Date: June 8, 2023

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

From: Rob Vanasek and Britta Torkelson

Re: Legislative Report

The 2023 session has come to a close and as promised, the DFL Trifecta managed to pass all of the major budget bills before the mandated adjournment on May 22nd. We have become accustomed to a massive flurry of legislative activity on the final weekend and even hours of a regular session. This year was only slightly better than normal, but three of the largest bills were passed in the three final days, pushing many staff and legislators to their limits. In most years we've seen the legislature stumble into June special sessions to finish budget bills ahead of the June 30 fiscal year deadline. Lawmakers avoided a special session as the budget debate came to a timely close on Monday. The legislature will reconvene regular session on February 12, 2024.

The omnibus transportation bill took some twists and turns on its path to enactment including a bit of behind-the-scenes drama the last night the conference committee met (the last Saturday of session) as some wrinkles were ironed out following a late Friday night/Saturday morning negotiating session between all four caucuses over outstanding issues remaining at that time, which included the transportation bill and the bonding/cash bills. An attempt was made by Rep. Petersburg to remove the lifting of the Dan Patch study ban but his amendment failed. The omnibus transportation bill passed both chambers on Sunday and was signed into law by Wednesday, May 24th and contained some new pieces we had only heard whispered before some surprise public comments during the last of days by the governor and legislative leadership.

Below are provisions in addition to those previously reported adopted into the Conference Committee Report for HF 2887.

HF 2887 – Omnibus Transportation Bill

Chairs Dibble and Hornstein fought hard (at times against each other's provisions) to successfully pass a historic bill including long-sought increased ongoing and dedicated funding to transportation throughout the state. As a result, the Transportation Omnibus bill included $1 billion in new transportation spending in FY24-25, $599 million in Trunk Highway Bonds for the next three years, and over the next four years $3.8 billion in new ongoing, dedicated revenue. Major revenue raisers are listed below:

- <u>Tab Fees</u> - increases the rate to 1.54% for vehicles registered prior to November 16, 2020, and 1.575% for those on or after that date, generates about **$230M/yr**
- <u>Indexing of Gas Tax</u> - gas tax and special fuel tax indexed annually – is expected to raise the gas tax by 5 cents/gallon by FY2027, eventually generates **$112-138M/yr**

- Metro Area Sales Tax - ¾ of one percent regional transportation sales tax, proceeds split between Met Council and the 7 metro area counties, generates **$362-596M/yr;** metro counties will receive **$95-101M/yr** eventually from this.
- Motor Vehicle Sales Tax - MVST increased from 6.5% to 6.875% for purchases on or after July 1, 2023, keeps the 60/40 highway/transit split, generates **$52-62M/yr**
- Delivery Fee - 50 cent fee on deliveries over $100 starting July 2024, more exempt items and small businesses, generates much less than original bill at **$59-65M/yr** eventually
- Auto Parts Sales Tax Dedication - dedication is phased in over 10 years, with full dedication in 2033, in the current four-year time period it generates **$11-26M/yr**

A Transportation Advancement Account (TAA) is a new special revenue fund. TAA will be funded by the new delivery fee and an annually-increasing percentage of the auto parts sales tax. TAA funds will be distributed as follows:

- 36% to metro counties; **$26-33M/yr** eventually
- 10% to CSAH; **$7-9M/yr** eventually
- 15% to larger cities assistance account; **$11-14M/yr** eventually
- 27% to small cities assistance account; **$19-25M/yr** eventually
- 11% to town road account; and
- 1% to food delivery support account.

The distribution of TAA funds to metro counties will be based 50% on need and 50% on population. Some allowable uses include active transportation, transit, transportation corridor safety studies, and repair and preservation of transportation systems without adding capacity.

The metro sales tax proceeds get divided up 83% to the Metropolitan Council (95% for transit and 5% for active transportation) and 17% to the 7 metro counties to be allocated based on 50% need and 50% on population – used in the following ways: 41.5% for transportation corridor safety studies and active transportation, 41.5% for repair and maintenance of transportation systems without adding capacity, and 17% for transit, complete streets, and other related programs and projects.

HF 2887 provides a number of general fund transfers including: $152.65M for the THF federal funds match, $216M for the federal discretionary funds match, a couple of years of near $20M/yr before dropping to $9M/yr for the last two year for an Active Transportation Account, Safe Routes to Schools gets over $20M total, passenger rail is funded at $4.75M in the out years (NLX gets ~$190M), the Local Road Improvement Program gets $18M one-time as does the Local Bridge Replacement Program, Metro Counties get $20M one-time, Blue Line LRT $50M, 169 BRT $3M, Dakota $2M for a TH 52 culvert, and 169, TH 282 and CSAH 9 get $4.9M.

HF 2887 provides a number of programs and projects Trunk Highway Bond funding: $87.4M to MnDOT facilities, $153M (over 2 years) to Corridors of Commerce, $200M (over 3 years) to state roads, and $166.15 million to projects, including $4.2M to Scott County for 169 work.

Corridors of Commerce

Several changes to the Corridors of Commerce selection process made it into the final bill. Funds will now be distributed between three regions of the state – Metro (within or directly adjacent to the 494/694 beltway), Metro Connector (outside the beltway located mainly within a greater metropolitan county), and Regional Center Projects (outside the metro). Metro projects will get at least 25% and no more than 27.5%; Metro Connector projects will get at least 35% and no more than 37.5%; and Regional Center projects will get at least 35% and no more than 40% of the funding. ATPs, the Met Council and greater metro counties are local screening entities and must solicit input from local legislators in a new three phase process resulting in a published ranked list of submitted projects.

Transit Safety

Beginning this year, the Met Council is now required to make an annual report to the legislature every February on transit safety and rider experience. Additionally, a $2 million onetime appropriation to the Met Council for grants to participating organizations in the Transit Service Intervention Project. Such a project is "established to provide coordinated, high-visibility interventions on light rail transit lines that provide for enhanced social services outreach and engagement, code of conduct regulation, and law enforcement." A rider code of conduct must be adhered to and a rider investment program focused on improving the rider experience and inspection of fare payments is also required.

HF 669 & HF 670 – Capital Investment Bonding & Cash Bills

The late-breaking deal making mentioned above between Republican and DFL leaders brought a much-anticipated Capital investment/bonding bill into reality. Over the final weekend of session, leaders announced a deal that included a total of $2.6 billion split between two bills -- $494M went to transportation programs and projects. $1.5 billion in General Obligation bonds and $1.12 billion in cash funding. Almost $79M was allocated for the Local Road Improvement Program and $67M for the Local Bridge Replacement Program. In addition, a number of other road and bridge projects were agreed to by leadership. $72M was allocated for Bus Rapid Transit and the Apple Valley Transit Station was awarded $7M. Burnsville got $3.9M for the Nicollet Ave Bridge and Savage saw $800k for road and bridge improvements.

Transportation Greenhouse Gas Emissions

Finally, before any capacity expansion project can be included in the state transportation improvement program (STIP), MnDOT or an MPO must do a capacity expansion impact assessment and assess the greenhouse gas emissions and the vehicle miles traveled. The design must change or mitigation work added if the new standard is not met or the project won't be allowed in the STIP. Mitigation work could include: transit expansion, transit service improvements, active transportation infrastructure, micro mobility infrastructure and service, transportation demand management, parking management, etc. Projects in the STIP or submitted before February 1, 2025 are grandfathered in. A Greenhouse Gas Emissions Impact Mitigation Working Group must submit recommendations to the legislature by February. In addition, a comprehensive development guide for the metro area must assess greenhouse gas emission reduction goals and vehicle miles traveled reduction targets.