

2019 MINNESOTA LEGISLATIVE SESSION SUMMARY

Midwest Food Products Association

Daryn McBeth, Gray Plant Mooty

The 2019 regular Legislative Session adjourned on Monday, May 20th at midnight just after the Governor, the Speaker of the House, and the Senate Majority Leader agreed to a global budget deal. However, details regarding specific appropriations and consequential policy items were far from complete when the global budget deal was announced. The unfinished business spilled over into the next three days in the form of closed door meetings between the Governor, the Speaker, and the Senate Majority Leader to hash out the details before culminating in a marathon 21-hour Special Session. The Special Session adjourned *sine die* just before 7:00 a.m. on Saturday this past weekend. The only split-control state legislature in the country delivered compromise on policy issues and a two-year budget weighing in at approximately \$48.3 billion.

Notable Policy Passed into Law

Wage Theft Protection: Codifies wage theft as a crime (with intent). Requires employers to give written notice to employees regarding wage and benefit information and establishes record keeping requirements. Effective August 1, 2019 and applies to crimes committed on or after that date.

Hands-Free Driving: This law expands a limitation on using a wireless communications device while driving, prohibiting cellular phone calls as well as handheld use of the device (with some exceptions). There is no penalty for the first offense. Each subsequent violation will incur a \$275 fine. Effective August 1, 2019 (applies to crimes committed on or after that date).

Healthcare Provider Tax: Repeals the 2019 sunset of the law and decreases the tax on healthcare providers from 2.0% to 1.8%. Establishes the tax in perpetuity.

Notable Policy Not Passed into Law

Gas Tax: The legislation would have increased the tax on each gallon of gas by 20 cents. The proceeds of the tax would be dedicated to funding infrastructure maintenance and repair.

Angel Investor Tax Credit: This legislation would have provided \$10 million per year over the next biennium for the tax credit program. It was not included in the 20-21 budget, but was included as a place-holder in the next biennial budget only for fiscal year 2022 at the \$10 million level.

Gun Control: This legislation surrounding two gun-control related measures that would have expanded criminal-background checks to private gun sales and would have created a “red flag” law that would allow authorities to temporarily confiscate firearms from people considered a threat to themselves or others.

Paid Family and Medical Leave: This legislation would have created a family and medical leave insurance program administered through the Department of Employment and Economic Development. Employers would be required to pay a yearly premium on employee wages with up to 12 weeks of benefits in a 52-week period.

Earned Sick and Safe Leave: This legislation would have required employers to allow employees to earn, at a minimum, one hour of paid earned sick and safe (ESS) time for every 30 hours worked, up to at least 48 hours per year. Employees would be able to carry over at least 80 accrued hours of ESS time from year to year.

Tax Bill and Conformity to TCJA

Recall the Legislature and Governor Dayton failed last year to pass a tax bill that conformed Minnesota's tax code to changes contained in the 2017 Tax Cuts and Jobs Act (TCJA). From the early part of the 2019 regular Session it was unclear if the new House DFL, Governor Walz, and the same GOP Senate could agree on a tax bill. In the end, they did agree on a comprehensive tax bill that contained many conformity provisions. A copy of the tax bill can be found [here](#) and an official summary/explanation [here](#).

To summarize relevant provisions:

- Second-tier individual income tax rate reduction from 7.05% to 6.8%
- Conforming changes to the federal standard deduction amount
- Restored funding for local government aids to the 2002 levels
- Reduced taxes on social security benefits
- \$50 million reduction to statewide business property tax with commercial/industrial and seasonal recreation property
- Conforming changes to federal amounts for bonus depreciation and Section 179 expensing (keeping the 80% add back)
- Beneficial clarification of how fractional ownership is determined for agricultural homesteads
- Allowance of agricultural property tax classification even if up to three acres of the land is used to serve environmental purposes, such as buffer strips or retention ponds
- Increase in property tax refund from 40% to 70% on agricultural land impacted by local school levy

The Omnibus Agriculture Budget Bill

Omnibus Agriculture, Housing and Rural Development budget bill ended up with general fund spending for the 2020-21 budget biennium at \$287,859,000, which is up from the 2018-19 base of \$254,635,000. The increases to the base bill, however, were very small for agriculture programs. Of the \$59,505,000 increase to the budget, \$3,905,000 was for the Department of Agriculture (MDA); \$400,000 for the Board of Animal Health; \$200,000 for the Agriculture Utilization Research Institute (AURI); \$15,000,000 was to increase the Minnesota Housing Finance Agency; and \$40,000,000 was to increase the Office of Broadband at the Department of Employment and Economic Development.

