



## ***Transportation 2014 Legislative Session Summary***

The 2014 Legislative Session began with high hopes and a new transportation campaign called **Move MN**. With a new name and some new players in the coalition, we worked to fund a major campaign in support of a comprehensive transportation funding package that would provide ongoing, dedicated funding for highways, roadways, bridges, transit systems and bike and pedestrian connections.

The new funding would be provided through:

- **A 5% gross receipts tax on fuel** added to the existing 28.5 cent per gallon fuel tax. This new mechanism will function like a sales tax on fuel, tying part of the fuel tax revenue to the average annual wholesale price of fuel. As written in the bill, each year the Department of Revenue would estimate the annual average wholesale price of fuel for the previous 12 months, apply the 5% tax rate, determine a dollar amount and then convert the dollar amount to a cents-per-gallon equivalent and adjust the current per gallon tax rate accordingly. Given that the current per gallon fuel tax is collected by the Dept of Revenue at the wholesale level – from 443 distributors – this system does not in any way change how the fuel tax is collected. It is no more hidden or transparent.
- **A ¾ cent increase in the sales tax in the metropolitan area for transit.** The new tax would be collected by the state in the entire 7-county metro area. Some flexibility would be provided for counties wanting to use some of the funding for highways as well as transit.
- **A dedication of 100% of the sales tax on leased motor vehicles.** This would re-direct \$32 million from the general fund to transportation with the total amount of funding shared between Greater Minnesota transit and metro counties for county highway purposes.
- Dedicating funding from both the increase in the metro sales tax and federal flexible funds to bike and pedestrian investments.

Legislation containing roughly this funding proposal was passed out of the House and Senate Transportation Committees but did not advance through the Tax and Finance Committees. We knew that we faced an uphill battle in a non-budget year. Legislative leaders predicated support for the legislation on public support from the business community and some Republican legislators – those conditions made it hard to advance the bill.

The legislation would have provided significant (over \$750 million annually) and growing revenue for highways and transit statewide. Instead, the legislature opted to provide some one-time funding through general obligation bonds and cash.

On a positive note, the spring pothole season captured the attention of many Minnesotans and made clear the serious deterioration on our aging roadways. After session ended, much of the analysis – including press releases from DFL leaders - included the fact that **funding transportation remains unfinished business that needs to be tackled during the 2015 Session.**

## ***Bonding and Cash for Transportation Infrastructure***

The 2014 Session was the traditional bonding year and it featured a new twist: general fund cash for infrastructure projects. With the forecast of a significant budget surplus and an agreement from last year to pass a bonding bill totaling \$850 million, legislative leaders got around the bonding bill cap by putting together a separate bill with general fund cash that provided an additional \$200 million for projects.

Transportation needs were widely recognized and supported. **While the “traditional” funding amount for the Local Road Improvement program has been around \$10 million, this year the legislature provided a combined cash and bond total of \$54.356 million for the LRIP.** Given that certain projects were included in the bill language as projects that have to be funded, it is not clear exactly how much is available for a solicitation. We anticipate \$15-20 million will be available.

The total for the Local Bridge program is \$33 million with \$11.75 million earmarked for the Franklin Avenue Bridge. The waiting list for local bridges totals about \$60 million.

Transit capital funding for the Twin Cities Metropolitan Area of \$15 million was provided with much of that expected to be used for the Snelling Avenue transit improvements.

Policy language in the bonding bill expands the scope of responsibility for the Advisory Committee that was established to work with MnDOT on the distribution of funds from the Local Road Improvement Program. The new language clarifies that MnDOT needs to meet with the Advisory Committee regarding the use of dollars in any of the three funds under the LRIP.

Another section of the bill ensures that small cities have the same responsibility for bridge design costs as townships have had: \$10,000.

### Final Bills (HF1068 and HF2490)

Project	Governor	Cash HF1068	GO Bond HF2490
Local Bridge Replacement Program*	\$30M	\$20.743M	\$12.257M
Local Road Improvement Program**	\$10M	\$30M	\$24.356M
Greater MN Transit	\$ 1.13M		\$ 1.5M
Highway/Rail Grade Crossing Warning	\$ 2M		\$ 2M
Willmar District Headquarters (THF)	\$ 4.37M		\$ 4.37M (THF)
Little Falls Truck Station (THF)	\$ 3.58M		\$ 3.58M (THF)
Safe Routes to School	\$ 2M	\$ 1M	
Rail Service Improvements			
Port Development Assistance	\$400,000		\$ 2M
Passenger and Freight Rail			
Metro Council Transit Capital Improvement	\$10M		\$15M
BWSR Local Road Wetland Replacement			\$ 2M
Clara City Street and Utility	\$748,000		\$748,000
Fosston Street and Sewer	\$400,000		\$400,000
International Falls Airline Terminal	\$ 2M		\$ 2.2M
Hanover Historic Bridge			\$ .78M
Minneapolis Nicollet Mall	\$20M		\$21.5M
Range Regional Airport	\$ 5M		\$ 5M
Thief River Falls Airport			\$650,000
Thief River Falls Southwest Infrastructure			\$800,000
Virginia Highway 53 Utility Relocation			\$19.5M

