

Date: April 8, 2021

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

From: Rob Vanasek

Re: Legislative Report

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The February Forecast, released the day after our last meeting and used to set the new two-year state budget beginning July 1, showed a large swing from a \$1.3B deficit to a \$1.6B surplus, primarily due to the nearly trillion-dollar infusion of federal funds signed into law in December.

Legislative Finance Committee budget targets were released late in March in both chambers. The House added \$39.6M in General Funds to Transportation for a total proposed base of \$289M GF and the Senate added \$114M for a proposed base of \$466 GF. The House bill provides much more for transportation overall though due to increased fees and taxes detailed below.

Both Transportation Omnibus bills were released a couple days ago and will be marked up later today – we know there's a couple dozen amendments on the House bill that will be offered and expect a good handful in the Senate later today.

All of the omnibus bills containing each chamber's entire proposed state budget and nearly every policy proposal this year were made public and will be voted out of committee in this shortened week. Ways and Means (and taxes in the House) and Senate Finance will be where the action is next week followed by Floor action and then conference committees.

Both transportation omnibus bills below will be amended later today and voted out of their respective transportation committees.

**SF 1159 Causes Loss of Hundreds of Thousands of Dollars to 35W Transit Services, Transfers County Responsibility for Orange Line Operations to Metro Transit, 35W study from 42 to 50**

The Senate Omnibus Transportation Bill, SF 1159, Newman, would change MnPASS lanes revenue distribution per the language in SF 655, Duckworth as previously reported. Commissioner Holberg has had conversations with Senator Duckworth on SF 655 provisions and I have communicated with his office several times, but not surprisingly it is now in the Senate omnibus.

Also in the Senate omnibus is an Alliance Priority, also authored by Sen. Duckworth and originally found in SF 1569, which was heard on March 10<sup>th</sup>. The bill shifts the Orange

Line operations from Hennepin and Dakota to Metro Transit. The original bill was slightly modified (all guideways to just OL) in its first hearing and though that amendment was appreciated by the Met Council, they expressed opposition on the 10<sup>th</sup> as well as Tuesday. It was expressed that the original and long standing agreement on OL was a 50/50 split, (86% Hennepin & 14% Dakota on the counties' 50%). The shift amounts to \$4M on to Metro Transit that increases over time. Commissioner Holberg testified on behalf of the Alliance in support of the bill during the original hearing and spoke of the fairness of funding across all BRT routes. Senator Dibble commented that if we think these lines are a good idea, we need to find a way to pay for them. Sen. Johnson-Steward asked if this would kill the OL project and the response was this would change the original agreement and add to the structural deficit of Metro Transit, and the Met Council reiterated its opposition. Sen. Dibble argued that the Met Council should not require a county to spend its own county sales tax funds on a transit line, which was originally a Met Council proposal, and though that position has been reversed, the Senate omnibus contains the "guideway" language from the proposal (while the House does not).

Additionally on the 10<sup>th</sup>, SF 1669, Duckworth was heard that would provide \$700,000 to study mobility and safety needs on 35W from 42 to 50, including the interchange at 50. This as well as numerous member projects, including SF 2040, Duckworth, providing \$1M for HWY 77 northbound mobility improvements, were included in the omnibus.

SF 1159 changes the Project selection criteria to consider project readiness when selecting projects for the corridors of commerce program, first contained in SF 1300, Jasinski. The bill appropriates \$157.5 million in FY22 and \$177.5 million in FY23 for corridors of commerce.

The omnibus bill creates restrictions on funding for bicycle lanes and routes and prohibits spending money from the highway user tax distribution fund (HUTF) or the trunk highway fund on bicycle lanes or bicycle routes on the trunk highway system, as proposed by SF 1151, Newman.

Finally, SF 1159 contains language from SF 738, Duckworth, that would require all metro counties that impose a sales tax to submit an annual report that includes: (1) an overview of tax- funded projects; (2) a summary of future funding commitments; (3) total revenues, expenditures, and balances from the sales tax; (4) expenditure breakdowns by capital and operations, and by transportation mode; and (5) a summary of all debt obligations.

Much of the funding for the above projects and programs as well as others in the bill come from a two year zero-ing out of the Metro Transit and Metro Mobility GF budgets and backfilling with federal dollars and increasing the sales tax on auto parts receipts going to transportation, both of which is opposed by the administration.

**HF 1684 provides \$400M in TH bonding, indexes the gas tax, raises tab fee depreciation schedules, Creates a Sales Tax in the Metro & Adds \$ to Transit**

The House Omnibus Transportation Bill increases revenues in various ways and infuses new money into both roads and transit. HF 1684, Hornstein, does not change the leased motor vehicle sales tax, but it does make many other changes including: a new half cent sales tax in the metro counties to primarily be used for Metro Transit; the indexing of the gas tax to the national highway construction cost index; a new tax on luxury vehicles (starting around \$70-ish thousand dollars as well as increased tab fees for the same; and the motor vehicle sales tax would go up from 6.5 to 6.875%.

The guideways language initially proposed by the Met Council and rescinded is not in the bill, which several counties and county organizations opposed as slowing the expansion of the transit system.

The Minnesota Chamber of Commerce testified that several of the tax increases providing new funds for transit and transportation would have their support if it weren't for the increases in corporate taxes and paid family leave proposals moving forward elsewhere in the House.

In opening remarks, Hornstein shared that he hoped his lack of an initial motor fuel fee and not clawing back the 2017 GF auto parts tax receipts showed a willingness to find common ground with the Senate.