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MEMORANDUM

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

FROM: Robert J. Tennesen

RE: Legislative Report

DATE: January 11, 2012

Budget – November Economic Forecast

Based on Management & Budget's November Economic Forecast, state budget officials are predicting a budget surplus of \$876 million for the remainder of the current biennium. The projected surplus stems from higher-than-anticipated revenues and slower growth in human services spending due to lower than expected enrollment increases and changes in federal health care policy.

Long term, the state still faces an estimated \$1.3 billion budget deficit in the 2014-2015 biennium — an amount that does not account for expected inflation of \$1.3 billion and over \$2 billion in outstanding school aid payment shifts.

The overall outlook for the U.S. economy has worsened, but Minnesota is doing better than the nation as a whole. The financial crisis in Europe and partisan gridlock in Washington, DC have lowered the prospects of any significant growth in GDP.

Under current law, the entire \$876 million surplus will be used to replenish the state's budget reserve and cash flow account.

Mileage-Based User Fee

In April 2011 Transportation Commissioner Tom Sorel appointed a task force to explore potential use of a mileage-based user fee for funding transportation. The task force report recognizes that such a fee could be fair and flexible but should not be implemented until concerns (including privacy, administrative cost, complexity, phasing, and unfamiliarity of the concept among policymakers and the public) are satisfactorily addressed. It recommends further exploration of alternative transportation funding sources that ensure all drivers pay for

building and maintaining the transportation system, with flexibility to cover all vehicles regardless of type of fuel used.

The report cites benefits of a mileage-based user fee including sustainability, different rates for different conditions, value-added services and system management. It also identifies potential problems including administrative cost, privacy, jurisdiction issues, feasibility, complexity, public acceptance and use of revenues.

All documents and information on MnDOT's MBUF technology research project are available at www.mndot.gov/mileagebaseduserfee.

Transit Oriented Development Grants

Metropolitan Council is providing transit oriented development (TOD) grants to cities to support development along rail and bus routes. TOD projects will be high density, mixed use, adjacent to transit stations, and designed to be pedestrian friendly. Funding for TOD comes from Livable Communities grants previously awarded to communities for development projects, but were returned to the Council when the projects did not move forward as planned during the recession.

Metropolitan Council has awarded nearly \$8 million in grants to promote nearly 40 commercial/retail and housing developments planned along the Central Corridor light rail line. Metropolitan Council Chair Susan Haigh said, "Transit-oriented development is a major focus of the Metropolitan Council. We're pleased that the new projects along the Central Corridor rail line are providing residential and commercial opportunities up and down the line so that individuals can live and work on Central Corridor. This kind of improvement in density makes our community more efficient, livable and inclusive."

Legislature Convenes at Noon January 24, 2012

The regular meetings of the House and Senate Transportation Committees are:

House Committee – Mondays at 12:30 – 2:15 pm Room 5 SOB

Wednesdays at 12:30- 2:15 pm Basement Hearing Room SOB

Senate Committee - Tuesdays and Thursdays from 1:00 to 2:30 pm in Room 123 of the Capitol.

No committees meeting have been scheduled nor agendas announced for either committee.