## **Supplemental Budget Bill**

Legislators amended the biennial budget that was passed last year in light of the additional funding available in the general fund. For transportation, this did not translate into a significant increase in general fund dollars. **The legislature provided an additional \$13.6M in general fund dollars** for transportation with most of that allocated to Greater Minnesota transit and Metropolitan Area transit.

The supplemental budget bill did appropriate an additional \$129 million from the Trunk Highway Fund. These are dollars that had been on the bottom line – not new money. Most of this increase went to Operations and Maintenance to pay for snow and ice removal and purchases of snow and ice equipment.

Additional spending of existing resources from the Trunk Highway Fund was specified for the Corridors of Commerce program. For FY2014, an additional \$6.5M was appropriated for projects in Greater Minnesota. For FY2015, an additional \$25M was appropriated for projects statewide. No additional funding was appropriated for the Transportation Economic Development (TED) program.

While earlier proposals had included a general fund appropriation of \$15 million to counties and cities for pothole repair, that language was not included in the final bill.

Program	FY14-15	FY16-17
Aeronautics (Airport Fund)	\$4M	
Greater MN Transit (base – GF)	\$6.5M	
Free rides on election day	\$.32M	
Freight – Rail Inspectors (SR)	\$.285M	\$.651M
Railroad Grade Crossing (GF)	\$2M	
Safe Routes to School (GF)	\$.25M	\$.25M
State Roads <b>(Trunk Highway Fund)</b> Ops/Maint		
Snow and Ice Removal	\$20M	
Winter Related Road Repair	\$10M	
Snow and Ice Equipment	\$5M	
Roadway Lighting LED	\$5M	
Changeable Message Signs	\$1M	
Pavement Patching investment	\$2M	
Replace Snow Plows	\$10M	\$10M
State Roads - Planning & Delivery		
Enhanced Project Management	\$3M	
Work Zone Safety	\$.12M	
State Roads - Construction		
Highway 14 Turnback	\$35M	
Work zone Safety	\$.505M	\$1.01M
Corridors of Commerce	\$31.5M*	
Metropolitan Council – Bus and Rail Ops		
Transit shelters (GF)	\$.5M	
Election Day Rides (GF)	\$.144M	
Suburban Transit Providers (GF)	\$.25M	
Lake St. BRT Station (GF)	\$1M	
Department of Public Safety (THF)		
State Troopers	\$5.949M	\$11M
TOTALS		
<b>General Fund (GF)</b>	<b>\$13.676M</b>	<b>\$ 4.5M</b>
<b>Airport Fund</b>	<b>\$ 4M</b>	
<b>Trunk Highway Fund (THF)</b>	<b>\$129.074M</b>	<b>\$22.010</b>
<b>Special Revenue</b>	<b>\$ 5.221M</b>	<b>\$ 7.184M</b>

Language in the bill lifted a cap of \$9 million for metro county highway work that had been implemented during the 2013 legislative session. This change results in a shift of funds from the sales tax on leased vehicles of about \$12 million from Greater Minnesota transit to the five ring counties for county highway improvements. The bill provides an additional \$6.5 million in general fund dollars to Greater Minnesota transit to partially off-set the loss of revenue from the motor vehicle leased sales tax.

Policy language in the supplemental budget bill includes:

- New construction work zone safety regulations
- Requirements for the design and maintenance of transit shelters in the metro area
- Speed limit studies on 2-lane trunk highways currently posted at 55 mph speed limit
- Free transit service on election day in 2014 for regular route transit services statewide
- A requirement that MnDOT achieve efficiencies in fiscal year 2015 in planning and project management and delivery. The level of savings achieved must equal, in comparison with the total state road construction budget for that year, a minimum of five percent in fiscal year 2015. The department must identify the projects that have been advanced or completed due to the implementation of efficiency measures.
- Language in the law requires the state to pay 100 percent of the nonfederal share of FEMA-eligible disaster costs for state agencies, American Indian tribes, and local units of government. It also creates a new disaster contingency account to capture expiring appropriations from prior disasters and to statutorily appropriate money to the Department of Public Safety to pay the nonfederal share for state agencies, local units of government, and American Indian tribes, and to award state disaster assistance grants to American Indian tribes and local units of government for eligible damages in cases where federal funds are not available. The state share is limited to 75% of costs in situations where federal funding is not provided.

