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MEMORANDUM

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

FROM: Robert J. Tennesen

RE: Legislative Report

DATE: March 8, 2012

Budget Forecast

The MMB's February Economic Forecast predicts a \$323 million surplus for the rest of the current biennium. By law, this surplus must go to partially re-pay the funds the state borrowed from K-12 school districts totaling \$2.7 billion.

Last December, MMB announced a projected \$876 million surplus which was used to shore up the state's cash flow account and budget reserves.

A \$1.1 billion budget shortfall is projected for the next fiscal biennium (nearly \$2.2 billion once inflation is factored in) not counting the \$2.4 billion that will still be owed to the schools.

Bonding Bills

The House and Senate bonding bills have been introduced (**H.F. 2205 / S.F. 1823**). Both bills provide:

- \$74.1 million for transportation, with \$25 million allocated to local bridge replacement and rehabilitation and \$10 million to Greater Minnesota transit.
- \$30 million to Metropolitan Council, of which \$25 million is allocated for Southwest Corridor LRT.
- \$10 million for the Transportation Economic Development Program.

The money allocated to the Transportation Economic Development Program cannot be used for trunk highway improvements, but can be used for needed infrastructure improvements and non-trunk highway improvements in coordination with trunk highway improvement projects undertaken by MnDOT. The Commissioners of Transportation and DEED would design application and selection processes to distribute funding to local units of government, taking into account job creation, increase in local tax base, level of private investment, leverage of nonstate funds, improvement to the

transportation system to serve the project area, and appropriate geographic balance between the metropolitan area and greater Minnesota.

H.F. 1284

Rep. Mike Beard amended his bill H.F. 1284 to accommodate our objection to taking funds from operation of the MnPass lane on I-35W to the operation of MnPass lanes on other routes. You have received copies of the correspondence to Reps. Beard and Holberg stating the position of the Solutions Alliance and a follow up email thanking Rep. Beard. The correction still needs to be made to the Senate bill but that may happen in conference.

Membership of Transportation Finance Advisory Committee

Members of the Advisory Committee and their affiliations include:

Tom Sorel, Commissioner, MnDOT
Mark Phillips, Commissioner, Department of Employment and Economic Development
Susan Haigh, Chair, Metropolitan Council
Cal Brink, Executive Director, Marshall, MN Chamber of Commerce
Charlie Zelle, President and CEO, Jefferson Lines
Dan Riley, Vice President, Property Development Operations, Target Corporation
Art Rolnick, Senior Fellow, University of Minnesota (formerly with Federal Reserve)
Corey Hoepfner, Director, RBC Capital Markets
Shawn Mason, Mayor, International Falls, MN
Adolph Ojard, Executive Director, Duluth Seaway Authority
Shar Knutson, President, AFL-CIO
Peter McLaughlin, Commissioner, Hennepin County
Toni Carter, Commissioner, Ramsey County
Harlen Madsen, Commissioner, Kandiyohi County

Metropolitan Governance

The Legislative Commission on Metropolitan Government met March 5th and approved the recommendations contained in its report. This is the report. <http://www.commissions.leg.state.mn.us/lcmg/20120302billdraft.pdf>. It will be introduced and considered by the appropriate committees.

Some of its major recommendations include:

1. Subordinating the Metropolitan Council budget to legislative approval.
2. Reduces Metropolitan Council planning functions such as development guides to be merely advisory to local governments.
3. Removes the Metropolitan Council from transportation planning and operations and transfers the duties to a new Regional Transportation Governance Board (RTGB) and the Metropolitan Transit Commission (MTC).

4. Appointment of Metro Council members shall be made by counties from elected county officials and requires that governor appointments be only from elected local government officials.
5. Transfers county created and controlled regional rail authorities to the new RTGB.
6. Transfers CTIB to the RTGB and makes CTIB a committee of the RTGB.
7. Expands the use of the sales tax levied by participating CTIB counties to include all forms of transportation including roads, bridges, and regular route transit operations.
8. Authorizes the RTGB to levy a property tax for both capital and operations.
9. Requires local government approval of any LRT line.

You previously received House staff's summary of the recommendations.

Other Legislation of Interest

H.F. 2473 / S.F. 2243 establishes a public-private partnership pilot program wherein the commissioner of transportation is authorized to enter into three pilot projects.

H.F. 2547 / S.F. 1668 requires city, county and town approval prior to constructing light rail transit facilities.

H.F. 2631 / S.F. 2172 establishes contingent state-aid related statutory appropriations, which apply only if a budget for county or municipal state-aid has not been enacted by the start of a new budget biennium.

H.F. 2685 authorizes a 25 cent fare increase for all regular route bus and light rail transit service.

H.F. 2686 allows Metro Council to issue bonds in an amount not exceeding \$35.4 million for capital expenditures as prescribed by the council's transit capital improvement program.

H.F. 2696 increases the basis for calculating minimum apportionment of funds that Metro Council is required to provide to suburban transit providers (opt-outs), from 3.74% to 6.25% of total revenues from MVST. This percentage basis is used as a component in a statutory formula for determining the amount and allocation of funds that must go to each opt-out. (Because of the structure of the formula, the basis does not establish the total percent of MVST actually required to be allocated to the opt-outs.)