



April 13, 2021

The Honorable Rena Moran, Chair
House Ways and Means Committee
449 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
Saint Paul, MN 55155

VIA E-Mail

Dear Chair Moran and Committee Members,

I write to express the Commerce Department's thoughts on the current version of the Commerce Committee's omnibus budget bill.

At the outset, I appreciate the work of Representative Stephenson and the Commerce Committee staff in developing this budget proposal. Most of the Governor's Budget recommendations have been included in this proposal, but one important one has not been, and thus we request your consideration to include it moving forward.

The critical need that was not included is in our Weights & Measures unit. This unit is the oldest consumer protection unit in the state. The COVID-19 Pandemic accelerated what was a slowly emerging problem and created a significant funding shortfall for the Weights & Measures unit. Revenue from the Petroleum Inspection Fee (PIF) that funds Weights & Measures is down 15 percent year-to-date compared to last year. Without a general fund supplement to fix this structural deficit, Commerce will be looking at drastic cuts to a well-respected unit, to the detriment of Minnesota consumers and businesses. Minnesotans across the state rely on Weights & Measures every day to ensure accuracy and fair measurements in vital commercial transactions from a wide range of industries, including gas pumps and fuel, grain elevators and grocery stores.

As to the Governor's proposals that have been included, first, I appreciate additional funding for our Insurance Division, which faces a structural deficit and this bill provides a fix. This funding maintains the Department's ability to achieve national accreditation and our ability to monitor companies' financial health, license them to do business in the state, and approve products for sale to Minnesotans.

Second, I appreciate inclusion of elimination of the Petrofund program repealer in statute, currently set for June 30, 2022. The Petrofund program is a necessary service utilized by Minnesota businesses and homes across the state. Due to bipartisan and industry support of the Petrofund Program, the 'sunset date' has been extended on five previous occasions, most recently in 2016. Owners of petroleum storage tanks and petroleum-contaminated property will see a direct financial benefit from the continued existence of the Petrofund, which provides reimbursement of up to 90 percent of costs to investigate and clean up contamination from leaking tanks. This proposal does not increase the Department's FTE count. It continues the program at the existing staff and funding levels.

Third, I am grateful for the inclusion of the Department's operating adjustment. The operating adjustment is important because it allows us to continue to manage normal, customary, and expected cost increases, fundamental to most other businesses, such as compensation, rent and IT increases.

Lastly, the bill includes funding to enhance staffing for the Securities unit with two full-time staff to enable it to more timely serve securities professionals that rely on Minnesota-based registration, filings, and examinations. The mission of the unit is to help provide responsible capital formation, oversight of securities industry members, and investor protection. This proposal will improve Commerce oversight of Minnesota's state-regulated investment systems, protecting over \$9 billion Minnesotans' retirement assets.

In addition to the above budget requests, there were two revenue-generating items included in the Governor's budget recommendations and this omnibus bill that will help provide some of the resources needed to pay for these requests.

The Debt Buyer licensing proposal, which would be a strong consumer protection to enact, brings in a small amount of revenue. This proposal is supported by a wide range of stakeholders, including the national organization that represents Debt Buyers (the Receivables Management Association International), the Great Lakes Credit and Collection Association, and consumer advocates such as Legal Aid. In addition to its policy merits, this proposal will bring in a small amount of revenue generated from new licensing fees.

The bill also includes the Governor's recommendation regarding four insurance industry fees. This modest increase is proposed on four fees that have been unchanged since 1987 or earlier.

Finally, this bill also includes many strong consumer protection provisions, including the Department's policy priorities introduced this session. These include three National Association of Insurance Commissioners (NAIC) Model Acts and a bill adding important consumer

protections around the presence of certain toxic chemicals in children's toys. The Department also supports the payday lending provisions contained within this proposal.

The Commerce Department provides essential services to Minnesota businesses while protecting Minnesota consumers. The Governor's budget requests do not unduly increase the size of government or make it more difficult to do business in the state. Rather, they provide operational stability to the Department after a difficult year and allow the agency to continue meet Minnesota consumers' and businesses' expectations of the Department. We appreciate their inclusion in this omnibus bill. I hope this information is helpful and ask that you take these considerations into account as the bill moves forward.

Sincerely,

A handwritten signature in blue ink that reads "Grace Arnold". The signature is written in a cursive, flowing style.

Grace Arnold
Commissioner (Temporary)