



2017 Legislative Session Summary

Transportation Bill, Bonding Bill Finally Passed!

After years of advocating and campaigning for a long-term, comprehensive transportation funding bill, we finally have a bill passed that makes progress in addressing the \$600M per year shortfall for roads and bridges in the state. For transit, the legislature did not provide ongoing funding, but did increase the general fund appropriation for Metropolitan Area Transit by \$70 million to prevent cuts in transit service. The dissolution of the Counties Transit Improvement Board (CTIB) will allow those counties to increase the local option sales tax if they choose to do so. Hennepin and Ramsey counties have indicated that they will increase their local sales tax from $\frac{1}{4}$ cent to $\frac{1}{2}$ cent to keep the Southwest and Bottineau light rail transit projects moving and hopefully secure a full funding grant agreement with the Federal Transit Administration.

The Capital Bonding bill contains more money for transportation than we have seen previously. After many years of lobbying to have consistent funding at higher levels for the Local Road Improvement Program and Local Bridge program, this year's bill provides almost \$116 million for LRIP and \$49 million for local bridges. The transportation bill contains another \$25 million for local bridges for a total of \$74 million for local bridges. The bonding bill also provides funding for two transitways.

Although it took an extra four-day special session to get their work done, legislators were able to work with the governor to pass a two-year budget and avoid a government shutdown. For transportation, we don't have to worry about a special session occurring in June or July – they are done until February 20, 2018.

The transportation bill is a compromise and contains some good provisions and some not so good provisions. While progress was made and we didn't see another year with a "lights on" transportation budget, more work is clearly needed in the future to provide sustainable funding that addresses the needs on the system.

The level of funding provided to transportation from the sales tax on auto parts dropped dramatically from \$307.9M in the original House bill to just \$63M for the next two years in the final bill, illustrating the difficulty of competing with other areas of the state budget for general fund dollars for roads and bridges. The dollar amount in the following biennium (FY20-21) also dropped from \$206M per year or \$412M for the biennium to \$145M per year. We will probably have to fight to maintain that level of funding during the 2019 session.

Here's the Good and Not So Good of the transportation bill:

- **Good: More Money!** The bill provides \$235 million in new revenue for roads and bridges and an additional \$71 million in general fund dollars for Metropolitan Area transit for the next two years. In the following biennium, the estimate is about \$444M or \$222M per year.

Not So Good: The \$235 or \$117.5M per year only begins to address the \$600M per year shortfall. The increase for the Trunk Highway Fund is about \$51 million per year for the next

two years. Of the general fund money provided for roads and transit for the FY18-19 biennium, \$101M is one-time money that is not provided in the following biennium.

The bill does not include any increases in constitutionally dedicated revenue that would provide stable funding for the future. We lobbied for an increase in license tab fees, given the hostility to increasing the fuel tax, but that was strongly rejected by the GOP majority.

- **Good: transit cuts and prohibitions on building light rail transit are gone.** The final bill provides \$70 million for the biennium for Metropolitan Area Transit to prevent service cuts and another \$1 million to suburban systems for a demonstration project. Policy language preventing work on future light rail lines unless a project was specifically approved by the legislature was removed from the bill.

Not So Good: The money is one-time funding only. Metro Transit projects a shortfall in the FY20-21 biennium of \$110 million and a fare increase will be needed this year. Also – the bill includes a cut of almost \$17 million in the general fund appropriation for Greater Minnesota Transit. Language remains in the bill specifying that all operating costs must be paid by nonstate sources for the Southwest LRT project.

- **Good: \$940 million in additional trunk highway bonds** are authorized for the Corridors of Commerce program (\$300M) and the State Road Construction program (\$640M) along with \$25M per year in cash from the Trunk Highway Fund for Corridors of Commerce for the next four years.
- **Not So Good: Much more of the funding is provided in FY20 and FY21.** For the '18-19 biennium, \$100M is provided in bonding for Corridors of Commerce and \$200M in bonding is provided for the State Road Construction program. MnDOT tends to split the money with 50% for the Metro District (\$50M Corridors of Commerce, \$100M SRC) and 50% for the Greater Minnesota districts (\$50M Corridors of Commerce, \$100M SRC). **The interest payments on \$940M in trunk highway bonds will be \$470M in trunk highway funds over the 20-year life of the bonds.**
- **Good: Dedication of the Motor Vehicle Lease Sales Tax (MVLST) and sales tax on rental vehicles.** We will finally have the \$32M per year that had been deposited in the general fund from the MVLST going to transportation as well as all of the sales tax from rental vehicles. Some of the MVLST funding (13%) will be used for the Local Bridge program so that it will not be totally dependent on the capital bonding bill for funding and will provide more consistent and reliable funding for local bridges. There is a partial dedication of the sales tax on auto parts to the Highway User Tax Distribution Fund.

