

2017 legislative session adjourns in cloud of uncertainty

Lawmakers in St. Paul went into overtime to wrap up the 2017 session late last month. Just before the regular session expired at midnight on May 22, Gov. Mark Dayton, House Speaker Kurt Daudt (R – Crown), and Senate Majority Leader Paul Gazelka (R – Nisswa), announced that a special session would be called to settle the unfinished business.

However, due to the lack of an ironclad agreement on spending targets, what was to be a one-day session turned into three. With the Memorial Day weekend looming and a desire to see the session end in a timely manner, the leaders came to agreement on all bills, with the final one being passed just after 3 a.m. on Friday, May 26. Highlights of the session included a \$650 million tax bill, a \$995 million bonding bill and a transportation bill that included \$300 million in new spending for roads and bridges throughout the state.

The governor ended up signing all of the bills into law, however, he had disagreements with certain provisions in every one of the bills the GOP-controlled legislature sent him. In addition, he also line-item vetoed funding for the legislature contending that the legislature snuck language into a bill that would hold hostage funding for the Department of Revenue. He indicated that his line-item veto was intended to bring legislative leaders back to the table to renegotiate provisions in the tax, education and public safety bills that he found unacceptable.

In turn, legislative leaders filed



House Speaker Kurt Daudt (R – Crown) addresses attendees during the 2017 Co-op Day at the Capitol at the State Office Building.

a lawsuit against the governor over his line-item veto of legislative branch funding for the upcoming biennium. The leaders contend that his de-funding of one branch of state government by another branch is unconstitutional and a violation of the separation of powers. Due to these actions, a courtroom showdown between two of the three branches of government is on the horizon. Claiming the governor took an unconstitutional step to defund the legislature, House Speaker Daudt and Senate Majority Leader Gazelka stated their disappointment with the governor's

decision over differences he and his administration had previously agreed to. After the lawsuit was filed, the governor hired former Minnesota Supreme Court Justice Sam Hanson as his outside counsel. It is unknown what will happen next, but it is possible the courts could rule the line-item veto unconstitutional and funding must continue to flow to the legislature. Conversely, the ruling might favor the governor which could potentially result in a special session to settle the outstanding items the governor objects to that were included in bills he has already signed into law.

Reminder: Cooperative Network-led agriculture cooperative healthcare option signed into law

During the first month of the 2017 legislative session, Cooperative Network-led language that would allow for the establishment of an agriculture cooperative health coverage option was signed into law by Governor Mark Dayton. The agriculture cooperative health coverage option language was included on the heels of many discussions that were held between Cooperative Network,

lawmakers and their staff over the course of several months leading up to enactment. Cooperative Network and its member-owners have worked diligently for many years to see a similar plan put into place. Legislation was passed in 2007, 2010 and 2013 to achieve a similar goal, however, regulatory obstacles have prevented it from coming to fruition. Cooperative Network remains grateful to all members, lawmakers, administration officials, staff and other stakeholders who have worked to advance this effort.

Tax bill repeals agriculture containment tax exemption

The agriculture containment tax exemption law was repealed late last month when the governor signed the tax bill into law. News of the repeal was unexpected heading into the last week of session as Cooperative Network had worked diligently on this issue throughout the course of session. In fact, conferees on the tax conference committee had previously agreed to adopt language that would modify the tax exemption, not completely repeal it. However, the conference report on the tax bill that contained the modification was vetoed by the governor on Monday, May 15. An outright repeal had not been considered by the legislature nor publicly supported by the Department of Revenue (DOR) at all this past session. The DOR publicly stated that they had concerns with the modification language and with creating a partial tax exemption,

however they did not comment at all on support for a full repeal. Conversations with lawmakers indicated the DOR insisted on the full repeal and opposed the modification language during closed door negotiations. Now that the governor has signed the tax bill into law, the repeal is effective beginning with taxes payable in 2016. However, agriculture containment property that was classified by an assessor as exempt for pay 2016 or 2017 will remain exempt. Cooperative Network is disappointed that the modification language was not supported (at a minimum) during negotiations between legislative leaders and the Dayton administration. We will continue to inform lawmakers of this disappointment and suggest that the issue be revisited if there is a special session this summer and also heading into the 2018 legislative session.

Several electric co-op bills signed into law

Legislation was enacted this year aimed at eliminating unnecessary and duplicative regulation of electric cooperatives that are already regulated by local democratically elected boards. Compromise language on the "local democracy" bill was contained in the Jobs, Economic Growth, Commerce, Energy, and Housing omnibus budget bill that will now require independent third party mediation to resolve disputes between cooperative member-owners and their utility. Regulation by these local boards is done within state and federal law, which balances the interests of the members of the local cooperative. A stand-alone version of the bill was vetoed by the governor earlier this session, which was authored by Rep. Dave Baker (R - Willmar) and Sen. Bill Weber (R - Luverne). Despite strong bipartisan support in both the House and Senate, the bill was vetoed. The local democracy legislation was

prominently discussed with the four caucus leaders, administration officials and a host of legislators during Co-op Day at the Capitol on March 15. Another key piece of legislation was included in the Judiciary and Public Safety omnibus budget bill to include electric cooperatives as eligible entities to be paid the nonfederal share for publicly owned capital improvement projects from the state disaster assistance contingency account. In addition, language was included in the same bill to ensure a minimum balance is maintained in account.

