Friday, April 27, 2017 Volume 14, Number 6

Independent Community Bankers of Minnesota

Always with you. Always for you.

Capitol Link

Session Update

Stalemate - With just over three weeks left in the 2017 Legislative Session, conference committees are meeting, but not taking up funding issues because they have no budget targets.

Spend some time on the Capitol's third floor east wing and you will see the Governor, Republican leadership, and key staff going to and coming from a private meeting room. Republican leaders and the Governor are talking, but it appears they aren't getting very far. Dayton's involvement is not clear.

Also unclear is if budget negotiations are taking place between House and Senate Republicans. Normally the House and Senate would compromise on the issues and send the bills on to the Governor. This session, however, it appears Republican leaders are demanding the Governor be part of those negotiations. It doesn't look like Republicans want to negotiate with themselves. They want to negotiate a final outcome with the Governor.

If House and Senate Republican leaders do negotiate and pass compromises on budget bills, they will be vetoed by the Governor. However, they will serve as one set of Republican positions the governor can respond to. Further, since the Senate's tax and spending policies are closer to the Governor's in most areas than the House positions, the negotiated bills between the House and Senate will likely be closer to Governor Dayton's. That would place the Governor in a stronger position when serious negotiations begin.

The Governor stated some time ago that Republican legislators must reconcile their differences in tax and spending bills before final negotiations can begin. It appears he hasn't changed his mind.

The Key is Taxes - All budget bills, of course, depend on what the final agreement is regarding the amount of tax relief provided. Currently, Senate Republicans propose $900 million, House Republicans propose $1.35 billion, while the Governor proposes just $300 million over the next two years. This is the key issue that must be resolved. Then, targets can be set for other funding areas.

Tax Conference Committee - The Tax Conference Committee has been meeting, but as stated above, no spending decisions have been made. Two of the three tax proposals supported by ICBM have a cost

David Skilbred
VP of Government Relations
ICBM

dskilbred@icbm.org
(651) 789-3983

***Manage Your ICBM E-Publications**

If you would like to update your e-publication deliveries from ICBM, please contact Kristi Ploeger at kploeger@icbm.org or 651-789-3997.

ICBM QUICK LINKS

ICBM Home

Complimentary Webinars
ICBM hosts a number of webinars each year and makes them available to members on demand.

Education Catalog
Find information on all of ICBM's education offerings here.

More About ICBM
Learn more about your association.

Bank Directory
Find general information on any of our bank members. Available to members only.

to the general fund and are in play.

Estate tax reforms are in both bills as well as reducing the business general levy property tax. Amending the residency law (domicile) is considered more of a policy proposal since a cost estimate cannot be projected, but it is included in both bills as well.

Conforming to the feds on estate taxes and freezing the automatic inflator is projected to cost approximately $162 million over the next two years. The House proposes businesses may subtract $200,000 of their business property's appraised value before determining the business general levy property tax. That's estimated to cost $165 million in lost revenue. The Senate proposes a $100,000 subtraction which is estimated to cost the state treasury approximately $85 million the next two years.

Spending Differences - The differences between the House and Senate budget bills and between those and the Governor's are significant. Here are a few examples:

E-12 Education Bill - In conference.
Funding Comparison:

- Senate Bill - $300 million increase
- House - $258 million increase
- Governor Dayton - $705 million increase

Omnibus State Government Bill -In conference committee.
House Version:

- Proposes $943 million budget
- Proposes $10.7 funding cut to Minnesota Management and Budget (MMB)
- Lights-on bill if no budget by 7/1/17

Senate Version:

- Proposes a $1 billion budget for state agencies
- $3.55 million cut to MMB

Governor's Version:

- Proposes a $1.17 billion budget

Omnibus Health and Human Services Budget Bill - The bill funding these two departments and their programs takes a sharp turn away from recent policy and funding.

On the spending side:

- House version: $14.32 in spending, or a $620 million cut to the agencies.
- Senate version: Cuts funding $333 million.
- Dayton's proposal: $328 million spending increase, or a $948 million difference from the House bill.
- Dayton also proposes to reinstate the 2% medical provider tax

passed in 1992 to fund the Minnesota Care program. Neither House nor Senate reinstates the tax.

POLICY PROPOSALS

Commerce Financial Institutions Bill (SF1937, Miller, R-Winona) - A proposal by the Commerce Department is contained in the Senate's Job Growth and Energy Affordability Policy and Finance Omnibus Bill. This is in conference committee with the companion authored by Representative Pat Garofalo, R-Farmington.

