

Date: June 9, 2022

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

From: Rob Vanasek and Britta Torkelson

Re: Legislative Report

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The end of the 2022 session came and went with very little enacted into law. Despite agreement on multiple Conference Committee Reports (CCRs), they were never sent to the governor's desk. Most of the large omnibus packages met their demise due to shaky negotiations between deeply entrenched members, and failed political maneuvering. Although an agreement was reached on the Tax bill CCR – a high priority for both parties – the House was not willing to move forward with passage until the remaining spending bills were successfully negotiated and passed.

A global agreement was reached by the Sunday following the Solution's Alliance meeting last month as some of us hoped for and this left a fair amount of time for chairs and conference committees to make deals within the leadership's budget parameters. Leadership's deal called for a Tax bill with tax relief totaling \$4B, supplemental spending of \$4B, and leaving \$4B in reserves in case the economy goes downhill. These numbers are all within a three-year time frame.

Transportation's specific joint supplemental spending target was \$360M over three years. Out of that transportation target, \$282M was designated for IJA matching dollars. A week prior to receiving this target I was told by the House Chair that they'd need a significantly higher number in order for the House to sign off on diverting sales taxes on auto parts from the General Fund. It's not clear how the leadership conversations went on that particular topic, if they happened at all. I spent about a half hour with the Senate Chair on the last night of session who was blaming House leadership for not allowing the House Chair to use the sales tax money as part of their negotiated spending agreement on transportation. Both sides appeared dug in.

A special session is still possible, but becomes more unlikely with each passing day. Many factors are at play, and not many expect legislators to return to the Capitol. Recent custom is that all agreements are in place before a special session is called. This high hurdle is challenging for not only the majorities' leadership and the administration, but also minority caucuses. It certainly doesn't help that the distraction of upcoming elections, campaigning and fundraising season is at the top of legislators' minds.

Governor Walz upgraded Nancy Daubenberger from temporary status, and named her the new transportation commissioner on May 24th.

### **HF 4293 – State Government, Transportation, and Veterans Omnibus**

Along with other omnibus CCRs, HF 4293 did not make it to the governor's desk. The conference committee was one of a few that met almost daily, and held hearings up until the end of session. Much of the non-transportation portions of the bill were ironed out, but Transportation was the sticking point.

One provision adopted would have allowed up to \$30M to be used by Minnesota Management and Budget to use for any agencies during the interim to be used for competitive grant programs as those opportunities arose (but it was made clear by Chair Newman that the funds could not be used for program funding). Several transportation policy provisions were adopted ahead of the last weekend and some unsuccessful talks on spending did occur in the last days of session, but the impasse over the auto parts sales tax remained. During one of the final conference committee hearings, a CCR was put together splitting off the Transportation provisions so the remaining sections could move forward, but even that effort stalled out.

Although we know the House was willing to move ahead with a limited number of specific projects, those were never made public.

Unfortunately, Minnesota could lose out on around \$100M in federal dollars if the state fails to pass a transportation bill. Cities, MnDOT, and labor organizations have been drawing attention to this. Chair Newman told the Minneapolis paper that although he'd like to pass a bill to fund the federal match on these programs, it's not fatal if a bill is not passed and that he thinks the department could use budgeting shifts.

### **Bonding**

Similar to our May update, very little happened regarding the bonding bill within view of the public. Spreadsheets from either side were never released, but word was both chairs were working hard on their proposals. Leadership did agree in the last days of session that the bonding bill would include \$1.4B in General Obligation bonds and \$150M in cash. If a special session does happen, a bonding bill is likely to be a part of that agreement.

Senate Capital Investment (Bonding) Chair Tom Bakk is retiring after this session, and because he was the longest serving legislator in the Senate to retire this year he earned the final speech slot on Monday May 23rd. Bakk made an impassioned plea for compromise to his colleagues on both sides of the aisle, as well as with House members. A glimmer of hope for a special session could reside with him and some other retiring Senate Chairs who want to see enactment of some of their last pieces of work.