



Transportation Alliance
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Session Summary **2011**

A Historic Legislative Session

The 2011 Legislative Session was unlike any in modern memory. The session began with the expectation of a huge budget deficit in the general fund. The official projection of a \$5 billion deficit in the general fund was based on spending \$39 billion for the coming biennium – the official projection for maintaining services using the laws and budget passed by the last legislature and approved by the last governor.

The state approved spending of \$34.5 billion for the previous biennium (FY2010-11) including one-time federal stimulus dollars and accounting shifts to cover the costs. Governor Dayton proposed spending \$37 billion for the coming biennium in his initial budget.

The new leadership in the House and Senate stuck to their plan to pass a budget that did not spend more revenue than projected to be brought in under existing tax rates. The legislature passed a budget that resolved the \$5 billion deficit through budget cuts and delaying school aid payments. The governor vetoed all of the budget bills – including the Transportation Budget Bill – with the exception of the Veterans and Agriculture funding bill. When the regular session ended on May 23rd, no agreement had been reached on how to enact a balanced budget.

Negotiations between legislative leaders and the governor continued during the month of June, but with no agreement by June 30th, state government shut down on July 1st and the state endured the longest government shutdown in its history – 20 days. During that time state highway construction projects were halted and some local roadway projects were also stopped. Close to 100 state transportation projects were closed until a transportation budget bill was signed into law. The

costs for contractors to halt these projects is still being calculated but the cost of paying for claims related to the shutdown will come out of the construction budget, reducing the funds available for highway projects.

As of July 14th, both sides had agreed to spending cuts that had reduced the size of the deficit to a remaining \$1.4 billion. Governor Dayton had insisted on additional revenue which could have come from an income tax increase on those earning more than \$1 million per year or an increase in the cigarette tax along with some tax reforms, a health care surcharge and a shift in payment of education funds.

Republican leaders provided an offer prior to the shutdown that included an additional shift in school aid payments that would free up \$700 million and the issuance of bonds backed by future tobacco settlement funds to provide approximately \$700 million in additional spending. The governor announced that he would agree to that basic plan and on July 20th called the legislature back for a one-day special session during which the legislature passed a \$35.9 billion two-year budget. The shutdown also closed the State Capitol and State Office Building, leaving the public out of the final negotiations process. No hearings or amendments were allowed on the final deal, making influence on the final outcome much more difficult than the normal process.

Clearly, the state government shutdown had a negative impact in terms of avoidable costs for roadway projects. On the other hand, the final transportation budget bill provided significantly more funding for transportation in the coming biennium. In addition, the passage of a capital bonding bill of almost \$500 million provides additional resources for important transportation construction projects.

Transportation Budget Bill

MnDOT

Greater Minnesota Transit Cut to general fund \$1.35M per year or **\$2.7M biennium** down from \$3.8M per year or \$7.6M cut included in the budget bill passed during the regular session.

	FY2012	FY2013	Total Biennium	Base for biennium
General Fund	\$15.023M	\$15.023M	\$30.046M	\$32.584M
<u>THF</u>	<u>\$.775M</u>	<u>\$.775M</u>	<u>\$ 1.55M</u>	
TOTAL	\$15.798M	\$15.798M	\$31.596M	

Commuter and Passenger Rail Funding restored: \$500,000 per year or \$1M for biennium in general fund dollars

	FY2012	FY2013	Total Biennium	Base for biennium
General Fund	\$.5M	\$.5M	\$1M	\$1M

Better Roads Program Additional Trunk Highway Funds: \$87M in FY2012, \$40M in FY2013
\$127M for biennium

Highway Debt Service Additional debt service: \$4.888M in FY2012, \$9.239M in FY2013
\$14.127M for biennium

Metropolitan Council

Bus and Rail Operations Cut to general fund \$25.851M per year or **\$51.702M for the biennium** down from \$54.641M per year or \$109M for biennium in regular session budget bill.

	FY2012	FY2013	Total Biennium	Base for biennium
General Fund	\$39.038M	\$39.038M	\$78.076M	\$129.940M

TOTAL All Funds Increase of **\$175.457 million over budget bill passed during regular session**

Notable Language in bill

MnDOT

State Roads –

\$130,000 in each year is for administrative costs of the targeted group business program is a law is enacted and effective in FY2012 and FY2013 that establishes a targeted group business program for state highway construction contracts.

The base appropriation is \$679M in FY2014 and \$668M in FY2015

Better Roads: \$87M in the first year and \$40M in the second year are for highway pavement improvements and related mobility, safety and technology improvements and is available for functions that include

program management, project development, project management, actual construction, reconstruction and improvement of trunk highways and design-build contracts and consultant usage to support these activities.