### ***Policies Impacting Transportation***

A number of bills were passed during the 2014 Session with policy changes impacting transportation. We have highlighted the major ones for you below:

- **MnDOT Housekeeping Bill** – Every session we typically see a bill with minor changes to policies that is brought forward by MnDOT. Many of these provisions are very technical. Here are some of the highlights:
  - Payment of interest on late payments required - The language provides for interest on late payments by a state agency following partial payments used in construction contracts following an engineer's estimate on road construction contracts.
  - Default by contractor - This permits MnDOT to set a compliance deadline in a contract at which point the agency may pursue completion of the work using another contractor. Under previous law, the timeline was 60 days.
  - Estimates for CSAH and MSA – This language directs MnDOT to use available months of collections data (with the rest estimated), instead of a range of specified months, in

calculating the amount of aid to be provided for the county state-aid and municipal state-aid systems in the upcoming calendar year.

- County inventory and inspection records and reports – Broadens required information in an annual bridge inspections report filed with counties, cities, and towns by the county engineer to include identification of bridge deficiencies and whether an analysis of bridge load rating is necessary.
  - Authority of county when town fails – Expands powers and duties of a county concerning town bridges, when a town does not perform certain bridge-related tasks, to perform required bridge load rating analysis, post reduced bridge weight limits, or close a bridge. Provides for notification and billing of a town and exemption from county liability.
  - I-494 Expansion - Requires MnDOT to establish general purpose lanes instead of dynamic shoulder lanes as part of its reconstruction project on I-494 from Trunk Highway 55 to near I-394.
- **Sales Tax Exemption for Local Governments** – Modifications were made to the local government sales tax exemption passed during the 2013 Session. The second tax bill extends the definition of tax exempt local governments beyond counties, cities and townships to include all special districts: city, county and township instrumentalities and all joint powers boards and organizations. The change will be effective beginning January 1, 2016. The expansion in the definition also includes the Metropolitan Council but that change will not be effective until January 1, 2017.

The law also changes the list of non-exempt purchases to include solid waste hauling, solid waste recycling, landfills, gas or electric utility, golf courses, campgrounds, cafes and laundromats.

- **Public Construction Contracts – Responsible Contractors** – This law requires contractors on public construction projects to be “responsible contractors” if the prime contract is estimated to be for more than \$50,000. A “responsible contractor” is defined by the law and essentially requires contractors not to have violated a number of national, state and local labor laws and regulations in the three years prior to responding to a bid solicitation. The contractor must submit a signed statement under oath verifying compliance with the criteria in the law. If the contractor or subcontractor does not verify compliance or submits a false verification, the contractor or subcontractor is ineligible to be awarded the contract or a contract already awarded may be terminated.
- **Omnibus Transportation Policy Bill** – This contains many provisions modifying policies related to MnDOT and the Department of Public Safety. Here are some highlights:
  - Clarifies that money in the Trunk Highway emergency relief account may be used for operation and maintenance related to a disaster.
  - Encourages MnDOT to conduct a periodic review of all real estate to identify property not needed for state highway purposes and determine if the property can be disposed of.
  - Eliminates the requirement that the commissioner publish notice of a request for a variance from state aid engineering standards concerning money needs.

- Directs the commissioner to appoint a Transportation Ombudsperson without regard to political affiliation.
  - Gives discretion to the Commissioner to schedule payments of operating assistance to Greater Minnesota transit providers as appropriate, providing that payments must be made quarterly.
  - Creates a definition of “passenger rail” by reference to federal law and adds “Amtrak” to a list of entities with whom MnDOT is authorized to enter into agreements for passenger rail operation.
  - Authorizes the seven metropolitan county regional rail authorities to use taxing power to develop bus rapid transit in transitways that are included in the Metropolitan Council’s 2030 Transportation Policy Plan.
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- **Regional Bonding for Transit** -The first tax bill includes a two year authorization rather than the usual one year authorization, and provides an inflation increase in the second year. The Metropolitan Council received a **two-year bond authorization for up to \$75.3 million** in capital expenditures.