Not So Good: The sales tax on auto parts is estimated to generate about \$250 million per year and will grow in the future. This bill provides \$31.5 million per year in the FY18-19 biennium of general fund dollars attributable to the sales tax on auto parts and \$145M per year in the FY20-21 biennium. The amount is capped at \$145M in each fiscal year thereafter so there is no growth in the revenue and **no point in time at which all of the revenue from the sales tax on auto parts must be deposited in the HUTDF.**

- **Good: The bill includes an increase in the motor vehicle registration tax for all-electric vehicles of \$75 per year,** proving that electric vehicles do not have to avoid paying into the Highway Trust Fund even though owners don't purchase fuel that is taxed at the pump.

Not So Good: The amount of revenue generated is only \$40,000 for the FY18-19 biennium and \$105,000 for the FY20-21 biennium.

	FY18	FY19	Biennium	FY20	FY21	
Final Transportation Bill - Increased Funding						
Sales tax transfer - Auto parts (PARTIAL) HUTDF	\$31,532	\$31,532	\$63,064	\$145,644	\$145,644	
Sales tax transfer - leased vehicle	\$32,000	\$32,000	\$64,000	\$32,000	\$32,000	
<i>Allocation to HUTDF</i>	<i>\$10.3M</i>	<i>\$10.9M</i>	<i>\$21.3M</i>	<i>\$11.3M</i>	<i>\$11.4M</i>	
<i>Allocation to local bridges</i>	<i>\$12.2M</i>	<i>\$12.9M</i>	<i>\$25.1M</i>	<i>\$13.3M</i>	<i>\$13.5M</i>	
<i>Allocation to GM Transit</i>	<i>\$ 1.96M</i>	<i>\$ 1.23M</i>	<i>\$ 3.19M</i>	<i>\$.7M</i>	<i>\$.4M</i>	
<i>Allocation to Metro Counties</i>	<i>\$ 1.96M</i>	<i>\$ 1.23M</i>	<i>\$ 3.19M</i>	<i>\$.7M</i>	<i>\$.4M</i>	
General Fund appropriation to Small Cities	\$8,000	\$8,000	\$16,000			
General Fund appropriation to Metro Counties	\$5,000	\$5,000	\$10,000			
General Fund appropriation to Town Roads	\$2,000	\$2,000	\$4,000			
Sales tax transfer - rental vehicles to HUTDF	\$17,200	\$19,700	\$36,900	\$20,500	\$21,300	
Registration fee electric vehicles \$75 to HUTDF	\$10	\$30	\$40	\$45	\$60	
Motor Vehicle rental tax to HUTDF	\$24,400	\$27,900	\$52,300	\$29,000	\$30,200	
MVLST Legacy Change	-\$5,400	-\$5,700	-\$11,100	-\$5,900	-\$6,000	
TOTAL	\$120,142	\$120,462	\$235,204	\$221,289	\$223,204	
Total to HUTDF	\$83,346	\$89,843	\$173,189	\$206,256	\$208,416	
General Fund Metro Transit (\$70M over base)	\$30,000	\$40,000	\$70,000			
General Fund Suburban Demonstration	\$1,000		\$1,000			
Safe Routes to School/Passenger Rail	\$1,000	\$1,000	\$2,000			
TOTAL	\$31,000	\$40,000	\$73,000			
General Fund Greater MN Transit (one-time cut)	-\$16,825					
Trunk Highway Cash - Corridors of Commerce	\$25,000	\$25,000	\$50,000	\$25,000	\$25,000	
Trunk Highway Bonds - Corridors of Commerce	\$50,000	\$50,000	\$100,000	\$100,000	\$100,000	
Trunk Highway Bonds - State Road Construction	\$100,000	\$100,000	\$200,000	\$220,000	\$220,000	
TOTAL	\$175,000	\$175,000	\$350,000	\$345,000	\$345,000	\$940,000
Regional Bonds (Met Council)	\$82,100	\$43,900	\$126,000			