The commerce proposal requests more funding to hire, train, and retain bank examiners. Commerce notes that big banks and federal regulators offer higher pay for examiners than the state and can lure away younger examiners. Commerce adds that right now they are understaffed and the FDIC is assisting, but that can't be relied on forever. Finally, according to the Conference of State Bank Regulators, Minnesota is short 29 examiners. Commerce has stated that their accreditation for examining state banks is in jeopardy.

The Commerce fix is to peel off the Financial Institutions Division from the department, provide it with a separate special revenue fund comprised of deposits from assessments, license fees, renewal fees, and examination charges. Many of these charges would be increased on non-depository financial institutions, the number of which has increased significantly. Commerce projects the average state chartered bank would experience a $400 increase in assessments. Increases in charges to Minnesota's 600 mortgage companies and 400 non-depository financial institutions would be greater. The increased revenue projected would allow commerce to hire more examiners and pay them market rate compensation which would help recruit and retain these staff. Commerce would also hire some staff to increase regulatory oversite of other financial institutions they regulate and license.

Identity Theft & Omnibus Public Safety Bill SF803 - The Omnibus Public Safety Bill is in Conference Committee. The House version contains a provision aimed at reducing identity theft. ICBM supports the proposal along with other associations representing lenders, law enforcement, and retailers. These entities created a working group over the summer and fall during which they developed the proposal authored by Representative Bob Loonan, R-Shakopee.

The proposal would make it a felony for attaching a "skimmer" device to an ATM, gas pump, or other point-of-service electronic machine. These devices capture account information from debit and card cards. It would also make it a gross misdemeanor for removing it. The Senate must adopt the House provision if this bill can move closer to becoming law.

Farmer-Lender Mediation Act (FLMA): History is about to be made! The Farmer-Lender Mediation Task Force made several recommendations for changing the FLMA. The changes are contained in the House Omnibus Agriculture Policy Bill, HF1717, authored by Representative Paul Anderson, R-Starbuck. The House bill passed off

the floor, 109-25, on April 5. The Senate bill, SF 1694, is waiting for a floor vote.
The Senate bill doesn't include the Farmer-Lender Mediation changes, and Senate Conferees must adopt the House language for the changes to become law. ICBM is confident that will happen.
Amendments to the mediation law in HF1717 are:

- Raises trigger from $5,000 to $15,000 and requires Extension to adjust this amount every five years for inflation using the federal cost-of-production index.
- Requires farmers requesting mediation to authorize Extension to pull a credit report. Failure to list all significant debts, including unsecured debt, may constitute bad faith and end mediation.
- Requires Farm Financial Analysts to have farmers prepared with all financial statements and facts necessary before the first mediation.
- Requires Extension to send notice to all secured creditors the farmer did not reveal, but were found in credit report.
- Increases the amount creditors must release to a farmer for living expenses to $3,600 per month.
- Farmers receiving mediation are not eligible again for two years.
- Pushes expiration sunset out to 2022.

Uniform State Labor Standards Act in Conference - HF600, authored by Representative Pat Garofalo, Farmington, and Senator Jeremy Miller, R-Winona, recently passed off the Senate floor and now heads to conference committee with the House version. It would prohibit local governments from adopting or enforcing four types of labor regulations that go above and beyond state labor laws. Those are: (1) a minimum wage; (2) requirements that private employers provide paid or unpaid leave; (3) regulations governing private employee work hours or scheduling; and (4) requiring private employers provide particular benefits, terms of employment, or working conditions.

HF600 is a reaction to inner cities passing ordinances on labor issues which set higher standards than state law. The Senate recently passed the bill and named its conference committee members. The House did the same some time ago. The conference committee may begin any time.

Real Estate Appraiser Technical Changes - Voting 130-0, the House has passed HF593, authored by Rep. Tim O'Driscoll, R-Sartell, which clarifies certain disciplinary rules for residential appraisers. The bill would outline that allegations of noncompliance don't have to be formal complaints, clarifies background check information, makes disciplinary data classified after five years, and affects the timeline of right-of-action. The Senate has yet to vote. The bill's Senate author is Karin Housley, R-St. Marys Point.

NOTE: In approximately 2002, the state stopped including inflation in all budget projections. If inflation were included in the February Budget Projection, the "surplus" would be much less than $1.6 billion.

We want to hear from you!

Do you know of any banking news happening in your region? Let us know. Email Joel Runck at jrunck@icbm.org or call 651-789-3988.