



April 7, 2017

Senator Jeremy Miller
Chair, Jobs and Economic Growth Finance and Policy Committee
Room 3107, Minnesota Senate Building

Representative Pat Garofalo
Chair, Job Growth and Energy Affordability Policy and Finance Committee
485 State Office Building

RE: SF1937

Dear Senator Miller and Representative Garofalo:

The Department of Labor and Industry (DLI) is pleased there were no proposed reductions to the agency's base budget in either of the omnibus budget bills approved by your respective committees and passed on the floor of both legislative houses.

Both bills include Governor Dayton's recommendation to reduce DLI's licensing and permitting fees by \$5.2 million dollars in the next biennium. Both bills also agreed with the Governor in reducing electrical inspection fees on wind and solar construction projects, providing greater protections against unscrupulous licensed residential contractors and enforcing minimum standards for buildings with assembly spaces of 200 or more in non-code enforced areas. Both bills also fully fund a new program, Helmet to Hardhats, which provides support for recruiting, assisting and retaining military veterans in registered apprenticeship programs.

However, we still have concerns about both the house and senate versions of SF1937 that I hope the conference committee will reconsider. The first is the failure to fund the Governor's request for a one-time appropriation of \$1.3M for a new case management system for DLI's Labor Standards division. This division annually receives around 24,000 complaints related to child labor and wage and hour laws but has to rely on a system that was installed in the mid-1980s. A new system would enable DLI to better serve Minnesota employers and employees. A second shortcoming in both bills is not funding a requested \$100,000 increase in the next biennium for the Labor Education Advancement Program (LEAP) to provide more support to women and minorities in apprenticeship programs.

As is to be expected, the two bills differ on some matters and below I indicate which bill provisions are recommended by DLI:

Recommended House Provisions

The House bill appropriates \$250,000 in the next biennium to better address wage theft in our state, while the Senate provides no funding. The House approach is preferable even though it does not fully fund the Governor's request. Nevertheless, the appropriation will be of considerable assistance in helping employees who are illegally deprived of wages they are owed.

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While DLI recommends that policy language generally not be included in the omnibus finance bills, DLI recommends the language in the House bill that grants DLI the authority to begin expedited rulemaking to clarify that the Minnesota Building Code does not require fire sprinklers to be installed in single and two family houses, and in two-unit townhomes. The House language is the result of negotiations between homebuilders and the fire service. Unfortunately, the Senate has included language in the Agriculture Housing omnibus bill (S.F. 780) that issues a ban on fire sprinklers in a variety of types of housing units, including multi-townhome configurations, such as attached row houses. If adopted, the Senate language would present clear safety risks to Minnesotans.

Recommended Senate Provisions

The award winning Pipeline Program is made permanent in both bills and both bodies continue the \$200,000 base funding of the program. However, only the Senate bill funds this program at the level requested by the Governor by appropriating an additional \$300,000 annually from the workforce development fund. DLI recommends the Senate funding approach for the Pipeline program to better help Greater Minnesota employers attract and retain employees in high-demand fields.

A new program, Youth Skills Training, has the potential of attracting young people to well-paid careers not requiring four years of college. It is authorized by both bills but is only funded in the Senate version. I urge you to adopt the Senate approach and fund this program.

The House bill includes language requiring a legislative committee's approval of any proposed administrative rule of any agency that is estimated to increase the cost of a new home by more than \$1,000. This language would create delays in adopting new provisions of the Minnesota State Building codes that would allow homeowners to benefit from advancements in new technologies and materials. Often new code provisions result in reduced costs for homeowners such as savings from greater energy efficiencies. The House provision is costly, inefficient and unnecessary. We prefer the Senate approach which does not include this language.

Finally, the House bill contains a number of restrictions on agency management. By most metrics of customer responsiveness and efficiency DLI has been quite successful over the last 6 1/2 years. We have cut fees, improved services and have fewer staff. I'm afraid similar improvements will be harder to achieve under the House bill's restrictions on management. The House includes bans on internal and external transfers, internal billing and division by division limits on compensation and employee numbers. I wholeheartedly agree with the goal of containing costs in government. However, the House bill's constraints will only hamstring good management and over time may have the perverse result of actually increasing costs. The Senate bill which does not contain these restrictions is preferable.

Thank you for your time and consideration and I look forward to continuing to work with you on behalf of the citizens of our state.

Sincerely,

A handwritten signature in black ink, appearing to read "KB Peterson", is written over the printed name.

Ken B. Peterson
Commissioner