

Date: January 7, 2015

To: The I-35W Solutions Alliance Board of Directors

From: Rob Vanasek

Re: Legislative Report

The 89th Session of the Minnesota legislature convened on Tuesday at noon. Kurt Daudt was elected Speaker of the House on a 72-62 party-line roll call vote. Speaker Daudt said, "We should all expect and embrace new ideas." He later said that the majority would roll out their first 5 bills and introduce them during the 11:00 a.m. session this Thursday. The bills would focus on jobs and the economy, nursing homes, education reform, transportation and MNSure reform. Senate Majority Leader Bakk has said his majority would introduce 6 bills on Thursday. Both leaders expressed their belief that their priority bills will resonate with voters.

Transportation Committees

The House has combined its two transportation committees into one Transportation Policy and Finance Committee lead by Rep. Tim Kelly of Red Wing. The Vice Chair is John Petersburg of Waseca. The additional 20 members are:

Anderson, M.-R, Lake Shore	Howe-R, Rockville	Norton-DFL, Rochester
Atkins-DFL, Inver Grove Heights	Johnson, C.-DFL, North Mankato	O'Neill-R, Maple Lake
Bernardy-DFL, Fridley	Koznick-R, Lakeville	Runbeck-R, Circle Pines
Drazkowski-R, Mazeppa	Masin-DFL, Eagan	Sanders-R, Blaine
Erhardt-DFL, Edina	McNamara-R, Hastings	Sundin-DFL, Esko
Hausman-DFL, St. Paul	Nash-R, Waconia	Uglem-R, Champlin
Hornstein-DFL, Minneapolis		Whelan-R, Anoka

The Senate Transportation and Public Safety Policy and Budget Division leadership and members remain the same, with one change: Senator Miller of Winona has been replaced by Senator Newman of Hutchinson.

Chair Dibble-DFL, Minneapolis	Franzen-DFL, Edina	Rest-DFL, New Hope
Vice Chair Kent-DFL, Woodbury	Jensen-DFL, Owatonna	Senjem-R, Rochester
Carlson-DFL, Eagan	Kiffmeyer-R, Big Lake	Tomassoni-DFL, Chisholm
Champion-DFL, Minneapolis	Newman-R	Westrom-R, Elbow Lake
	Osmek-R, Mound	Wiger-DFL, North St. Paul
	Pederson-R, St. Cloud	
	Pratt-R, Prior Lake	
	Reinert-DFL, Duluth	

The House committee meets Mondays and Wednesdays at 12:45 p.m.

The Senate committee meets Mondays and Wednesdays at 2:00 p.m.

The Political and Policy Map

The Governor is still building a major, comprehensive transportation proposal, but expect it to be out later this month, possibly released as part of his budget on January 27. He recently said education and transportation will be his two top priorities in 2015 and that a transportation bill will need to provide significant and reliable funding for projects. His rough draft includes a half-cent sales tax in the metro for transit, transferring the leased sales tax revenue from the general fund to Greater Minnesota transit needs, a wholesale gas sales tax of 6.5% and an increase in tab fees.

All four legislative caucus leaders and many rank and file members are discussing the need to do something regarding transportation, but a number of rank and file Republican members have stated they would not support increased taxes to pay for increased transportation expenditures.

The House leadership has not taken a gas tax off the table, but their bill introduced Thursday might use some general fund money along with bonding and will not likely be as robust as others are proposing.

The Senate is already on record in support of increased revenues for transportation. In 2013 they passed off the Senate floor a relatively watered down bill containing a 5 cent gas tax increase and a .5% sales tax in the metro. The Senate and the Governor will not immediately see eye to eye, but reconciling the House and Senate bills if they get to conference committee will be more difficult still.

Move MN, the Minnesota Transportation Alliance, and county, city and township groups have adopted legislative priorities in support of a transportation funding package providing new, dedicated revenues. Move MN, the largest transportation coalition group is having a press conference later Thursday a.m. on their proposal. A slightly outdated but relevant draft of which is attached.

The Minnesota Chamber of Commerce has not ruled out a gas tax completely, but they are opposing a wholesale sales tax on gas. They propose: “Maintain current system with strategic improvements; Pass 10-year funding plan; Finance package by efficient use of current resources, general fund appropriations and new user-fee models like value capture.” See their full legislative platform below. The Minneapolis and St. Paul Chambers support the metro sales tax for transit, but aren’t advocating for a gas tax. On Wednesday, U.S. Bank’s Richard Davis shared that he believed transportation is “an investment, not an expense.” He also expressed an opinion that needs could not be met with existing revenue sources.

