



## 2015 Legislative Session

*From High Hopes to Frustration for Transportation – Left with duct tape to fix roads*

After months of pressure and lots of talk about transportation funding being a priority for the 2015 Session, the legislature passed and the governor signed a transportation budget bill that largely maintains status quo levels of funding for highways and transit. However, there is still an opportunity for a larger transportation funding bill to pass along with a tax bill that provides reductions in some taxes in other areas – but it would be more likely in the 2016 Session than the upcoming Special Session.

With projections of a budget surplus of close to \$2 billion in the general fund, advocating for state tax increases for transportation has been an uphill battle. The House majority wanted to take advantage of positive revenue projections to reduce taxes, particularly on businesses. The House passed an omnibus tax bill with around \$2 billion in tax cuts. The Senate and the Governor wanted to increase spending in a number of areas including education. With very different approaches, the leaders in the House and Senate agreed on budget bills to keep the government running with some increases in areas like nursing home care but less overall spending than the governor and Senate had proposed. The tax bill did not need to pass in order to keep the government running and tax increases for transportation were not necessary to keep MnDOT and the Metropolitan Council operating so those were both left on the table, leaving close to \$1 billion of the \$2 billion surplus unspent.

Senate Majority Leader Bakk had repeatedly said that agreement on a tax bill would only come with an agreement on increases in transportation funding. With both of those left undone, Senator Bakk and House Speaker Kurt Daudt have said they want to deal with those bills during the 2016 Legislative Session.

After the regular session ended on May 18<sup>th</sup>, Governor Dayton announced that he would veto the K-12 Education budget bill and he has subsequently vetoed two other budget bills. Without repassage of those budget bills in a special session prior to July 1<sup>st</sup>, there will be a partial government shut down. The Governor has said that he will call the legislature back into session when there is an agreement on the agenda and the content of the bills to be passed. It's possible, but not likely, that transportation funding could be on the agenda for the special session.

**Senate Dibble, Rep. Hornstein and Rep. Erhardt proposed via press release that a transportation plan be passed during the upcoming special session.** Their view of a compromise plan between what the House proposed and what the Senate proposed would involve proposing a constitutional amendment to be placed on ballot for voters to decide the dedication of the

sales tax on auto part. Other items in the compromise plan include a 10-cent increase in the fuel tax, a small increase in the license tab fees, a ½ cent increase in the metropolitan area sales tax, the statutory dedication of 100% of the leased vehicle sales tax for the 7 metro counties and a change in the distribution of MVST to give 8% instead of 4% to Greater Minnesota transit. Cities would also benefit from a title transfer fee and additional registration fee.

Not much is being said so far about taking up transportation funding during the special session but we will continue to push for further action.

With very different proposals passed by the House and Senate for transportation, no middle ground was really discussed and the conference committee on HF4, which contained the revenue increases proposed, remains open and could theoretically meet again next session and take up where they left off.

Another vehicle, SF1647, was used to pass the basic budgets needed for MnDOT, the Metropolitan Council and the Department of Public Safety to continue operating through the coming biennium. **This chart shows the final appropriations for FY16-17** along with the appropriations for the previous biennium and the amounts that would have been provided under the Senate and House Transportation funding bills.

	FY14-15 Biennium	<b>FY16-17 Final Bill</b>	<i>FY16-17 Senate</i>	<i>FY16-17 House</i>
MnDOT Office of Transit TOTAL	<b>\$135,646</b>	<b>\$141,725</b>	<i>\$131,014</i>	<i>\$168,205</i>
Passenger Rail GF	<b>\$ 1,000</b>	<b>\$ 1,000</b>	<i>\$ 1,000</i>	
Safe Routes to School GF	<b>\$ 1,000</b>	<b>\$ 1,000</b>	<i>\$ 1,000</i>	
MnDOT Freight - TOTAL	<b>\$ 12,806</b>	<b>\$ 18,897</b>	<i>\$ 10,895</i>	<i>\$ 12,806</i>
STATE ROADS				
Operations and Maintenance TH	\$577,790	\$534,790	<i>\$534,790</i>	<i>\$534,790</i>
Appropriation increase TH		\$ 44,531	<i>\$ 51,208</i>	<i>\$ 46,425</i>
Snow & Ice shift TH				<i>(\$130,000)</i>
<b>TOTAL</b>	<b>\$577,790</b>	<b>\$579,321</b>	<i>\$581,215</i>	<i>\$455,998</i>
Program Planning & Delivery TH	\$416,635	\$413,440	<i>\$413,440</i>	<i>\$413,440</i>
2012 flood date change		\$ 7,804	<i>\$ 7,804</i>	
Environment management		\$ 2,000	<i>\$ 2,000</i>	<i>\$ 2,000</i>
Purchasing power		\$ 18,267		
Appropriation increase		\$ 27,270	<i>\$ 89,595</i>	<i>(\$ 8,578)</i>
Land Conveyance		\$ 2,600	<i>\$ 2,600</i>	<i>\$ 2,600</i>
<b>TOTAL</b>	<b>\$416,635</b>	<b>\$468,781</b>	<i>\$513,099</i>	<i>\$346,704</i>
State Road Construction	\$1,794,005	\$1,292,010	<i>\$1,292,010</i>	<i>\$1,292,010</i>
Increase MAP-21 funding		\$ 97,290	<i>\$ 97,290</i>	<i>\$ 97,290</i>
Appropriations increase		\$ 134,530	<i>\$ 492,085</i>	<i>\$ 413,945</i>
<b>TOTAL</b>	<b>\$1,794,005</b>	<b>\$1,523,830</b>	<i>1,993,385</i>	<i>\$1,803,245</i>

