



## **2017 Legislative Preview**

*Transportation Remains a Top Priority*

As we head into 2017, the results of the November election have created a new political landscape that presents some new challenges and some new opportunities in our efforts to increase transportation investments in Minnesota.

With continued involvement and support from transportation advocates and the industry, we can make progress as lawmakers in both Washington, D.C. and St. Paul work to put together budgets and develop tax reform legislation that could be the key to directing more dollars to transportation at both the federal and state levels.

### **Federal Transportation Funding**

Facing a December 9<sup>th</sup> deadline to avoid a federal government shutdown, **Congress just passed a continuing resolution that keeps funding at 2016 levels through the end of April, 2017.** While the continuing resolution provides some stability, it also means that the increases authorized for highways and transit for 2017 under the FAST Act will be delayed. Funding hikes were scheduled to begin October 1, 2016 – the start of federal fiscal year 2017 – but will now be delayed at least through the end of April.

One of the priorities mentioned by Donald Trump during and after the campaign was increasing investments in the nation's infrastructure broadly including roads, bridges, ports and airports. Much has been written in the news media about Trump's \$1 trillion infrastructure plan. No specific plan has been released. **Trump has announced his recommendation to lead the US Department of Transportation is Elaine Chao.** She served as Secretary of Labor under the Bush administration and previously served as Assistance DOT Secretary. Her confirmation is expected to be noncontroversial.

A white paper circulating during the campaign by Wilbur Ross (now Trump's nominee for Commerce Secretary) and Peter Navarro claims that the Trump **infrastructure plan involves the federal government providing \$167 billion in tax incentives to leverage \$1 trillion in total investment.** They state: "The Trump infrastructure plan features a major private sector, revenue neutral option to help finance a significant share of the nation's infrastructure needs. For infrastructure construction to be financeable privately, it needs a revenue stream from which to pay operating costs, the interest and principal on the debt, and the dividends on the equity. The difficulty with forecasting that revenue stream arises from trying to determine what the pricing, utilization rates, and operating costs will be over the decades. Therefore, an equity cushion to absorb such risk is required by lenders.

“The size of the required equity cushion will of course vary with the riskiness of the project. However, we are assuming that, on average, prudent leverage will be about five times equity. Therefore, financing a trillion dollars of infrastructure would necessitate an equity investment of \$167 billion, obviously a daunting sum.”

The timing of such a proposal and the willingness of the new Congress, controlled by the GOP, to go along with the plan are in question. Some Congressional leaders have pointed to the fact that the FAST Act – a five-year authorization bill – was just passed in December of 2015. Some key leaders have said they want to avoid a high-cost infrastructure package and instead focus on health care reform and tax reform packages as the most urgent issues to address.

Comprehensive tax reform is clearly a top priority mentioned by Congressional leaders and Trump’s transition team. Tax reform has the potential to bring along Democratic votes, especially if it is tied to an infrastructure spending package. Sen. Dick Durbin of Illinois, the second-ranking Senate Democrat, said “there is room for conversation” on tax reform.

Trump’s transition team has not publicly called for a direct link between an infrastructure bill and a tax bill. However, at least one Republican thinks that the two could move together.

Senate Commerce Committee Chairman John Thune (R-S.D.) said that **Republicans can get behind an infrastructure plan, but probably only if it is tied to tax reform.** Lawmakers have a “lot of interest” in using repatriated business tax funds for infrastructure spending.

“I think there’s an interest among our members, in both the House and the Senate ... in doing something on infrastructure, but my guess is if that gets done, it probably hitches a ride on tax reform.” said Thune, who is the third-ranking Senate Republican. “I don’t know that just an infrastructure bill on its own, a stand-alone, would go anywhere. I think it would have to be coupled with something that we view to be really advantageous in terms of stimulating the economy.”

David Wessel with the Brookings Institution, provides a good summary of the issue in a recent article: [Will 2017 be the year politicians produce more than talk for infrastructure investment?](#)

The 115<sup>th</sup> Congress will convene at noon on January 3, 2017. The Senate, which will be comprised of 46 Democrats, 52 Republicans and 2 Independents, will be led by Senator Mitch McConnell the GOP Majority Leader.

Environment and Public Works (EPW): Chairman of the EPW Committee Senator Jim Inhofe is term limited and replacing him as Chairman will be Senator John Barrasso (R-WY). Senator Barbara Boxer (D-CA), Ranking Member, retired from the Senate. The new Ranking Member for democrats will be Tom Carper (DE)

Commerce, Science and Transportation: Chairman John Thune (SD), Ranking Member Bill Nelson (FL)

Banking, Housing and Urban Affairs: Chairman Mike Crapo (ID), Ranking Member Sherrod Brown (OH)

The US House of Representatives, which will be comprised of 194 Democrats and 241 Republicans, will be led by House Speaker Paul Ryan (WI). House Committee leaders:

Appropriations: Rep. Rodney Frelinghuysen (R-NJ), Ranking Member Nita Lowey (NY)

Transportation and Infrastructure: Rep. Bill Shuster (R-PA), Ranking Member Peter DeFazio (Ore)

Ways and Means: Rep. Kevin Brady (R-TX)

**On December 16<sup>th</sup> President Obama signed the Water Infrastructure Improvements Act for the Nation (WIIN) Act, which incorporates WRDA and other water-related legislation.** The package authorizes nearly \$10 billion in federal investment. Among the projects to receive funding under the act are stormwater management projects, initiatives to help develop alternative water supplies to deal with persistent drought, and over 30 port, levee and dam projects.

