

Date: February 9, 2017

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

From: Rob Vanasek

Re: Legislative Report

The legislative session has transitioned from department and agency overviews to hearing member bills (following passage and enactment of high priority bills such as federal tax conformity and individual health insurance assistance).

The February Economic Forecast is due out on March 1. It is used to set the final overall budget numbers for the next two years. Many expect that sales tax revenues may be down from the November Economic Forecast. This could slightly lower the total new allocation of general fund dollars from the House's transportation package from last session. The Senate majority introduced the House's previous proposal early this session with very small tweaks. The Senate's early position would also add some dollars to the Highway Tax Distribution Fund (HTDF) by keeping a little over \$30 million in MVEST receipts that currently go to the general fund. It also captures gas tax receipts that are currently allocated to ATV and snowmobile trails, but this only amounts to a couple percent more to the current gas tax revenues going to the HTDF.

Governor's Budget and Legislative Deadlines

The Governor outlined his budget on January 24. It includes: a 6.5 percent sales tax on gasoline, bringing the current 1.25 percent base tax on vehicle registration fees to 1.5 percent, and raising car registration fees by \$10, providing over the next ten years ~\$5.5 billion to the state highway system (including bonding) and ~\$2.4 billion to counties, cities and townships. The plan would raise a metro-wide sales tax of a half cent for transit funding totaling \$3 billion over 10 years. According to the Dayton Budget, these tax increases would cost an average person \$3.50/per week and:

In the next three years, one in five Minnesota roads will pass their useful life, making it increasingly difficult for Minnesota businesses to move their goods to market and for Minnesotans to commute. With Minnesota's population expected to hit 6.2 million and the Twin Cities projected to add 800,000 residents by 2040, the need for a long-term, transportation solution is clear.... The Dayton Plan also would give local leaders the resources and flexibility to repair and replace local roads and bridges in their communities by directing over 40 percent of the new revenues to cities, counties, and townships.

Reaction from legislative leaders was swift. They were "disappointed" the governor was sticking to his gas tax and sales tax increases and responded:

Republicans will put together a budget proposal later this session after the February forecast is released that will fund our shared priorities, limit

government growth and include more significant tax relief for families and hardworking taxpayers across the state.

Expect targets for the finance committees around the second week of March. Last year there was a ~\$900 million surplus and the House proposed to use half of it for new funding on transportation. Both chambers might again consider significant new transportation spending as legislative leadership develops their targets this year.

Committee Deadlines and Legislative Break announced:

- March 10th is the First Committee deadline
- March 17th is the Second Committee deadline
- March 31st is the Third Committee Deadline, Omnibus Finance Bills passed
- April 9-17 is Passover/Easter Break

Bonding

The Senate passed SF 210 on January 19 out of the Capital Investment Committee. The bill totals just over \$1.5 Billion in bonding and cash and is nearly identical to the bill that cleared the House (and the Senate, minus SW LRT) on the last day of session. The bill does contain the \$12.1 M for Orange Line, \$25 M for 35W/Lake Street Access and the \$8.75 M for the Mall of America Transit Station. In meetings with House Capital Investment Chair Dean Urdahl and his Vice Chair Mark Uglem, I have urged them to follow the Senate's lead. They each appeared to agree that it is important to "clear the deck" and process last year's bill and its projects before writing a new bonding bill. Unfortunately the Speaker is not as enthusiastic. Urdahl and Uglem as well as Ranking Member Hausman urged their committee membership at their last committee hearing to go and talk to your caucus leadership and push them to advance last year's bill now.

In a meeting with Senate Capitol Investment Chair David Senjem, author of SF 210, he shared that he thought it was the right thing to do to complete the unfinished work of last year's legislature before moving ahead on a new bill with new projects. The House must pass a bonding bill first (just as all tax bills must originate in the House).

Representative Jon Koznick does have new bill jackets ready to be dropped for bonding for the Orange Line if a completely new bonding bill might be assembled this year.

Transit

Several bills have been introduced that would prohibit LRT lines from being built unless the legislature provides advance permission. Hearings have been held on the potential future of CTIB, on the benefits of arterial and highway BRT and drawbacks of LRT, on self-driving cars and a vehicle-miles driven tax in place of a gas tax. These are in addition to overviews done on the Metropolitan Council and Metro Transit.

MnDOT

MnDOT has provided its overviews to both chambers and there was a release of a Legislative Auditor's report on the MnDOT Highway Project Selection Process on Monday in the House. The Senate has recently focused on trucking and port issues.