

Date: June 12, 2025

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

From: Rob Vanasek

Re: Legislative Report

The 2025 Regular Session ended on May 19th with most of the state budget and policy work left undone. Compromise and final agreement proved challenging in this closely divided legislature, but thankfully a compromise agreement was reached for a Special Session that began on Monday and ended Tuesday earlier this week.

We're back to stumbling into a Special Session in the budget year. An agreement came together over many long days of private and some public debate since adjournment in May. It wasn't as short as 2019 or as long as 2021 (six weeks), but following three weeks of mostly private negotiations led by legislative leadership and Governor Walz with a sparse peppering of public "work group" meetings (known as conference committees during Regular Session) the entire budget for the state has been passed by both chambers of the legislature and most await the Governor's signature. Many of these bills are "lights on" without major finance or policy changes, but HHS, Education and Transportation all saw significant cuts to address almost half of the structural deficit in the second ("tails") biennium.

Transportation was the zombie bill of May and June. The conferees only adopted some "same and similar" language in the last days of regular session without resolving the major cuts needed nor dealing with the major policy sticking points like the Greenhouse Gas Emissions requirements delay the House brought to conference. At one point the Ways and Means Co-Chairs Paul Torkelson and Zack Stephenson, along with Finance Chair John Marty were brought in to mediate the Koznick, Koegel, Dibble Chair discussions. We thought the bill was close to final going into Memorial Day weekend with all but one big sticking point, but more than once it came roaring back to life in a new form. A version was released last Friday and then another version was finalized Sunday following a lot of work and press attention to metro counties' concerns.

Special Session HF 14 (Passed 78-55) – Omnibus Transportation Bill

There were nothing like the major wins for transportation of two years ago (\$1B/year in new transportation revenue and spending, \$600M in Trunk Highway Bonds that will be spent by next year, and transit funding). Instead, we saw Transportation take the biggest cut proportional to its General Fund budget, totaling \$115M in this biennium and another \$133M in GF cuts in the out biennium (and that was on top of the Northern Lights Express cut). The bill included:

\$25 million in each year for the Corridors of Commerce program.

Transit cuts of about \$61M in the metro and \$22M in Greater MN.

A “temporary” reduction in the sales tax on auto parts receipts going to the HUTDF lasting about a decade.

A substantial surcharge increase on electric vehicles and new tax on public electric vehicle charging stations along with a work group tasked with potentially revamping the surcharge.

MnDOT will adopt a new local cost participation policy on state projects.

None of the sixteen “Department of Transportation Priority Projects” totaling \$105M found in the House bill were earmarked for funding, but it is expected that four of those including the I-35 and CSAH 50 Interchange will be mostly paid for by state funds. A freshly inked Priority Trunk Highway Projects item (page 9 of the bill) totaling \$66.5M in one-time funds in conjunction with additional state and local funds will enable this functionally obsolete interchange to advance.

Not included in the final language:

Any change or delay to the Greenhouse Gas Emissions requirements, which was the main policy sticking point between the House and Senate.

Of the 17% of the transit sales tax receipts in the metro that go to metro counties, half of that (\$93M) was agreed to be taken from the counties and given to metro transit for BRT planning, but all counties in the metro opposed this and many commissioners engaged their legislators.

New funding for the Local Road Improvement and Local Bridge program; (carried in bonding).

Active Living eligibility uses of the trunk highway fund were removed as was Senator Hawj’s broader effort to create a business mitigation account for negative impacts due to construction.

Bonding (HF 18)

In the last days of negotiations, a bonding bill came together which includes:

- \$11M Major Local Bridge Replacement Program (GO/TF)
- \$20M Local Bridge Replacement Program (GO/TF)
- \$42M Local Road Improvement Program (GO/TF) (\$47M total but \$5M is earmarked for Township Roads)
- \$5M Township Roads (GO)

Transportation received \$80M of the \$700M in bonding. The largest recipient was for drinking and wastewater, totaling about \$175M. No local projects were included in the bill.