In addition to providing funding for water infrastructure improvements and research, the act reauthorizes the Great Lakes Restoration Initiative, grant financing to remove lead service lines and provides funding to help communities expand water supply through investments in water recycling and desalination.

## **State Transportation Funding**

### **Minnesota Legislative Session – Starts January 3, 2017**

The political landscape at the state level largely mirrors the situation at the federal level. One big difference is the top leadership – Minnesota has a DFL governor for the next two years with Mark Dayton. Governor Dayton's priorities and his willingness to sign legislation will play a key role in what happens over the next two years. The last time Governor Dayton worked with a GOP controlled legislature (2011) the state endured a government shutdown that impacted highway construction projects after the governor and legislature could not agree on a two-year budget by the end of the regular session.

The 2017 Session is the official budget year. Legislators and the governor will need to agree on a two year budget for the FY2018-19 biennium including funding for MnDOT, the Met Council and the CSAH and MSA distributions. The governor will release his budget recommendations in January and he is also expected to provide recommendations for a tax reform bill and a capital bonding bill – two major pieces of legislation that were not enacted as anticipated during the 2016 Session.

Attempts were made throughout the interim including negotiations after the November elections to come to agreement among the House, Senate and Governor on an agenda for Special Session of the legislature. Each time, negotiations were abandoned. The dramatic price hikes for people needing to buy health insurance through the individual market place seemed to add urgency to the Special Session talks in November and December. All sides seemed to agree that the legislature should pass legislation to reduce health care premiums, the tax bill that had been passed during the 2016 session but vetoed by the governor due to a drafting error and a capital bonding bill. However, talks stalled over the details of those bills, in particular changes to the capital bonding bill including proposals to remove certain highway projects and add building projects. **A public argument between the governor and Speaker Daudt ended the attempts to hold a Special Session and left all sides wondering how smoothly things will go during the 2017 Session.**

The release of the November forecast for the state's general fund provided some good news and raised hopes for efforts to direct more funding to transportation. **The state anticipates a \$1.4 billion surplus in the coming biennium.** This forecast gives us a good indication of what to expect, however, the legislature will wait to rely on the February forecast before passing budget bills.

Legislative leaders have attended a number of events including a session with capital press corps since the election to shed some light on their goals for the 2017 Session. **The good news is that transportation funding continues to be a top priority.**

### **Minnesota Legislature 2017-2018**

Senate GOP Majority (34-33) – Majority Leader **Paul Gazelka** Top Priorities: *Health Care Reform, Tax reform, Transportation funding* that is long-term but uses existing revenue. Senator Gazelka said that he would be surprised if we don't get a transportation bill with ongoing funding. With a \$1.4 billion surplus, he believes the state should use some of the surplus and look at the entire budget to see where dollars should be cut to make sure state dollars are used wisely. He said those efforts should be enough to fund roads and bridges. He also noted that with a surplus, the state can use general fund dollars for transportation without hurting education. Gazelka also clarified that his caucus does support bus transit. It's just SW LRT and projects like that which are not supported. With the recent announcement by the Metropolitan Council that it will issue certificates of participation to keep the Southwest LRT project moving, the project will not need state capital funds. Gazelka believes that not having to address SW LRT in legislation should make passage of a transportation bill easier.

Senate DFL Minority – **Tom Bakk**, Minority Leader mentioned as Top Priorities: *Education – namely keeping higher education affordable and managing the reserve and budget carefully.* Senator Bakk noted that highways have always relied on a user-fee principle with 3 constitutionally-dedicated revenue sources. Senator Bakk has asked if general fund dollars are used for roads, where will the money come from? He and other DFLers have expressed concern about cuts to education or other areas with a shift of general fund dollars. According to Senator Bakk, the senate tried to get a DFL House to support increases in dedicated funding in 2013-14 and couldn't do it and tried to get a GOP House to do it in 2015-16 and couldn't get it done. He stated that unless funds are constitutionally dedicated, the dollars are not reliable. A transportation plan is not a 2-year plan so unless the sales tax on auto parts is constitutionally dedicated, future legislatures might not be willing to support that use of the funds. A constitutional dedication is needed so that a 20-year transportation plan can be executed.

