



## **Alliance Legislative Update**

June 17, 2011

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### ***Budget Talks Stall; More Talk of State Government Shutdown***

Yesterday Republican legislative leaders offered a proposal to Governor Dayton that eliminates the \$200 million in tax cuts that had been passed during the regular session. The letter accompanying the offer noted that the decision to give up on tax cuts demonstrates the legislature's interest in reaching a deal by June 30, 2011.

In the area of transportation, the only change was a transfer of county dollars (\$40M) levied by the Counties Transit Improvement Board for two years to reduce the cut to Metropolitan Area transit. It's not clear why this provision was included as the other parts of the proposal involved state general fund dollars. The spreadsheet that went along with the letter showed no change in the general fund appropriation for transportation. The offer expires at 5:00 p.m. on Monday, June 20<sup>th</sup>.

Governor Dayton expressed disappointment with the offer. "This is the most discouraged I've been because time is short. We've got 2 weeks left. I thought they were going to come back with a real offer," Governor Dayton told reporters.

The Chairs of the House and Senate Transportation Committees asked the Governor to call the legislature into special session to pass a transportation budget at a press conference yesterday. "There is no logical reason to shutdown transportation in the state of Minnesota," Senate Republican Joe Gimse of Willmar implored.

The governor has reiterated his position that there needs to be an agreement reached on the entire general fund budget before he will call a special session.

As the July 1<sup>st</sup> start of the fiscal year gets closer, more action was taken to deal with a potential state government shutdown. The governor filed a petition in response to the petition filed by the Attorney General asking the courts to appoint a Special Master to determine which government services should continue in the event of a government shutdown. The governor's petition requests that the duties of the Special Master include mediation between the legislative majority and the governor and legislative minority. He suggested either former Chief Justice Kathleen Blatz or former Justice James Gilbert be appointed to fulfill the role.

### ***Transportation Impacts***

In addition, to filing the petition with the courts, the administration released a list of recommended priority one and priority two critical services. Only minimal levels of staff and operating expenses that are necessary to continue, secure or support the listed operations are requested to continue in the event of a government shutdown. All others are recommended to close.

For transportation, only 217 people were recommended to stay on the job and the activities recommended to continue are:

- Emergency Highway Repair
- Aeronautic Navigation
- Emergency Communications Networks
- Truck Permitting
- Incident command and support for critical services

Active construction projects are not recommended to continue during a government shutdown. Scheduled lettings would also not occur during a shutdown.

Since transit services are operated by political subdivisions of the state: the Metropolitan Council, counties and cities with some non-profits providing service, the decisions about how to proceed with the provision of transit service may be left to those entities. Counties and cities may opt to continue to operate bus service with local funds with the expectation that they will be reimbursed when the government shutdown ends. The July payment to transit systems of state dollars would not proceed with a shutdown. In 2005, the Special Master determined that transit service was an essential service that should continue for one month only.

For local highway projects, the State Aid office has notified local governments that because we do not know whether the biennial budget process will conclude in time to avoid a disruption to operations, we must advise all contractors, vendors and grantees that in the absence of legislatively authorized appropriations as of July 1, 2011, all work, activity and performances under our contracts must be suspended as of that date, pending authorized appropriations, as will all payments required of the agency under those contracts.

In the absence of legislatively authorized appropriation as of July 1 the Department must advise all holders of Federal aid construction contracts to suspend all work activity. Agencies who are currently advertising federal projects should be aware that effective July 1, in the event of an interruption in government services, it is likely that no staff will be available within Mn/DOT to process the DBE clearances. You should be considering the possibility that those projects let after June 15 may not move to award within the normal 30 day window nor should a contractor plan to start work during a shutdown of state services.

Federal aid work under special agreement for preliminary engineering or similar services can continue if they are in process since our agreement with the FHWA does not require constant oversight. Regular State aid, turnback, town bridge and bridge bonding funded construction projects that are already approved can continue operations however it is likely no Mn/DOT lab or bridge staff will be available for consultation or services. It is also likely that no additional projects will be processed nor will any payments be made.

If your state aid or federal aid work includes cooperative agreement money from the Trunk Highway Fund you must suspend work. If your project includes work on the TH right-of-way but no Mn/DOT funds are included in the project you can continue to work, if you have evaluated the risks and have made the decision to do so, but your contractor can not touch anything on the Mn/DOT right-of-way.

### ***We Want to Hear From You!***

The Minnesota Transportation Alliance is gathering information from all of our members and partners as to the impact of a state government shutdown for transportation and the transportation industry. We will be compiling information from engineering firms, contractors, labor unions, and local governments as to the potential number of jobs lost or disrupted in the event of a shutdown and if active construction projects are not considered a critical service by the courts.

We want to make the public and lawmakers aware of the impact that this scenario could have on our state economy – including private sector companies -- and the costs involved. We need to publicize this information prior to July 1<sup>st</sup> and urge both the legislature and the governor to reach an agreement that avoids a government shutdown and disruption of transportation projects and services.

Please send us any information that you have as the impact of a government shutdown on your business or organization if the recommendations from the governor's office were adopted by the courts.