

Date: July 28, 2021

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

From: Rob Vanasek

Re: Legislative Report on 2021's Fiscal Policy Outcome; \$60M 35W/494 Grant

They're mostly all done and *finally* gone.

Well over six weeks after the regular session deadline, the House, Senate and Governor reached agreement, then processed and enacted the state's \$52 billion two-year budget. They narrowly averted a state government shutdown at the end of June, which is the end of the last enacted state budget.

As the Senate went sine die near the beginning of this month, so ends close to 17 straight months of regular and special sessions, a new record in Minnesota's history.

Major points of contention that did see 11th hour compromise include the governor's use of emergency powers, policing reform, taxation of PPP loans and unemployment benefits, and not changing existing environmental protections and adding some widely supported protections. Numerous additional policy proposals from each chamber were left out of the final agreements.

The legislature will likely be back in September to give their stamp of approval to \$250 million in federal funds being divvied up to essential, front-line workers – the methodology is being worked on in August by legislative and gubernatorial appointees.

Looking Ahead

Next year is traditionally the big bonding year, but an added dynamic in 2022 will be how to spend an extra billion dollars due to leadership leaving those federal, one-time funds to be decided on next year. Infrastructure is eligible. Also, following last week's Economic and Revenue Report from the state, the state tax collections are \$2.6 billion ahead of the February Economic Forecast. If the next two forecasts continue to look rosy, there could be significant ongoing spending and tax packages in play and possibly enacted in the 2022 session in addition to a large potential bonding bill.

Transportation Chairs Hornstein and Newman along with Senate Finance Chair Julie Rosen and Ways and Means Chair Rena Moran may hold as much or more sway in 2022 than the Capital Investment Chairs (Senator Tom Bakk and Representative Fue Lee) when it comes to dollars for transportation projects.

A challenge to a final deal will be that all members of the narrowly divided House and Senate, as well as the governor will be on the ballot next year.

2021 Outcomes

As reported last month, the two Transportation Chairs held rather regular and relatively productive negotiation meetings to spend \$200 million and work through differences. On the eve of the Special Session, I spoke with Senate Transportation staff and several Senators close to the transportation discussions, including Senator Duckworth, who shared that the bill was done but for the House signing off on one last issue. The last issue ended up delaying the bill about ten days, but a final deal was made and the Omnibus Transportation Bill, First Special Session HF 10, was debated and passed off both floors and to the governor's desk in time to avert some of the costliest shutdown preparations facing highway construction contractors. It ended up being the fifth bill enacted, thus it's Chapter 5 of the First Special Session.

Again, divided government proved a challenge for new major transportation investments. During final debate in the Senate, Ranking Member Scott Dibble extolled the absolute need for long term, sustainable funding required for our state to thrive – that's what's missing in the bill in his view. Senator Johnson Stewart stated the gas tax hasn't been raised in over ten years and funding is needed. This prompted Chair Newman to rise and state he absolutely agreed there's a need for more funding, but then argued that "electric cars are coming and we shouldn't tie our star to the dying gas tax."

Newman was happy to get some new legislative input on project selection at MnDOT.

Earlier, in the House debate, Chair Hornstein stated he wanted a long term, dedicated source of revenue for transportation that the House brought to conference but that it fell off in negotiations. He did prevail for new funds for small cities and townships and \$57 million for new BRT line construction. Metro Mobility will be forecasted in the future, (which is a major win for the Met Council and will reduce the enormous negative impact Metro Mobility has on regular bus service budgets). A few specific projects the Senate advocated for did make the bill after being vetted with MnDOT and "whittled down" by the House. Hornstein was not happy about them getting in or about the letter from the MnDOT Commissioner outlining some of the Department's upcoming funding plans for relatively small items, but one of these items includes \$1.4M for the study of 35W in Lakeville.

Overall, the bill's new funding also provided \$5M for CSAH, \$5.5M for the Local Road Improvement Program, \$14M for the Local Bridge Improvement Program and the last \$10M for a second train from St. Paul to Chicago. HF 52, (SF 39) the Corrections bill for the 2020 Bonding Bill was finally enacted into law, which included the fix for the \$5.2 million HWY 13 project in Savage.

A transit study was authorized and funded:

Sec. 143.

STUDY ON POST-COVID PANDEMIC PUBLIC TRANSPORTATION.

(a) From funds specified under Minnesota Statutes, section 161.53, paragraph (b), the commissioner of transportation must arrange for a study by the Center for Transportation Studies at the University of Minnesota that examines public transportation after the COVID-19 pandemic is substantially curtailed in the United States. At a minimum, the study must:

(1) focus primarily on transit service for commuters in the metropolitan area, as defined in Minnesota Statutes, section 473.121, subdivision 2;
(2) specifically review Northstar Commuter Rail and commuter-oriented transit service by the Metropolitan Council and by the suburban transit providers; and
(3) provide analysis and projections on anticipated changes in:
(i) ridership;
(ii) demand for different modes and forms of active and public transportation;
(iii) transit service levels and features;
(iv) revenue and expenditures; and
(v) long-term impacts.
(b) By February 1, 2023, the commissioner must provide a copy of the study to the members of the legislative committees with jurisdiction over transportation policy and finance.

35W Revenue Removal Not Enacted

The final transportation bill did not include the removal of current law allowing the 35W corridor to keep its MnPASS funds for use of transit on the corridor. 35W is the only MnPASS lane that is also a transitway and the Senate proposed to take our corridor's funding away. Also not enacted into law was county responsibility for funding transit guideways as originally proposed and retracted by the administration, but then pushed by the Senate.

No Bonding Bill Until 2022

Senate Bonding Chair Bakk told me during the Special Session that there was a deal between the legislative leadership for a bonding bill, (later it was learned this could have been up to \$500 million), and he was tasked with working to get minority support, which never materialized. Chair Bakk has announced bonding tours held by his committee will begin in August in the Northwest and they will do one each month going into the January start of session.

Federal INFRA Grant Awarded for 494 and 494/35W Interchange!

BIG news from the federal government and our partners Representatives Phillips, Craig, Omar, Senator Klobuchar, Governor Walz, Commissioner Anderson Kelliher, Chair Charlie Zelle and their teams: the 494 project, **including Phase 1 of the 35W/494 interchange** will receive \$60 million from the USDOT's Infrastructure for Rebuilding America (INFRA) Grant Program.

Construction is scheduled from 2023 to 2026 and will include the Phase I of the interchange, MnPASS between HWY 100 and 35W, Nicollet, Portland and 12th Avenue access, and replacement of a railroad bridge to prep for a future MnPASS extension to HWY 77.

Here's the MnDOT web page: <https://www.dot.state.mn.us/metro/projects/i494-airport-hwy169/>

MnPASS Drivers Can Access E-Z Pass Lanes

MnPASS will be replaced with E-Z Pass starting August 2. Nothing changes for use of HOV/MnPASS lanes in state, but for drivers who wish to travel on similar lanes in 18 other states, they must request a new, free tag that will work here and there.