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## MEMORANDUM

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

FROM: Robert J. Tennesen

RE: Legislative Report

DATE: June 13, 2013

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## Legislature

### Transportation Bills

The final **transportation policy bill** (HF1416/SF1270) includes provisions that:

- establish new protective measures for bicyclers;
- allow attractions to appear on MnDOT roadside business logo signs;
- establish a yearly review of MnDOT-owned lands for possible sale;
- turn back portions of state trunk highways to a pair of Greater Minnesota counties;
- authorize the use of proceeds from state-run parking ramps in Minneapolis for other uses, such as ramp technology improvements and work on MnPass commuter lanes; and
- codify an existing MnDOT ombudsperson position in state statute to aid in resolving disputes.

The **transportation funding bill** (HF1444/SF1173), called a “lights on” bill, was passed at the end of session and has been signed by the governor. It funds over \$4 billion of the state’s current transportation needs, including:

- \$95 million in new one-time appropriations,
- \$300 million in trunk highway bonding for a new “Corridors of Commerce” program,
- \$37 million one-time appropriation towards construction of the Southwest corridor LRT line,
- \$11 million shift in one-time funds from metro counties to Greater Minnesota transit, and
- a mandate for the use of “Made in Minnesota” solar panels for transportation projects that use solar voltaic systems.

The bill does not raise new revenue for badly needed road and transit improvements. Proposals for new revenue from an increased gas tax and a metro area transit-oriented sales tax were stripped from the

House legislation in committee after the governor balked at a gas tax hike. The Senate language included a 5-cent gas tax increase, but it was removed in conference committee after the governor again expressed his unwillingness to sign such a measure.

### **Tax Bills**

The tax bill (HF677) was subjected to complete revision in conference committee. Basically all of the provisions spelled out in our May report were removed. The remaining items with regard to transportation include:

- City of Minneapolis is authorized to establish a streetcar district after public hearings on its proposed creation, and to levy a tax in the value capture district.
- The bill also provides for funding the repair, restoration or replacement of the Old Cedar Avenue bridge for use by bicycle commuters and recreational users.

### **Bonding Bill**

The proposed \$800 million bonding bill failed in the House, after which lawmakers hurriedly patched together a smaller capital investment bill of \$176.8 million, including:

- \$109 million for continuing restoration of the State Capitol
- \$22 million for construction of a parking ramp at the Capitol complex,
- \$20 million for flood mitigation projects across the state,
- \$18.9 million state match for an expansion of the Minneapolis Veterans Home, and
- \$8 million for the Public Facilities Authority to leverage \$40 million in federal money for clean water and drinking water revolving funds.

### **Metropolitan Council Redistricting**

A redistricting plan that redraws the Metropolitan Council's 16 districts took effect May 17<sup>th</sup> (HF1684/SF1564). The legislature must redraw the council's district boundaries every 10 years, after each federal census to ensure that each district represents roughly the same number of people. Legislators agreed upon the map endorsed by the administrators at the Met Council, [MC2013-1A](#).

### **2014-15 Budget**

Based on the recently passed \$38.3 billion 2-year budget, general fund receipts for the 2014-15 biennium are expected to be \$38.4 billion, over \$3 billion greater than the \$35.2 billion projected for the current biennium. This represents an assumed 9.3 percent increase in tax receipts. There is some concern over such an optimistic assumption.

The budget includes tax increases of \$2.1 billion. The legislation creates a new income tax rate of 9.85% on couples earning over \$250,000 per year and single people earning over \$150,000 per year. This is a 2 percentage point increase from the current top rate and affects approximately 54,400 taxpayers who

will pay a higher income tax averaging \$7,200 more per year. The plan also includes a \$1.60 per pack increase in tobacco taxes, more than doubling the current rate. A portion of the new tobacco revenues will go to help pay the state's share of the Vikings stadium.

Appropriations include more than \$725 million in increased funding for education – \$475 million for E-12 and \$250 million for higher education. The legislation provides access to free, all-day kindergarten for every child, a 2-year college tuition freeze, and a “Dream Act” whereby undocumented students who attended Minnesota high schools for at least three years and want to become citizens will be granted in-state tuition and be eligible for grants.

Legislation this session also provided \$400 million in property tax relief through aid to cities, counties and schools (LGA).

Two specific tax increases will not go into effect until next April so the legislature can have an opportunity to revise or undo them – the storage service tax and a new tax on equipment repairs. There is concern these two taxes will cause an undue burden on businesses, especially the tax on equipment repairs which will affect farmers repairing farm equipment. These two taxes and a new tax on telecommunication services are expected to generate \$315 million in the next biennium and will be used to provide a sales tax exemption to local governments.