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Independent Community Bankers of Minnesota
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Capitol Link

It's Over!

Session Finally Ends
After weeks of up and down negotiations and many recent sleepless nights, the 2017 Minnesota First Special Legislative Session came to a close early this morning. The House adjourned just after 2 a.m. and the Senate just after 3 a.m.

Highlights

Taxes
The Governor will receive the largest tax relief bill in many years, cutting taxes $660 million. The bill includes all three of ICBM's tax priorities: domicile/residency reform, estate tax reform, and a reduction in the state general property tax levy.

The bill passed 95-29 in the House and 44-20 in the Senate. Among the senators voting no was Senate Minority Leader Tom Bakk, DFL-Cook, who told reporters afterward he will suggest to the Governor that he veto the tax bill. That possibility is based on the fact that while a "global budget" agreement was made late Monday, on the last day of the regular session, the vast majority of content was not agreed upon.

Bill Increases Number of State Bank Examiners
The recrafted Jobs and Economic Growth Conference Committee Report (SF1456) is on its way to the Governor, who is expected to sign it.

The bill includes the Minnesota Department of Commerce's request that they have their own special revenue account. Agency-generated revenue would be deposited there and under the agency's control, rather than deposited in the state treasury, as is the current practice. The Minnesota Department of Commerce plans to use the extra funding generated to help the agency retain and obtain more examiners by being able to offer salaries closer to what the private market provides.

In a May 5 letter from John W. Ryan, President and CEO of the Conference of State Bank Supervisors (CSBS), Ryan writes that during a 2012 Commerce Department onsite accreditation review, "the review team recommended the Financial Institutions Division take steps to increase salaries and benefits to a level more comparable to contiguous

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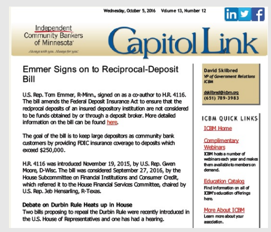

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states and federal regulators." A survey comparing the examiner to bank ratio showed Minnesota had the widest disparity in the country and was short 23 examiners. The underlying concern is Minnesota's accreditation may be threatened and adding more examiners is necessary to preserve it.

If Minnesota lost its accreditation, it might result in Federal regulators not accepting a state agency exam. If that were the case, Federal regulators would need to increase their examinations in Minnesota.

Minnesota Department of Commerce representatives met with ICBM staff to explain their proposal months ago. Commerce staff believe the steep increase in the number of non-bank, non-depository financial institutions, which the state also must examine and license, will create enough revenue to hire more bank examiners and provide them salaries and benefits closer to what's available to trained examiners in the private market. The hope is this change will reduce the concerns coming from CSBS and Federal regulators will continue to recognize Minnesota's state bank examinations.

Governor Promises to Veto Labor Standards and Pension Bill
Minneapolis and St. Paul recently passed ordinances setting new minimum "labor standards" on sick leave for all private employers within both cities. The two cities appear to be moving towards taking up an ordinance proposing a minimum wage above what's in state law, likely $15/hour. If cities were allowed to set their own labor standards, a patchwork of labor standards with different requirements could be created across the state. Banks and other businesses serving multiple communities could be faced with different requirements on wages, sick leave, paid parental leave, and other labor issues in each city they serve.

Senate File 3 (SF3) proposes to prohibit local governments from passing ordinances which require private employers to pay a wage higher than the state minimum wage, to provide either paid or unpaid leave, to require policies regulating the hours or scheduling of work time, and to require private employers to provide employees particular benefits or terms of employment. SF3 passed the Senate late Thursday, 34-30, before being sent to the House where it passed 75-38. The majority of this nearly 300-page bill, however, concerns pensions for public employees. It would also ratify state employee contracts recently negotiated.

If the bill is vetoed, those pension changes and final approval of recently negotiated state employee contracts will also be vetoed. The consequences of that happening are unknown. It's possible a second special session would need to be called to ratify the contract and adopt those pension changes.

SF1 - Omnibus State Government Bill, Special Session
Senate File 1 (SF1) funds state agencies, boards, the Legislature, executive branch, public TV, public radio, and many other entities. Although SF1 has no banking proposals included, it does include a significant policy change regarding how the Legislature projects the

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costs of legislative proposals (fiscal notes). That change could impact any group from time to time, including community bankers.

Currently, it's the responsibility of the Office of Minnesota Management and Budget (MMB) to review bills which require state or local spending and estimate the cost of each legislative proposal. Legislators use those cost estimates when budgeting. So what does SF1 do?

SF1 sets out a path that, if completed, would take that responsibility away from MMB. The process it lays out is to first create a Legislative Budget Office Transition Planning Task Force. The Task Force would then develop a plan for an orderly transition of fiscal note and local impact note responsibilities from MMB to the Legislative Budget Office.

Why make this change? A few legislators going back decades have questioned the accuracy of a few fiscal notes. Behind their question is an unconfirmed suspicion that because the Commissioner of MMB is appointed by the Governor, it's possible some fiscal notes may be biased toward the position of the Governor at the time. The solution chosen in SF1 is based on the existing federal model of the nonpartisan Congressional Budget Office (CBO). The goal is to ensure accuracy and that it be non-partisan as the CBO is considered.

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