

Date: February 12, 2016

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

From: Rob Vanasek

Re: Legislative Report

Chad Anderson of Bloomington will become the newest member of the Minnesota House after winning a special election on February 9 to fill the vacant seat created by former Representative Ann Lenczewski's resignation from the legislature. Both Chad and his Democrat opponent spoke of the need for transportation dollars this legislative session.

The State Office Building (SOB) and newly opened Minnesota Senate Building (MSB) are relatively full of legislators that are holding occasional informational hearings despite the official start of session a month away. This Monday the full House and Senate Transportation committees will hold a joint hearing on last year's conference committee report: each chamber's own omnibus transportation finance bill, which remain alive for action this year. The joint hearing will also review last fall's enactment of a new federal transportation bill and its impact on Minnesota. Two days later the Governor's bonding proposal, which notably excludes money for transportation, will be heard in the Senate Capital Investment Committee. The Governor explained the omission due to his hope that all transportation related matters would be dealt with in an omnibus transportation bill.

Surplus: Taxes, Transportation, Bonding

On December 3 the state's November Economic Forecast was released depicting \$1.2 billion in surplus funds available to the legislature and governor for tax cuts and supplemental spending. The governor and legislative leaders held their traditional press conferences to react. The most notable comment made in those statements to the press was the governor's statement that a "gas tax increase is dead" since the amount of surplus available is so sizable. In recent weeks, the governor clarified that his November comments were his political assessment, not his position. He insisted that an increased the gas tax should be on the table for discussion. The House has proposed using some of the surplus for transportation financing.

In November, the governor said he was willing to dedicate more money to transportation from the general fund, but would look to the legislature to write a transportation funding bill that would meet the \$6 billion minimum of needs over the next 10 years. He stated a bill must fund more than 1/3 to 1/2 of the needs that was put forward last session by the House and that a constitutional amendment was also needed to dedicate funds as fuel taxes are currently. According to Dayton, the House plan proposed last year was inadequate.

The next Forecast will be out on February 26 at 11:15 a.m. and will be used by the Governor and legislature to determine this year's spending decisions.

In the waning days of session last spring the Senate insisted that without a gas tax increase for transportation, there would be no Senate support for a corresponding tax cut bill. In November Senator Rod Skoe, (Chair of the Senate Tax Committee speaking on behalf of the Senate Majority), stated the Senate would likely use some of the surplus as cash to pay for projects that traditionally would be bonded for.

Last week, Majority Leader Bakk and Speaker Daudt outlined their legislative goals for this year. Daudt said he wanted significant tax relief, while Bakk repeated several times that he was adverse to tax cuts and wanted to hand off a balanced budget to the next legislature. Bakk has been saying that the Senate is likely to propose only one-time spending items, not funding for programs with ongoing costs.

The tax, transportation and bonding bills are the three major items that will be debated and possibly acted on this year. At an event I co-hosted for Paul Torkelson, the House's bonding committee chair, he depicted all three bills as interrelated and each one will significantly affect what's found in the other two.

Southwest Light Rail is in President's Budget

Earlier this week \$125 million was proposed for the Southwest light rail project in the President's 2017 budget. Local and state dollars pledged so far total \$745 million. The Metropolitan Council is seeking an additional \$135 million from the state this year.