The logo for Cooperative Network Dispatch, featuring the text "Cooperative Network" in a smaller font above the word "Dispatch" in a larger, bold font.

Prepared and distributed to provide timely information on matters pertaining to Minnesota's member-owned cooperatives.

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Cooperative Network urges congressional opposition to HUD policy

Members of Minnesota's congressional delegation were recently made aware of a recent situation with the United States Department of Housing and Urban Development (HUD) that stands to have a major effect on senior housing cooperatives throughout the Upper Midwest. During the previous administration, HUD established a policy which now precludes senior housing cooperatives from restricting occupancy to seniors, making these communities functionally indistinguishable from any non-age restricted multi-family housing community. Cooperative Network informed members of the delegation that HUD's policy creates an entirely new class of protected individuals that has effectively eliminated seniors' ability to live among their peers. Under the express terms of the Fair Housing Act (FHA), HUD does not have the legal authority or standing to create policies or regulations that violate the Act. On behalf of the thousands of Minnesotans who reside in the over 80 senior housing cooperatives throughout the state, Cooperative Network respectfully requested the members of Congress to encourage HUD to abandon this new internal policy.

Co-op Calendar

Aug. 8 - Electric Sector Committee, *St. Cloud, Minn.*

Sept. 6 - Farm Supply, Grain and Fuel Committee, *Brainerd, Minn.*

Sept. 21 - Credit Issues Conference, *St. Cloud, Minn.*

Nov. 14-15 - Annual General Meeting, *St. Paul, Minn.*

2017 Minnesota Legislative Summary



The 2017 session again saw many successes for Cooperative Network members. A summary of the issues Cooperative Network lobbied on or monitored during the 2017 regular legislative session appears here.

Legislative Proposal	Position	Status
Co-op Health Care Option. A Cooperative Network led effort to allow for the establishment of an agriculture cooperative health care coverage option was included in a health care reform bill that was passed early in the session.	Supported	Signed into law
Agriculture Containment Facilities. Despite strong opposition from Cooperative Network, the Department of Revenue insisted the tax bill include language repealing the property tax exemption for chemical and fertilizer containment facilities.	Opposed	Signed into law
Tax Bill. Other provisions of interest to cooperatives in the tax bill include \$34 million for a 40 percent credit on ag land for school capital levies, beginning farmer incentive tax credits, \$6 million the first year and \$8 million the second year to counties for buffer implementation and enforcement, and an exemption of the first \$100,000 of market value on commercial/industrial property from the state property tax levy.	Supported	Signed into law
“Local Democracy” Initiative. Legislation was enacted this year to eliminate unnecessary and duplicative regulation of electric cooperatives that are already regulated by local democratically elected boards. The compromise language requires independent third party mediation to resolve disputes between cooperative member-owners and their utility. The bill was initially vetoed by Governor Dayton but passed as part of the jobs, economic growth, commerce, energy and housing omnibus budget bill.	Supported	Signed into law
Buffer Strips. Language was passed stating that landowners who file a buffer compliance plan with their local soil and water conservation district by Nov. 1, 2017 would be given an eight-month compliance waiver until July 1, 2018. Other buffer reform provisions, including a two-year delay, changes to penalty provisions, and a delay of enforcement until cost share is available were passed by the legislature but were dropped in a conference committee due to opposition by Governor Dayton.	Supported	Signed into law
Transporting Milk. Language allowing straight trucks (non-semis) that are hauling milk an extra 10 percent weight allowance from the farm to the first point of processing without a special permit, and allowing milk trucks operating with special permits to operate on interstate highways, was passed this year.	Supported	Signed into law
Electric Cooperative Disaster Assistance. Language passed to include electric cooperatives as eligible entities to be paid the nonfederal share for publicly owned capital improvement projects from the state disaster assistance contingency account. In addition, language was included in the same bill to ensure a minimum balance is maintained in account.	Supported	Signed into law
Transportation Finance. The transportation finance bill includes \$300 million in new funding each year without raising the gas tax or through the implementation of a gross receipts tax. Also included is \$940 million in bonding.	Supported	Signed into law
Capital Bonding Bill. A \$995 million capital bonding bill was passed. The bill provides statewide funding for projects such as roads and bridges.	Supported	Signed into law
Credit Union Notices. A bill allowing credit unions to post electronic notices of their meetings and vote electronically on member issues was adopted this year.	Supported	Signed into law
Broadband Infrastructure. Legislation provides \$20 million for statewide broadband development and infrastructure.	Supported	Signed into law
Ditch Mowing. A bill prohibiting MnDOT from requiring permits to mow ditches was amended to state that MnDOT may not enforce the permit requirement until after April 30, 2018, to give interested parties time to work the issue out with the agency over the coming year.	Supported	Signed into law
Farmer-led Water Management Councils. Cooperative Network worked with the Dayton Administration and other agriculture stakeholders throughout session on crafting this legislation. Legislation does not include a specific appropriation for this program, but the bill does appropriate approximately \$13.3 million per year of the biennium from the former ethanol producer payment account which can be used.	Supported	Signed into law
Permitting Reform. Various changes designed to improve the environmental permitting process were adopted this year. In addition, public membership on the Environmental Quality Board was increased from five to eight members, four of which must have an environmental permitting background.	Supported	Signed into law
Rulemaking Reform. Language making several changes to agency rulemaking authority, including requiring legislative approval of proposed rules having a “substantial economic impact” on the private sector, was passed by the House and Senate but was dropped in a conference committee.	Supported	Died in Conference Committee

