

AASP-MN 2017 Legislative Summary

The 2016 election had sweeping impacts at both the national and state level. The Minnesota Senate flipped from being narrowly controlled by the DFL to a now one-seat Republican majority. This gave Republicans a majority in both the House and Senate, while the DFL maintained control of the Executive branch, with Governor Dayton in office through 2018. This new makeup led to a contentious Legislative Session under divided government, one which required yet another Special Session to pass the state's two-year, roughly \$46 billion budget. Coming into the 2017 Session, the state had a healthy budget surplus of \$1.65 billion. This was due in part to a restrained approach on surplus spending in past years as well as the lack of an omnibus tax bill in recent years. As the 2017 Session began, Legislative leaders had differing views on how best to divvy up the surplus, with Republicans looking for a large tax cut bill and Democrats focusing on increasing agency appropriations and programs. We've highlighted some key provisions from the Omnibus Tax Bill, Omnibus Bonding Bill, Omnibus Transportation Bill, as well as the policy battle over state preemption for AASP-MN.

Tax Bill

The Republicans' top legislative priority was to deliver a large tax relief bill. Their initial proposal spent more than \$1 billion of the state surplus on tax relief. This number was much higher than Governor Dayton's proposal, and in the end they compromised to settle somewhere in the middle. The final package passed during the 4-day Special Session comprised a total of \$650 million in tax cuts and local aid increases, including reductions in the state's estate tax, Social Security income tax, as well as an exemption of the first \$100,000 of valuation on commercial-industrial property from the state's general property tax levy on business property owners. This final provision will help relieve the tax burden on business in the state, especially small businesses for which the first \$100,000 of valuation can make a real difference to the bottom line. The Legislature also removed the automatic annual inflator adjustment on the commercial-industrial levy rate, meaning it will take Legislative action to increase in the future. The tax bill has since become a sticking point between the Governor and Republican leadership. Governor Dayton was unhappy with a provision in the bill which, if vetoed, would have resulted in removing funding for the Department of Revenue. Governor Dayton did eventually sign the bill, but has since requested that legislative leaders sit down with him to renegotiate a provision which reduces the tax burden on tobacco products. Republicans have maintained that if the Governor had problems with the bill, he should have dealt with them before he signed it into law.

Bonding Bill

A nearly \$1 billion bonding proposal failed on the final night of 2016 Session, and the 2017 bonding bill was largely designed to replace that lost bill. The package that passed this year is markedly similar to the bill that did not pass last year, with a few tweaks and additions. There were plenty of twists and turns in the road on this bill's way to become law, but it passed both the House and Senate as the last major bill featured in Special Session. The final bill includes funding for many projects with a regional or statewide impact, and for repairs to existing state infrastructure on college campuses, as well as for road and bridge projects across Minnesota.

Transportation Bill

The one priority both parties shared at the outset of Session was the need for a comprehensive transportation package. Both parties had different ideas as to how this should be funded, with the Democrats in favor of increasing either the gas tax or license-tab fees, while Republicans preferred to utilize an existing portion of the surplus and redirect certain existing tax revenues for

transportation projects. In the end, a new transportation funding formula proved elusive for another year, but there was a \$300 million package focused primarily on road and bridge projects across the state. There was an allocation of \$70 million for mass transit, but it is not ongoing funding, so the issue will certainly be revisited in future legislative sessions.

Preemption

The policy issue that received the most attention throughout the traditional budget year was that of state preemption of local action establishing workplace standards. In response to the growing trend of local governmental action on issues like minimum wage and paid leave, the Republicans proposed a bill to preempt any local action increasing minimum wage, requiring paid leave, regulating employees work schedule hours, or requiring any specific benefit to employees. The bill was controversial from the outset, but stayed in play as a potential policy provision until the very end of Special Session.

Republicans included the provision in their initial Omnibus Jobs Bill, which was vetoed by Governor Dayton. During Special Session negotiations Republicans vowed not to put the provision in any budget bill, which they honored. They did, however, include preemption in a package of worker protections, including wage theft provisions and pension updates, which infuriated the Governor. He ultimately vetoed the bill, having to accept that the provisions he wanted would not be included this year.

2018 Legislative Outlook

AASP-MN is renewing efforts to build legislative support for changes to insurance claims processes. Our general concern continues to be with insurance company mandates. We have specific proposals to deal with “steering for estimates”, “mandated use of particular electronic estimating systems”, and “mandatory use of particular software programs for parts procurement.”

Our focus will be on face-to-face meetings between key legislators and AASP-MN members. We are hoping that a grassroots effort to explain the concerns of the industry will generate the support we need to get our initiatives moving in the House and Senate Commerce Committees. Our goal is to conduct these meetings in the summer and early fall in order to position ourselves for legislative action in the 2018 Session.

The Legislature is scheduled to return for the second year of the biennium on February 20th, 2018.