The commissioner may transfer up to \$20M in the first year from the trunk highway fund to the trunk highway economic development account.

The commissioner may extend up to one-half of one percent of the federal appropriations as grants to industrialization centers and other nonprofit job training centers for job training programs related to highway construction.

Transfers –

The commissioner shall transfer from the flexible highway account in the county state-aid highway fund: (1) \$100,000 in the first year to the municipal turnback account in the municipal state-aid street fund; (2) \$1.9M in the first year to the trunk highway fund; (3) the remainder in each year to the county turnback account in the county state-aid highway fund.

Metropolitan Council

The Metropolitan Council shall provide financial assistance to transit providers (suburban systems) in an amount that is \$1.65M less per year than the amount of assistance that was provided to these systems by the Metropolitan Council in fiscal year 2011.

Metropolitan Transit Finance

Of the revenue collected by the Counties Transit Improvement Board (CTIB), the Board shall allocate to the Metropolitan Council in fiscal years 2012 and 2013, an amount not less than 75 percent of the net cost of operations for those transit ways that were receiving metropolitan sales tax funds through an operating agreement on June 30, 2011. [Previously, CTIB provided 50 percent of operations cost]

The Metropolitan Council shall expend any funds allocated for the operations of the specified transit ways within those counties that are in the metropolitan transportation area. CTIB shall allocate all revenues from the metro sales tax so that payment of debt service for the fiscal year on bonds or other obligations issued prior to January 1, 2011 have the first priority.

After July 1, 2011, the council may issue regional bonds in an amount not to exceed \$35M for capital expenditures.

Metropolitan Council Plans

The council will cover the \$51.8 million gap with:

- \$15.3 million in new money for transit operations from the Counties Transit Improvement Board (CTIB);
- \$7.2 million in reduced money for suburban transit providers;
- \$29.3 million from Metro Transit administrative reductions, converting federal and regional capital money to operating dollars and dropping reserves to a minimum level.

Capital Bonding Bill

The final capital bonding bill totaling \$497.578 million contains:

- \$33 million – Local Bridge Program: no specific bridges are mentioned. For construction or reconstruction of deficient bridges and includes the cost of preliminary engineering and environmental studies as well as the cost to abandon an existing bridge or construct a road or street to facilitate abandonment if more economical.

- \$10 million – Local Road Improvement Program: for construction and reconstruction of local roads with statewide or regional significance or for grants to counties to assist in paying the costs of rural road safety projects on county state-aid highways.
- \$3 million – Railroad Warning Device Replacement: to replace active highway railroad grade crossing warning safety devices.
- \$2.5 million – Greater Minnesota Transit: for transit capital facilities, up to 80 percent of nonfederal share of these facilities.
- \$3 million – Port Development Assistance
- \$3.7 million – Airport Infrastructure: to rehabilitate and modernize deteriorated runway pavement at publicly owned airports
- \$700,000 – Rail Service Improvement – St. Louis Park Noise Barrier
- \$20 million – Transit Capital Improvement Program – Metropolitan Council: for grants to regional rail authorities in Anoka, Dakota, Hennepin, Ramsey and Washington Counties to perform environmental studies, preliminary engineering, acquire property, design or construct transitway facilities and infrastructure including roadways for Northstar Ramsey station, Gateway (I-94 east) corridor, Minneapolis Interchange facility, Red Rock corridor, Newport park and ride, Rush Line, Robert Street, 35W South Bus Rapid Transit and Cedar Avenue Bus Rapid Transit.
- \$4.8 million – Forest Roads and Bridges – Department of Natural Resources
- \$15.45 million - Bloomington Lindau Lane Corridor

Transportation Policy Bill – NOT PASSED

- Prevents prohibition by local governments of electric bicycles on trails
- Construction manager/general contractor authority for MnDOT
- Revises MnDOT’s targeted group business program for providing preferences in state-funded transportation contracts.
- Formula for state road aid modified for townships
- Municipal State Aid transition – if population dropped after last federal census, allows cities to receive MSAS funds for four years
- Broadens exceptions from weight limits on vehicles operated for road authorities to cover snow or ice removal on behalf of a road authority
- Expands authority for buses to operate on the shoulder of freeways so that counties and towns can authorize shoulder bus use
- Authorizes MnDOT to undertake a pilot project that uses alternative financing under agreement with a governmental or nongovernmental agency as a financing or investment source
- Expands and centralizes MnDOT reporting on highway projects and trunk highway finance. Requires audit and additional information on spending of trunk highway funds