Highway Debt Service	\$ 348,238	\$ 416,446	\$ 416,446	\$ 416,446
Increase for bond authorization		\$ 12,134	\$ 21,380	\$ 15,436
<b>TOTAL</b>	<b>\$ 348,238</b>	<b>\$ 428,680</b>	<b>\$ 437,826</b>	<b>\$ 433,531</b>
AGENCY MANAGEMENT				
Agency services	\$ 83,994	\$ 86,241	\$ 86,241	\$ 83,944
Buildings	\$ 35,676	\$ 38,093	\$ 38,093	\$ 35,676
LOCAL ROADS				
County State Aid Base	\$1,266,163	\$1,396,990	\$1,396,990	\$1,396,990
<b>TOTAL</b>	<b>\$1,266,163</b>	<b>\$1,369,263</b>	<b>\$1,621,420</b>	<b>\$1,634,773</b>
Municipal State Aid Base				
	\$ 324,294	\$ 348,884	\$ 348,884	\$ 348,884
<b>TOTAL</b>	<b>\$ 324,294</b>	<b>\$ 348,884</b>	<b>\$ 448,269</b>	<b>\$ 415,633</b>
Small Cities				
		\$ 12,500	\$ 57,002	\$ 50,000
Local road and bridge disaster	(\$ 2,380)	\$ 2,380		
<b>TOTAL</b>		<b>\$ 14,880</b>		
Metropolitan Council				
Bus and Rail Operations GF Base	\$ 187,693	\$ 153,252	\$ 153,252	\$ 153,252
Bus and Rail Operations GF Cut			(\$ 39,373)	(\$ 110,329)
Bus and Rail Operations Change	(\$ 29,700)	\$ 27,300		
Metro Sales Tax increase ¾ cent			\$ 606,300	
Transit Asst. - MVST	\$ 475,447	\$ 550,300	\$ 519,700	\$ 550,300
Suburban Pilot Project		\$ 2,000		\$ 3,000
TMO Funding		\$ 200		\$ 400
<b>TOTAL</b>	<b>\$ 633,440</b>	<b>\$ 733,052</b>	<b>\$1,239,879</b>	<b>\$ 596,623</b>
Bill Total	\$5,469,065	\$5,517,308	\$6,455,415	\$5,911,404

While the outcome for transportation was characterized as “lights on”, in many ways funding went backward. The Corridors of Commerce program did not receive any additional funding so the \$300 million in trunk highway bonds provided for that program will be gone. The capital bonding bill passed by the Senate was not passed by the House on the last day of session, so the Local Bridge program and Local Road Improvement Programs are out of funds.

The appropriation for the State Road Construction program has been reduced by over \$270 million from the previous biennium while debt service on trunk highway bonds increased by over \$80 million. Additional bonding for the TH53 project, that had been included in the bonding bill that did not pass, leaves a shortfall for that project.

Negotiations continue between the Governor, Speaker Daudt and Majority Leader Bakk to reach a deal on the three outstanding budget bills and possibly a few additional items. The special session will take place in the State Office Building. Press reports suggest that the goal is for the session to occur prior to June 15<sup>th</sup> when certain state services will start to shut down.

**If you have not yet done so – contact your legislators** and let them know how the failure to reach agreement on this top priority will leave transportation infrastructure in their part of the state to simply deteriorate, costing tax payers more money in the long run and costing our economy jobs and business growth.

## Transportation Policy

### Policy in SF1647

- Allows for a “minimum damage acquisition report” in lieu of an appraisal for property acquisitions less than \$25,000 as part of eminent domain proceedings.
- Road authorities with ownership of traffic signals on a principal arterial or roadway with ADT of 20,000 must complete an inventory of all traffic signals under its ownership and submit it to the MnDOT district engineer. The inventory must include age, control equipment, timing plans in operation and date of last timing optimization. Based on the inventory, road authorities must develop and implement a traffic signal optimization plan with re-evaluation every 5 years.
- Property owners may apply for a temporary permit (up to 14 days) for placing a hose for manure application along a roadway right-of-way.
- MnDOT may set goals for targeted group business or veteran-owned small business participation in contracts. The contractor must either meet the goal or demonstrate good faith efforts to meet the goal. MnDOT must establish a procedure for evaluating the good faith efforts.
- Sets the Apportionment sum for determining the allocation of CSAH dollars at 68% and the excess sum at 32% for distribution calculations on or after July 1, 2015.
- A small cities assistance account is created in the special revenue fund. The Commissioner of Revenue shall distribute the funds in the same manner as local government aid. The preliminary aid to each city is calculated:
  - 5% equally among all eligible cities
  - 35% based on each city’s share of lane miles of municipal streets compared to total lane miles of streets of all eligible cities
  - 35% based on each city’s share of population compared to the total population of all eligible cities
  - 25% based on each city’s share of state-aid adjustment factor compared to the sum of state-aid adjustment factors of all eligible cities

Final aid is calculated as the lesser of the preliminary aid to the city multiplied by an aid factor or the maximum aid.