2017 Minnesota Legislative Summary (cont.)

Legislative Proposal	Position	Status
Department of Agriculture Funding. The agricultural finance bill funds the Minnesota Department of Agriculture, Board of Animal Health, and the Agriculture Utilization Research Institute, and totals \$106.24 million over two years, which represents a 22 percent increase over current spending levels.	Supported	Signed into law
Livestock Investment Grants. The agricultural finance bill does not include a specific appropriation for the Cooperative Network-supported livestock investment grant program, but the bill does appropriate approximately \$13.3 million per year of the biennium from the former ethanol producer payment account. The MDA has indicated they will use approximately 20 percent of the fund for livestock investment grants.	Supported	Signed into law
Dairy Diagnostics/Early Planning Grant Funding. The dairy diagnostic/early planning grant program was funded in the agricultural finance bill at \$1.268 million for the biennium.	Supported	Signed into law
Agriculture Policy. Policy language changes in the omnibus agriculture finance bill include prohibiting the MDA from requiring formal “verification of need” prior to applying pesticides, increasing the Rural Finance Authority net worth and asset limits, increasing the Farmer-Lender mediation debt trigger levels, extending the Ag Fertilizer Research and Education Council until June 30, 2020, making technical changes to commercial feed laws, and recodifying dairy statutes.	Supported	Signed into law
Coal Ban. Legislation included language repealing the ban on importing coal-fired power from outside the State of Minnesota.	Supported	Signed into law
Nuclear Ban. A bill to repeal the ban on issuing a nuclear power certificate of need was introduced in both Houses but was not given a hearing in either body.	Supported	Died in Committee
Nuisance Protection. A bill providing greater nuisance protections for cattle and swine operations was passed by the House but was dropped in a conference committee due to opposition by the Dayton administration. Another bill requiring mediation before a complaining party can file a nuisance lawsuit against a livestock farm was heard in a House Committee but was not adopted.	Supported	Died in Committee
Home Park Seasonal Structures. The tax bill includes a provision that increases the minimum value for a storage shed, deck, or similar structure on a leased manufactured home site to be considered taxable from \$1,000 to \$10,000.	Supported	Signed into law
Solar Energy. Various changes to solar energy policy provisions were included in the omnibus jobs and economic development finance bill, including changes to the solar energy standard, solar energy incentive program, and the “Made in Minnesota” solar energy production incentive program.	Monitored	Signed into law
Gas Tax Signage. Language requiring petroleum retailers to install signage disclosing the gasoline tax rate was adopted.	Monitored	Signed into law
Biodiesel Mandate. A bill delaying the increase in the biodiesel mandate, from 10 to 20 percent, for one year until May 1, 2019 was introduced in the House late in the session but not given a hearing.	Monitored	Died in Committee
Grain Indemnity Program. A bill establishing a grain credit contract indemnity program and increasing the amount of licensed grain buyer bond amounts was introduced in the House late in the session but was not given a hearing.	Opposed	Died in Committee
Feeder’s Lien. A bill to eliminate the existing livestock production input lien and modify the existing feeder’s lien to state that it is available to those who furnish feed for livestock was heard in a House Committee but was not adopted.	Monitored	Died in Committee
PUC Membership. A bill that would increase the number of Public Utilities Commission members from five to nine, with eight of those members appointed from each of the State’s Congressional districts, was heard in a House committee but was not adopted.	Monitored	Died in Committee
Drone Regulation. A bill establishing state regulation of the commercial use of drones weighing less than 55 pounds was heard in a House committee but was not adopted. The bill did not restrict the use of drones for agricultural purposes, but would have required registration and a \$25 permit fee.	Monitored	Died in Committee
Scale House Search Warrants. A bill to require a search warrant before law enforcement may enter a scale house to inspection weight records was introduced this year but was not given a hearing in either body.	Supported	Died in Committee
Energy Conservation Improvement. Language stating that the energy conservation improvement law only applies to electric cooperatives with more than 5,000 members and language stating that the energy savings goals do not apply to cooperatives with less than 5,000 members was adopted this year.	Monitored	Signed into law