Date: April 13, 2023

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

From: Rob Vanasek

Re: Legislative Report

Following the release of the February Forecast reported on last month, the Governor has released his supplemental budget and the House, Senate and Governor released joint spending targets for all finance committees. The Governor had one addition of note in his supplement and that was an additional $11.45M for a Metro Transit safety program. The spending targets came out March 21, unusually early, and there was some good news for transportation: $130M new, additional General Fund dollars were allotted to ongoing base funding and an additional $1.075B one-time GF funds were allotted for transportation. The ongoing funds increase the GF portion of transportation funding to $271M total, while the majority of funds come from the constitutionally dedicated Highway User Tax Distribution Fund (HUTDF). As usual, the bulk (approaching 90%) of the ongoing surplus funds are allocated to programs like schools and health and human services – tax relief and local government aids and credits round out the top surplus winners.

Another pot of the GF surplus ($2.3B) was set aside for a GF (cash only) capital investment//public works bill (in case a bonding bill does not pass). Later in the day after our last meeting the bonding bill that passed the House floor with 22 Republican votes failed in the Senate due to no Republican Senator votes. It does not look likely at this point that that bonding bill, which requires a 3/5s super majority to pass will receive enough Republican Senator votes to pass, which means many of those projects could get left behind in the cash bill, which only requires a simple majority, if there's not a change of heart before the legislature adjourns sine die in May.

New revenues statutorily dedicated to transportation have been developed in each chamber and the House and Senate Transportation Committees have passed their Omnibus Transportation Finance bills out of Committee. The House bill, HF 2887, has been heard and passed out of Taxes and just yesterday passed from Ways and Means to the House floor. The Senate bill, SF 671, after three long hearings and amendments over three days was passed last week to Senate Taxes where it'll be heard this morning. It is expected to stop in Senate Finance on the way to the floor. Both bills are likely to see floor action next week. More on the what's in each below.

First, Second and Third Committee Deadlines have passed and virtually all the finance and policy bills that are still alive for this year either sit on the floors or working through Senate Finance, Ways and Means or Taxes. The only major bills not public yet are the Tax bills and the cash capital investment bill. Following amendments and final approval by each chamber, the conference committees for all the omnibus bills should be named and start work following the end of next week. Some chairs, including Transportation Chairs, are already talking to each other and pre-conferring different pieces of their bills.

Transportation Omnibus Bills

All of the constitutionally and statutorily dedicated transportation revenues and funds are in the red, by nearly $200M. The GF funds in the targets mentioned above plug much of the hole via a phased in dedication of the sales tax on auto parts. Both Senate and House omnibus bills raise new revenue and dedicate it to various transportation pots. Since there's not a majority in either chamber willing to raise the gas tax, they have resorted to another familiar workhorse: increasing tab fees (eventually raising almost half a billion/year in the out years). Additionally, both bills increase the Motor Vehicle Sales Tax ($59M/year), create a new delivery fee (raising $175-$211M/year) on everything from packages to pizza, and add a surcharge on tab fees (raising $52M/year and split three ways between large cities, small cities and townships). The Senate puts over 2/3s of the delivery fee money into the HUTDF while the House doesn't get to half for HUTDF and creates different pots for different levels of local governments. Both create accounts for counties and large cities.

A metro sales tax of .75%, which is more than the Governor's recommendation of .125, is also contained in each bill and would mainly fund Metro Transit, but 1/6th of receipts would go to metro roads. In the first full year of implementation, the metro sales tax would provide $464M/year for metro transit and more than eliminate their fiscal cliff. Metro roads would receive almost $93M per year.

The Corridors of Commerce program (CoC) is funded at $25M/year in GF and MnDOT can bond for $50M/year in the House, which contains Torkelson's revised language. The Senate funds CoC with $25M and then $35M/year in GF and $300M in bonding for CoC. The Senate keeps a 50/50 metro and greater Minnesota split. Torkelson CoC language:

Project funding; regional balance.

(a) To ensure regional balance throughout the state, the commissioner must distribute all available funds under the program within the following funding categories:

(1) Metro Projects: at least 30 percent and no more than 35 percent of the funds are for projects that are located within, on, or directly adjacent to an area bounded by marked Interstate Highways 494 and 694;

(2) Metro Connector Projects: at least 30 percent and no more than 35 percent of the funds are for projects that:

(i) are not included in clause (1); and

(ii) are located within the department's metropolitan district or within 40 miles of marked Interstate Highway 494 or marked Interstate Highway 694; and

(3) Regional Center Projects: at least 30 percent of the funds are for projects that are not included in clause (1) or (2).

(b) The commissioner must calculate the percentages under paragraph (a) using total funds under the program over the current and prior two consecutive project selection rounds. The calculations must include readiness development projects funded under subdivision 4b.