

Date: March 8, 2018

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

From: Rob Vanasek

Re: Legislative Report

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Speaker Kurt Daudt and Majority Leader Paul Gazelka did not bring good news yesterday to the Transportation Alliance Day on the Hill. The Speaker said the House had planned to dedicate the sales tax on auto parts this year but now doesn't think the surplus is big enough. Unfortunately, the Majority Leader said while is personally supportive of a constitutional amendment to dedicate the sales tax on auto parts, he's not sure if he can get his colleagues to support it. The House and Senate Transportation Chairs pushed those assembled to only push a constitutional amendment if it was thought it would have a good chance to pass; each supported the it but did not promise broad support in their chamber. The ranking minority members did not rally to dedicate the dollars either, but instead suggested transportation leaders pursue "what's worked in the past" such as a broad comprehensive transportation package that includes a gas tax increase.

Transportation infrastructure needs are not at the top of the 2018 session's must do list outside of potential dollars in a bonding bill. The transportation committees have mainly focused their attention on MNLARS, the plagued state vehicle licensing system that has cost overruns in the tens of millions.

### **Bonding Bill**

The governor released his \$1.5 billion dollar capital investment or bonding bill but it did not include transportation dollars for statewide programs or projects other than maintaining and replacing seven MNDOT buildings. Senate and House leadership have said they "are open" to a bonding bill around the \$800 million amount, which is the ten year average and is the level of debt service budgeted for in the February Economic Forecast. The Speaker and Majority Leader have said their versions of the bonding bill would have a significant infrastructure component. The capital investment committees in both bodies have toured the state and are actively holding hearings.

### **Surplus**

Minnesota's budget and economic outlook has improved since November. A surplus of \$329 million is now projected for the FY 2018-19 biennium. The revenue forecast for the biennium is up \$353 million compared to November estimates. Higher forecasts for all the major tax types contribute to the change. This forecast reflects increased U.S economic growth arising in part from short term stimulus from federal tax law changes.

In the 2020-2021 biennium without any change to current law, a \$313 million dollar forecast is projected, but that drops to an over \$900 million deficit if inflation is accounted for.

The legislature is expected to first use some of those dollars for a pensions fix bill, then the majority of the surplus is wanted to buy down the cost of federal tax conformity, which is the main focus of the legislature this year outside of the bonding bill. The Minority Leader in the Senate would like some onetime cash from the surplus to be used to increase the size of the bonding bill.

The governor would like use at least some of the surplus for school safety infrastructure, but his supplemental budget is not expected out for another week or so. MNLARS is also expected to be funded at the end of the day.

### **S.F. 2547 (Kiffmeyer) Corridors of Commerce**

Senator Mary Kiffmeyer is chief author of SF 2547 which as introduced would require that corridors of commerce funds be split equally between the metropolitan area and the non-metro seven counties. In committee the bill was amended to read “Program funds must be allocated so that at least 50 percent are for projects outside the seven-county metropolitan area.” The bill was heard Tuesday morning in the Senate Transportation Committee and passed as amended to the General Register (Senate floor).

### **Minnesota Tolling Study**

Last year’s transportation finance bill required several reports and one was a tolling study completed in January. The report looked at corridors with a minimum of 10,000 vehicles per day, limited access roadways along with other considerations such as traffic volume per lane, congestion, and availability of competing parallel routes. Of the 7 corridors analyzed, the 41 miles of I-35W between the northern and southern split was the 2<sup>nd</sup> best performing net revenue generator. The 22 miles of US 169 studied was the 5<sup>th</sup> best net revenue generator and the highest revenue available for reinvestment per mile. The report was heard on February 26<sup>th</sup> by the House Transportation and Regional Governance Policy Committee.