 2020, Chapter 100 contained various transportation policy provisions but no appropriations. Highway naming provisions allow MnDOT to enter into agreements to cover the costs of signage without state costs. A provision to regulate meteorological towers was estimated to generate about \$5,000 in fee revenue in FY 2021 by the Governor's budget for the Airports Fund. However the enacted provision in Chapter 100 is considerably narrower than what the Governor proposed so any fee revenue will likely be much smaller than \$5,000 a year.

First Special Session, Chapter 3

Presented to the Governor June 16 and signed June 18, 2020, Chapter 3 included various technical, clarifying changes to legislation enacted in 2019 relating to the implementation of a replacement to the Minnesota Drivers and License Systems (MNLARS) and associated DVS operating fee structure. There were no appropriations and fee changes were already assumed by DVS. Programming costs were covered by appropriations enacted in 2019.

Second Special Session, Chapter 2

Presented to the Governor on July 21 and signed July 23, 2020, Chapter 2 contained provisions relating to driver tests and allowed for online driver knowledge tests. To cover programming costs associate with on line tests Chapter 2 allowed for \$450,000 in an appropriation enacted in 2019 to be available for this purpose, as well as increase the base by \$55,000 a year in the tails, all from the Driver Services Account in the Special Revenue Fund.

For additional information on Transportation Finance issues, contact Andrew Lee, Fiscal Analyst, at 651-296-4181 or andrew.lee@house.mn.

Taxes – State Tax Revenues

There were no substantial changes in legislation affecting state tax revenues in the 2020 regular, first, second and third special sessions.

For additional information on Taxes – State Tax Revenue issues, contact Cynthia Templin, Fiscal Analyst, at 651-297-8405 or cynthia.templin@house.mn.

Taxes – Property Tax Aids and Credits

General Fund Changes

Action by the 2020 Legislature that modified Minnesota laws governing local property tax aids included one General Fund provision in Chapter 71, COVID-19 Response, enacted March 28, 2020. The law provided \$11 million in FY 2020 for one-time, emergency response grants to Minnesota’s eleven tribal nations to help mitigate the impacts of the coronavirus. By April 1, 2020, each tribe could apply for up to \$1 million to help pay for COVID-19-related reimbursable activities and for securing food, shelter and other basic needs related to the pandemic. Funds would be disbursed by April 8 and reports from the tribes on planned uses would be due to the Department of Revenue by April 14, 2020.

Changes in Other Funds – Federal Coronavirus Relief Fund (CRF)

The sudden and unexpected impact of the pandemic created a variety of essential service expenses for local governments including additional first responder costs, office/public facility closures, technology upgrades for remote government services, housing needs, and more. To help address the cost of these local government needs, federal Coronavirus Relief Funds (CRF) were distributed directly to large counties by the U.S. Treasury Department—Hennepin and Ramsey—and to the state for distribution to other counties, cities and towns. In an effort to equitably distribute the state’s portion of CRF for local governments, the House and Senate worked together during regular session (HF4673/SF4564) and Special Session 1 (HF128/SF47) to craft a plan, offering different funding methodologies and targeted assistance. While agreement was achieved on aid formulas for local governments, disagreement remained on set asides for economic development and need-based uses, which, along with other issues, ultimately lead to the plan’s failure to pass both chambers.

When Special Session 1 adjourned without a funding plan in place, Governor Walz submitted a request to the Legislative Advisory Commission (LAC) – the commission with authority to review and advise on requests to spend federal funds – to distribute \$841.46 million in CRF funds to local governments. (CRF-LAC-14, <https://mn.gov/mmb-stat/documents/budget/lac/10-day-federal-crf-review-order-14-6-26-2020.pdf>) The proposal followed components agreed to in SF47-1E, e.g. formulas for local government aid distribution, timelines, certification and reporting requirements, but not the set asides. The LAC approved the request in just one day, and the funds became available to eligible local governments in early July 2020.

The following table summarizes the CRF funding for local governments and the process for receiving a distribution. Specific aid detail by local government type is available at <https://www.revenue.state.mn.us/coronavirus-relief-fund-local-governments>.

Coronavirus Relief Fund (CRF) for Local Governments
Summary of Funds and Process for Distribution
Legislative Advisory Commission CRF Order #14, Approved June 26, 2020

Summary of Federal Coronavirus Relief Funds (CRF) for Local Governments

Distributions to Counties, Cities and Towns	'000's
Distributions to Counties with population < 500,000 (sans Hennepin, Ramsey) ^{1 & 2}	\$467,254
County base amount (55 percent)	462,805
County amount for small cities < 200 population	1,573
County amount for small towns < 200 pop. and unorganized territories	2,876
Distributions to Cities with population > 200 ¹	350,424
Distributions to Towns with population > 200 ¹	<u>23,786</u>
TOTAL Federal CRF Distributions to Counties, Cities and Towns	<u>\$841,464</u>

Process for Distribution of Funds to Local Governments - MN Department of Revenue

Who is eligible?	A county, city or town must apply for funds and certify to follow state requirements (which includes monthly reporting) and federal guidance ^{2, 3}
When to apply?	Accepting applications from June 26 to Sept 15, 2020.
How is aid calculated?	<p>Aid amounts are based on 2018 population of county, city or town</p> <p>Timelines for distribution, methodology, and population thresholds for allocating these funds to local governments were proposed by the MN Legislature.</p> <p>Cities and towns of less than 200 people will not receive a direct distribution; instead they may apply to their home county which will receive supplemental funds to reimburse costs for those cities and towns.</p>
When are funds available?	<p>6-8 business days after certification deadline</p> <p><u>Certification deadlines</u></p> <p>June 26 & 29</p> <p>July 20 & 31</p> <p>August 14 & 28</p> <p>September 15</p> <p>The first release of funds will be the week of July 6, 2020</p>

Source: Legislative Advisory Commission Coronavirus Relief Fund (CRF) Order # 14, June 26, 2020,
Department of Revenue website: <https://www.revenue.state.mn.us/coronavirus-relief-fund-local-governments>

¹ For cities and towns, funds unexpended by November 15, 2020 must be sent to its home county or if located in Hennepin or Ramsey, transferred to an eligible hospital by November 20, 2020. For counties and hospitals under this section, funds unexpended by December 1, 2020 must be returned to the Commissioner of Revenue by December 10, 2020.

² Counties with a population of at least 500,000 received CARES Act funds directly from the US Treasury (Hennepin \$220.88 million and Ramsey \$96.03 million) and thus are not included in this distribution to local governments.

³ Among state requirements, a local government must have a "MN SWIFT" identification number in the state accounting system. Similarly, a local government must have a federal Data Universal Number System number for tracking federal funds.

For questions on state Tax Aids and Credits issues, please contact Katherine Schill, Fiscal Analyst, at 651-296-5384 or at katherine.schill@house.mn.