



2021 Legislative Session Summary

After a tightly contested 2020 election in which all 201 members of the Minnesota Legislature were on the ballot, Minnesota remained the only divided Legislature in the nation with Republicans maintaining their narrow majority in the state Senate and the DFL able to keep their slim majority in the state House. Given this split control, each Chamber could essentially veto any policy priorities from the other body, a complicating factor for anyone hoping to enact new policy in 2021.

Another complicating factor for the budget setting process were the wild swings in the state's budget forecast. Minnesota had a projected \$1.5 billion surplus going into the 2020 session before COVID-19 changed everything. The next budget update after the peacetime emergency was declared came in November of 2020 and indicated Minnesota was now facing a \$2.4 billion deficit, a dramatic nearly \$4 billion change. But only a few months later, in February of 2021, the state's budget forecast swung again, this time all the way back to a \$1.6 billion surplus. Part of the reason for these dizzying changes is the difficulty in predicting economic activity during a once-in-a-generation global pandemic, but the federal funds provided to state and local governments in 2020 (CARES Act) and 2021 (American Rescue Plan Act) certainly helped stabilize our economic outlook in ways that were hard to foresee.

Rather than setting the biennial budget and going home, the Legislature blew through the Constitutionally mandated adjournment date of May 17th with little to show for the regular Session. Lawmakers returned to St. Paul on June 14th for a Special Session aimed at passing the outstanding budget bills and avoiding a government shutdown. While Legislative leaders were able to strike a deal on overall budget numbers at the close of the regular Session in May, they needed extra time to work through some of the details and actually assemble bill language, a process that took place entirely in private with little to no input from the public or even rank-and-file Legislators. The Legislature was eventually able to pass the budget in time to avoid a government shutdown, but not before furlough notices were sent to thousands of state employees warning of a July 1st shutdown.

While a lot of policy remained undone this year, there were some notable provisions for AASP-MN members to be aware of. First and foremost – Minnesota conformed to the federal tax treatment on unemployment payments and forgiven Paycheck Protection Program (PPP) loans. The state will exempt \$10,200 of unemployment benefits from state income taxes and will exempt all forgiven PPP loans. Governor Walz and House DFLers had sought additional tax increases this year, but those were not included in the final Tax Bill.

Additionally, the Omnibus Transportation Bill includes language creating a new Salvage Title Task Force made up of 2 Representatives and 2 Senators to “evaluate issues related to salvage certificates of title and make recommendations for legislative changes” with a report to the Legislature due by January 31st, 2022. This task force was an AASP-MN compromise to study the issue and avoid the problematic language that had been included in earlier versions of the Senate Transportation bill that would have

deleted the terms “high-value” and “late model” from the salvage title statute, resulting in more totaled vehicles and fewer repairs. The Task Force can now take time to study the issue and determine if those changes would result in better customer outcomes or if they are unnecessary.

Another issue the Alliance tracked this year is the uptick in catalytic converter thefts. There were several legislative proposals to address this, and a small pilot project was eventually funded in the Commerce budget. \$400,000 has been appropriated for a program that will pay for car owners to have their catalytic converters engraved with their vehicles’ identification numbers or otherwise be permanently marked so the converter could be identified if removed and attempted to be sold to a scrap yard or converter processing facility. This new program does not put any additional burden or onus on repair shops as some previous language in the bill had done.

Finally, in addition to tracking those legislative issues, the association engaged in ongoing discussions with the Insurance Federation of MN (IFM) on a couple of collision-related issues.

The first is on parts procurement – we proposed to add language to the statute calling for the reasonable market price for parts and materials to be based on the price available from vendors within a 150 mile radius of the repair shop. This proposal is a result of member concerns about the challenges of ordering parts from distant suppliers with whom they have no established relationship. The Insurance Federation rejected that approach and instead argued that repair shops should utilize the tools in the procurement systems to identify disreputable parts suppliers in the supply chain. They also claimed they don’t require shops to obtain their parts from distant suppliers.

We have pushed back against these claims because insurers do rely on the lowest price, regardless of distance, when they evaluate shops’ parts selection. AASP-MN will continue to press this point with IFM.

The second issue on which we’ve been in contact with the IFM is the goal of expediting the timeline for agreed-upon prices. We’d like to establish a timeline for insurers to process supplement requests and arrive at a final, agreed-upon price before a vehicle is released from the shop. Repair cycle times would be reduced, to the benefit of repair shops, consumers and insurers.

In our earlier discussions with the Federation, they indicated a willingness to develop language to address this issue. However, they later reversed this position, indicating that the issue is being discussed at the national level and preferring to hold off to see what happens before addressing it at the state level.

AASP-MN will continue to engage in these discussions with the insurance industry and seek to work together on issues where we find common ground.