### Transportation Finance and Policy – 15 Members (9-6 GOP-DFL)

#### **Senator Scott Newman Chair**

Senator John Jasinski Vice Chair

Senator Bruce Anderson

Senator Dan Hall

Senator Scott Jensen

Senator Mary Kiffmeyer

Senator David Osmek

Senator David Senjem

Senator Torrey Westrom

Senator Scott Dibble Ranking Member

Senator Jim Carlson

Senator Melissa Franzen

Senator Nick Frenz

Senator Susan Kent

Senator Matt Little

House GOP Majority (76-57 with Special Election Feb. 14<sup>th</sup>) - Kurt Daudt, Speaker of the House Top Priorities: *Health care, passing the state budget and tax reform*. After stating earlier that the House would not consider a bonding bill in 2017, he has since said that it will be up to the caucus but it will probably be a small bonding bill. For transportation, Rep. Daudt is optimistic that a bill can be passed and understands that a funding cliff is coming so it's more important to get a bill passed. Last biennium, the House and Senate had very different ideas on how to fund transportation. With a \$2 billion surplus, the Governor and Democrats wanted to ask Minnesotans to kick in more at the pump. Rep Daudt believes the state needs to look at general fund dollars because that's what Minnesotans want – they want the legislature to fund core government functions including transportation with tax dollars already collected. According to the Speaker, the big problem last biennium was overreach on transit funding including “an increase of 260% in funding to build out a dream transit system”. He said that people need to be realistic and that new committee chairs will have hearings and develop transportation funding plans.

With regard the Metropolitan Council announcement on moving forward with SW LRT, Rep. Daudt said that the Met Council should make sure it knows where all of the operating funds will come from if it moves ahead with capital funding for SW LRT. He noted that the Met Council just announced a large operating deficit and if they can't operate the system they have now, they might take a second look at expanding the system.

House DFL Minority – Melissa Hortman, Minority Leader Top Priorities – *higher education costs, child care costs, impact of budget and tax bills on Minnesota families*. On transportation, Rep. Hortman noted that House DFLers support a balanced package. She said that when the House passed a major transportation bill in 2008, it was balanced with most of the funding for bridges and we now have fewer fracture critical bridges in Minnesota. The House minority doesn't want to see cuts to education or health and human services by using general fund dollars for roads and bridges.

You can watch the entire Forum News Series Pre-Session Forum by visiting Senate Media Services: <http://www.senate.leg.state.mn.us/media/index.php?ls=&type=video>

All sides have expressed support for passing a tax bill in 2017 that includes tax breaks in a number of areas. **The tax bill that passed in 2016 was supported on a bipartisan basis by 89% of the legislature.** As with tax reform at the federal level, the strong support for passing legislation and the need for the Tax Committees to approve tax changes that would fund transportation, the best strategy may be to include dedicated funding for transportation in a tax reform bill.

#### House Transportation Finance Committee ([23 Members](#))

##### **Rep. Paul Torkelson, Chair**

Rep. John Petersburg, Vice Chair

Rep. Frank Hornstein, Ranking Member

#### House Transportation and Regional Governance Policy ([15 Members](#))

##### **Rep. Linda Runbeck, Chair**

Rep. Jon Koznick, Vice Chair

Rep. Connie Bernardy, Ranking Member

## Transportation Advocacy

**The Minnesota Transportation Alliance** is busy reaching out to newly elected legislators, finalizing our 2017 Legislative Agenda and building a strong coalition of organizations that will advocate for increased resources for transportation during the 2017 Session.

We believe that a strong coalition including business and labor, Greater Minnesota and Metro representatives, local government and private sector industry members, highway and transit advocates can all come together with other allies to push transportation funding over the goal line and secure ongoing revenue that will improve the transportation system statewide.

**The business view:** Transportation investment is another key issue the Minnesota State Chamber hopes to address. The Chamber has said that after 2017 infrastructure spending in the state is projected to decrease, in part because several programs that help support transportation projects will come to an end, which lends some urgency to the need to pass a transportation bill.

The Minnesota Chamber is advocating long-term investment in roads, bridges and transit, according to its transportation policy platform. Specifically, the Chamber is advocating for a multi-year bill that will fund transportation infrastructure through a variety of sources, including state general funds, bonding, greater efficiency, and tab fees.

We know that many other issues will vie for attention at the legislature during the 2017 Session. We're already hearing more about issues like the cost of child care, the push to allow Sunday liquor sales and other pent up interests. **Transportation advocates will have to be visible, vocal and persistent!**

**The Minnesota Transportation Alliance** is here to be a resource for you. We have the information you need as well as the ability to bring diverse groups together. We will be hosting some key events to keep the pressure on to pass a comprehensive transportation funding bill:

- [Legislative Outlook for 2017 – A Panel Discussion](#) Hosted by ACEC and the Transportation Alliance – January 9<sup>th</sup> 11:30am to 2:00pm Capitol Ridge, St. Paul
- Transportation Funding Workshop for Legislators – January 19<sup>th</sup>
- **Transportation Day at the Capitol – February 16<sup>th</sup> Capitol Ridge Hotel, St. Paul**
- Transportation Alliance Legislative Committee Meetings
- Regional Meetings with Legislators

***Please stay engaged and informed – together we can improve transportation in Minnesota!***

**[www.transportationalliance.com](http://www.transportationalliance.com)**