Southwest LRT Line

On Wednesday, Dayton said he's not going to ask the federal government for funding for the project this year or next year.

People

Sean Rahn, who was Speaker Kelliher's legislative director during the passage of the last major transportation package, has taken a newly created position at MNDOT as Assistant Commissioner for Policy. Rahn had been an in house lobbyist for Best Buy most recently and before that worked as a senior aide to Governor Dayton.

Mitch Rasmusson has started work at MNDOT as the State Aid Director, replacing Julie Skallman. Rasmusson had been with Scott County and Burnsville in prior positions.

Jennifer O'Rourke, previously with the League of Minnesota Cities, Minneapolis, and most recently a senior aide to the Governor will now be in a newly created position at the Metropolitan Council centered in part on community outreach.

MOVE MN 2014 Legislative Proposal

GREATER ACCOUNTABILITY AND TRANSPARENCY IN

TRANSPORTATION Move MN is committed to making sure there is greater efficiency and transparency with transportation projects, in addition to finding new funding sources that meet long-term obligations for all modes.

LEASED VEHICLE SALES TAX Minnesota's current budget surplus provides a unique opportunity to finally close the leased vehicle sales tax loophole and make critical investments in transportation. Move MN proposes dedicating all of the leased vehicle sales tax to highway and transit funding. Doing so would provide \$32 million in new transportation funding without raising one penny in new taxes.

SEVEN-COUNTY METRO SALES TAX The seven-county metro sales tax for transit would become one cent and generate \$335 million in new revenue annually. A 3/4 cent increase in the sales tax will fund and expand current Metro Transit and suburban transit bus and rail systems. The sales tax would be applied in all seven counties and a small portion of the tax would be used to fund safe and accessible bike and walk connections in the metro.

SALES TAX ON WHOLESALE FUEL Unlike the per-gallon fuel tax, the wholesale fuel sales tax, also known as a gross receipts tax, will generate additional transportation funding as the price of fuel increases. Minnesota's current gas tax would remain the same. The new sales tax would be administered at the wholesale level and is projected to raise more than \$360 million annually in new transportation funding. Minnesota would join a growing number of states that have a sales tax on fuel, including Virginia and Pennsylvania.

FLEXIBLE FEDERAL FUNDING FOR BIKE-PEDESTRIAN

INFRASTRUCTURE By allocating \$16 million in the flexible federal funding from the Surface Transportation Program that MnDOT receives each year, we can afford to invest in bike and pedestrian infrastructure throughout the state. This infrastructure is closely tied to our state's economic competitiveness and quality of life. Bike and

pedestrian connections make our communities healthy, vibrant and livable, which in turn attracts talent and safely connects our families to their destinations.

Minnesota Chamber of Commerce Legislative Priorities

TRANSPORTATION

Minnesota's transportation infrastructure is a valuable asset that requires ongoing maintenance and investment for the efficient movement of people and materials. The present methods and level of funding fall short of maintaining our existing system, let alone allowing for expansion.

Minnesota businesses believe today's transportation system meets their most pressing needs. However, without additional funding, investment in our roads and bridges is projected to drop significantly, beginning in 2016. The Minnesota Chamber supports investment at a level to maintain the existing transportation system – roads, bridges and transit – and provide for strategic enhancements to it so our infrastructure addresses demographic, economic and technological trends.

2015 TO DO LIST

Pass a 10-year funding plan to preserve and enhance our transportation system with sustained, strategic improvements. Through this plan, provide additional transportation funding to:

- Maintain the current level of construction on state roads and bridges to preserve pavement and bridge conditions, provide for spot improvements to relieve congestion, and provide for a few expansion projects each year.
- Make additional strategic investments in the state's system of roads and bridges through the Corridors of Commerce program to improve freight movement and address bottlenecks.
- Accelerate the build-out of the transit system in the Twin Cities.
The package should be funded by efficient use of current resources, general fund appropriations and value capture user-fee mechanisms.
- The 2012 Transportation Finance Advisory Committee recommended that roughly 15% of the state's long-term funding needs for transportation be met through a focus on using resources more efficiently. This is a reasonable and responsible target for the Department of Transportation and the Metropolitan Council to meet.
- We must broaden the base of financial support for our transportation infrastructure. Fuel taxes, vehicle registration fees and the motor vehicle sales tax are not sufficient in the long term to support the growing demand for increased investment. Thirty-three states use money from the general fund to supplement financing for state roads and bridges. Minnesota does not.
- Value capture mechanisms should be used to match a portion of a project's cost with those who most directly benefit from it.