Here are some of the notable funding changes (biennium) in the bill for the Department of Agriculture:

- Increase to critical core capacity for plant pathogens and pests (\$500,000)
- Incident management team increase (\$500,000)
- Noxious weed program administration and staff increase (\$900,000)
- Meat inspection program increase (\$300,000)
- Capital equipment replacement for MDA laboratory (\$550,000)
- Industrial Hemp Development Program increase (\$350,000)
- Elimination of prisoner vocational training (\$150,000)
- Increase to trade and marketing program (\$200,000)
- Increase (2020 only) for farmer mental health outreach hotline (\$100,000)
- Center for Rural Policy and Development funding was eliminated starting 2022-23 (\$150,000/yr)
- Northern Crops Institute funding eliminated starting 2022-23 (\$47,000/yr.)
- MN Livestock Breeders Association funding eliminated starting 2022-23 (\$19,000/yr.)
- MN Ag Education Leadership Council (MAELC) funding increased (\$30,000)
- MnSCU mental health grants increased (\$274,000)
- Farm Advocates funding increased (\$94,000)
- Second Harvest Heartland funding for milk for food shelves increased (\$100,000 2020-21 only)
- Increase to Agriculture Growth, Research, and Innovation (AGRI) program grants account (\$157,000 for 2020-21; \$836,000 for 2022-23). Within the available AGRI grant funds (\$28,707,000 for 2020-21 biennium), the bill directs MDA to allocate the following funds:
 - \$2,000,000 for 2020-21 biennium for county fairs
 - \$5,000,000 for biofuel incentive payments
 - \$5,000,000* for dairy farmer incentive payments to enroll in 5-year option of Dairy Margin Coverage program (*this will be combined with \$3,000,000 provided in a different budget bill for \$8,000,000 total DMC payments that should equate to about 15-cents/cwt. payments on 2018 milk produced, up to 5 million pounds if producer has no more than 16 million pounds produced in 2018).
 - \$75,000/yr. for Turf Seed Council, but funding eliminated starting 2022-23
 - \$75,000 provided to Greater Mankato Growth/Green Seam for 2020 only

Within other Department of Agriculture budget program activities, the following status quo funding levels were maintained:

- Minnesota Grown program (\$186,000/yr.)
- Expand domestic and international marketing opportunities for farmers and value-added processors (\$100,000/yr.)
- Dairy development and profitability enhancement and dairy business planning grant programs (\$634,000/yr.)
- Second Harvest Heartland farm to food shelf and milk procurement program (\$1,650,000/yr. base funding plus \$50,000/yr. increase for milk procurement for 2020-21 only)

- Agriculture research, education, extension and technology transfer (AGREETT) funding (\$9,300,000/yr.), with earmarks for Experiment Station’s rapid agriculture response fund (\$600,000/yr.); MAELC farm business management grants (\$2,000,000/yr.); potato breeding (\$350,000/yr.); cultivated wild rice breeding (\$450,000/yr.).

For the Board of Animal Health, funding for agriculture emergencies, preparedness, and response funding was increased \$200,000/yr. in the base budget.

AURI’s operating funding was also increased \$100,000/yr. in the base budget.

Among other new policy provisions or changes to MDA authorities were the following:

- The bill expands grain licensing and bonding requirements, establishes new fees, and institutes new financial review or audit requirements for grain *buyers* starting July 1, 2020. Licensed grain buyers who already are examined by the U.S. Department of Agriculture are exempt from the new fees. Under the new law, financial statements from grain buyers purchasing under \$5,000,000 of grain annually must be *reviewed* by a CPA, and over \$5,000,000 must be *audited* by a CPA. While the CEO must still certify the financial statements, the bill adds that “where applicable, *all members of the governing board of directors*” must also certify the financial statements under penalty of perjury that the statement accurately reflects the financial condition of the license for the period specified in the statement.
- Five year extension of Agriculture Fertilizer Research Education Council (AFREC) authority and the 40-cent/ton fertilizer fee
- Within AGRI funds and authorized livestock investment grants, MDA is directed to give a preference to applications for *robotic dairy-milking equipment*
- Authority to impose “enhanced monetary penalties” against a person “who applies a *pesticide* resulting in damage to adjacent property that is part of the state outdoor recreation system”
- Expanded definition of “industrial hemp” to include “the plant’s seeds, and all the plant’s derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not....” The bill also clarifies that with hemp products, a person may possess, transport, process, sell, or buy industrial hemp “lawfully grown in another state.”
- Under the MDA’s Rural Finance Authority livestock expansion loan program, the bill clarifies that livestock operation “*modernization*” activities are eligible and not just “expansion” activities.

The Minnesota Legislature will convene again on Tuesday, February 11, 2020.