Funds are available only for construction and maintenance of roads located within the city.

- Fine increased to \$225 plus the amount specified in the uniform fine schedule for a person who violates the law against texting while driving a second or subsequent time.
- Weight restrictions do not apply to a portable toilet service vehicle that does not exceed 14,000 pounds per single axel or 26,000 pounds gross vehicle weight and is engaged in servicing portable toilets.
- Requires cities, counties and towns to adopt subdivision regulations that require safe routes to school infrastructure in development authorized after June 1, 2016 in order to be eligible to receive grants under the Safe Routes to School program.
- Allows funds from the rail service improvement account to be used to pay a portion of the costs of capital improvement projects designed to improve capacity or safety at rail yards.
- Requires municipalities that operate fire departments with volunteer firefighters to provide health insurance coverage to dependents if the firefighter is killed in the line of duty.

- MnDOT shall establish local contribution rates for construction or operation of an airport or airport facilities when state or federal funds are requested.
- Adds one elected official from a city participating in the operation of a suburban transit system to the Transportation Advisory Board (TAB) to the Metropolitan Council.
- MnDOT, in consultation with representatives of local government shall create and adopt a policy concerning cost participation for cooperative construction projects and maintenance responsibilities between MnDOT and local units of government that minimizes the share of cooperative projects to be funded by local governments. The policy must be adopted no later than March 1, 2016.
- By November 1, 2015, PCA shall submit a report on motor vehicle title transfer fee funds that identifies the annual amount of revenue from the title transfer fee, the rationale for allocation of the revenue and uses of the funds including identification of any motor vehicle, road or bridge purposes.
- By January 15, 2016, the commissioners of MnDOT and Public Safety, in consultation with MMB, shall submit a report to the transportation finance committees listing detailed expenditures and transfers from the Trunk Highway Fund and Highway User Tax Distribution Fund for fiscal years 2010 through 2015 with information on the purpose of each expenditure.
- By August 15, 2016, MnDOT shall, in collaboration with city and county engineers, establish and adopt design standards to be applied consistently to trunk highways, county state-aid highways and municipal state-aid streets with similar characteristics. An interim report is due March 15, 2016.

### **Capital Bonding Bill Special Session HF2**

- Local Bridge Program - \$7.41 million
- Local Road Program - \$8.91 million of which \$850,000 is for a grant to Sandstone for a new road and \$3.77 million is for the Willmar Wye project.
- 77<sup>th</sup> Street Underpass City of Richfield - \$10 million
- Highway-rail grade separation City of Plymouth - \$4.7 million Vicksburg Lane crossing
- Highway – rail grade separation Koochiching County - \$460,000.
- Minnesota Valley Regional Rail Authority - \$1 million
- Highway 53 reroute - \$140 million in Trunk Highway Bonds
- Transportation Economic Development (TED) program - \$2 million
- Disaster relief for flooding June 11, 2014 - \$800,000 local road and bridge reconstruction

### **Responsible Contractor Law Changes – Chapter 64**

Under the current Responsible Contractor Law, a “contractor” does not include a material supplier. This section provides more detail on this exclusion. Excludes design professionals from the definition of “contractor”. Defines “motor carrier” for purposes of the law.

The current law applies to a publicly owned or financed project when the contract with the prime contractor is estimated to exceed \$50,000. This section provides that in determining whether a contract exceeds \$50,000, the value of tax increment financing must be excluded. Also provides that motor carriers must meet the minimum criteria of the law.

Under current law, a contractor is not a responsible contractor if the contractor repeatedly fails to pay statutorily required wages or penalties under specified circumstances within a three-year period. This section provides that a failure to pay is “repeated” only if it involves two or more separate and distinct occurrences of underpayment during the three-year period.

Clarifies that the requirement in current law that a contractor is not currently suspended or debarred applies only to those groups that have authority to debar a contractor. Requires that motor carriers that a contractor intends to use must verify that they have met minimum criteria.

Provides that a verification of compliance need not be notarized, and specifies conditions under which an electronic verification is acceptable.

Provides that as a condition precedent to execution of a contract, the apparent successful prime contractor must submit a supplemental verification relating to subcontractors and motor carriers. Requires subcontractors to submit statements verifying compliance.

Effective July 1, 2015 and applicable to construction contracts based on solicitation documents issued on and after that date.