

Date: February 10, 2022

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

From: Rob Vanasek

Re: Legislative Report

2022 – Will anything happen?

Perhaps the biggest factor in what gets done or left unfinished yet again in the 2022 legislative session will come into focus next Tuesday, February 15th and during the ensuing days as every member, staffer, lobbyist and engaged advocate digest the new legislative House and Senate District maps. 2022 is not only an election year with uncertainty ahead due to all 201 legislator seats on the ballot, along with the Governor (and the rest of the constitutional officers), it's a redistricting year. It's been top of mind for many members for months. Many, many members have already announced their retirements, and a notable number of those retiring are senior members of the House DFL.

Walz was able to present an enormous supplemental budget in late January (thanks to the budget surplus discussed below) that highlights his administration's values, which traditionally would have been in a budget year (last year) but the pandemic's expected squeeze curtailed his initiatives last session. Exactly two weeks ago Walz released details on his transportation proposal: a proposed increase of \$280M this biennium and \$373M in FY24-25 for a multimodal transportation package, which would be used for the state and local match for new federal funds coming to the state. As part of that he proposes to retool Corridors of Commerce Project Scoring (more below).

The House will have legislative initiatives, the Senate will have initiatives, but Minnesota has a balanced budget, enacted last year, and nothing is required to get done this year, not even the anticipated bonding bill. There will have to be historic levels of compromise to enact anything significant.

I have heard directly from the Speaker and separately from the Senate Finance Chair that instead of the often seen single omnibus supplemental budget bill in even years, we'll likely see 10 different omnibus bills as would be usual in an odd year. This bodes well for transportation. Why? Because as House Transportation Chair Hornstein told me in a meeting shortly before session began, he and Senate Transportation Chair Newman have a great working relationship and as long as they are respectively each given new General Fund money in their committee supplemental budget targets, they can get a deal done.

Session is On

The legislature did gavel in on January 31 and adjourns on May 23. It is a bonding year and the minority caucuses play a key role in the passage of bonding bills, which require a

3/5s supermajority to pass in each chamber. Minority Leader Kurt Daudt in the House and Minority Leader Melissa Lopez Franzen in the Senate will likely gain more attention this year. This is Franzen's first session in leadership. The Majority Leader in the Senate, Jeremy Miller is also new to his position and Senator David Osmek is the new Senate President. Also, Senator Tom Bakk, I, of Cook and Representative Fue Lee, DFL, of Minneapolis each chair the Capital Investment or bonding committees.

The players above could hold a lot less power and attention than normal bonding years as the state is enjoying a forecasted \$7.7B surplus, billions of which consist of one-time money and could be used to supplement (or even replace in certain scenarios) the bonding bill.

I spoke with MN Management and Budget Commissioner Jim Schowalter recently and asked what the ongoing, structurally balanced budget numbers were and his answer was between \$4-5B in this fiscal biennium, and \$5.9B in FY 24-25.

The numbers above don't take into account the roughly \$1.25B in ARP funds the legislature decided not to spend last session and put in reserve for use this session. There are restrictions on the use of these funds, but if the legislature doesn't come to agreement by the time they adjourn, Governor Walz then has discretion to spend the money.

The House and governor want to primarily spend the surplus funds on programs, while the Senate wants to use the funds to cut taxes.

Transportation Finance (and Policy) Opportunities Abound Ahead

Transportation, although not on the hot topics list at the state capitol since 2019, is potentially in a very good position to receive an influx of dollars for three reasons: One, it's a bonding year, two, there's an extraordinary state surplus and three, most importantly, the federal government enacted a historically huge transportation bill that we learned details of last month. The Infrastructure Investment and Jobs Act (IIJA) will bring additional federal funds to the state and, importantly, requires the state to match those funds.

Senate leadership has raised cutting taxes and fighting crime to the top of their session priorities while occasionally still calling 2022 a bonding year. The House is suggesting a robust bonding bill will be a top priority, but they have highlighted public safety as well as education and climate resiliency as their top priorities. Transportation components within recently enacted bonding bills have seen relatively significant increased investment. That the last bonding bill was \$1.9B bodes well for a sizable package this year, though does not guarantee a bonding bill gets done.

Governor Walz released his bonding recommendations in mid-January totaling \$2.7B. \$244.6M in General Obligation bonds would go for transportation projects and an additional \$149M Trunk Highway bonds would be on top of that. He creates a new item for High Priority Bridges (\$80M), funds Local Bridges (\$120M) and Local Roads

(\$90M), and invests (~\$70M) in facilities improvements (buildings). He also proposes to build three Arterial BRT lines via \$60M in General Obligation bonds.

Corridors of Commerce Project Scoring

While bill language is not yet available, here's the summary found in the Governor's Capital Budget Recommendations:

The Governor recommends modifying the structure of the Corridors of Commerce program to improve clarity, public involvement, and cost-effectiveness, as well as creating a small programs category. The Corridors of Commerce program funds highway projects to foster economic growth. Modifications would amend processes to reduce the number of projects needed to be scored by advancing only the most competitive projects and therefore reducing administrative burden; clarify the definition of "regional balance" to mean funding would be evenly split between the eight counties in the metro district and the other counties that comprise Greater Minnesota; and create a "small programs" category for projects under \$10 million to allow funding for a greater number of projects, particularly in underserved rural areas.