HF3 – Special Session

Policy Highlights (not exhaustive):

- Clarifies distribution of funds in the flexible account to set 16% for Metro Counties since the CSAH fund changed to a set 68/32 split between the excess and apportionment sums. The flex highway account encourages a 50/50 split between metro and greater MN. The 16% is half of 32% which is directed to the metro counties.
- Highway Sponsorship Program – creates a program to encourage business, civic groups or individuals to voluntarily assist with the improvement and maintenance of the trunk highway system including trails and historic sites.
- Highway project selection process – MnDOT must establish a process to identify, evaluate and select projects that is consistent with eligibility requirements. The list of projects must be made public and must include the score of each project. MnDOT must report on the project selection process under the Corridors of Commerce program including a list of projects evaluated and results for each criterion.
- MnDOT must maintain information on expenditures by local road authorities from local funding sources for the trunk highway system.
- Weight Limits – **A road authority** may issue an annual permit authorizing a vehicle or combination of vehicles with 6 or more axles to haul road construction materials and be operated with a gross vehicle weight of up to 90,000 pounds with six axles and up to 97,000 pounds with seven axles. Permit fees must be deposited in the bridge inspection and signing account. A local road authority may identify local preferred routes and permit holders are encouraged to make reasonable efforts to operate on the preferred routes.
- Creates an Active Transportation account for construction and maintenance of bicycle, trail and pedestrian infrastructure.
- Creates a new Major local bridges account for bridges in which the grant award is \$7M or more. Prohibits grants from the Local Bridge program with a total project cost of \$7 million or more unless every other local bridge project on the priority list of less than \$7 million has been fully funded.
- MnDOT must implement efficiencies equal to at least 15 percent of the appropriations made annually from the trunk highway fund that are above base appropriations for FY18-19.
- In a fiscal year in which MnDOT expends more than 110 percent of the established biennial expenditure level for snow and ice management, the commissioner may use an additional amount that does not exceed 50 percent of the unappropriated balance in the trunk highway fund.
- Changes the statutory dedication of the motor vehicle lease sales tax so that the \$32 million currently being deposited in the general fund is no longer deposited in the general fund and the total amount of revenue collected from the lease vehicle sales tax is distributed: 38% to CSAH, 38% to Greater Minnesota Transit Account, 13% to Minnesota state transportation fund (for a new local bridge program) and 11% to HUTDF.

- Requires that after July 1, 2017, a portion of the estimated amount of taxes collected from the sale and purchase of motor vehicle repair parts in a given month be credited to the highway user tax distribution fund. For remittances between July 1, 2017 and June 30, 2019, the monthly deposit is \$2,628,000. (\$31.5M annually) For remittances in each subsequent fiscal year, the monthly deposit is \$12,137,000. (\$145.6M annually)
- Requires Dept. of Revenue to provide a report on state general sales taxes attributable to motor vehicle repair and replacement parts by January 15, 2019.
- Requires MnDOT to contract for a study on highway construction costs, inflation and cost estimating. The report must provide specific recommendations for road authorities and legislative changes to reduce highway construction costs. The report is due February 15, 2018.
- Requires MnDOT to report on MnPASS lanes and tolling to reduce congestion and raise revenue.
- Requires MnDOT to report on turnbacks including the current list of proposed turnback projects, a description of the work to be completed, which entity the highway will be turned back to and total estimated cost related to all aspects of the turnback. It must also include a description of the turnback process and the amount of money accrued to the turnback accounts for each of the past five years.
- Requires the Metropolitan Council to prepare a report on comprehensive transit finance in the Metropolitan Area. The report must summarize the status of busways in operation and under development and identify total ridership, farebox recovery ratio and per-passenger operating subsidy.
- Prohibits the Metropolitan Council from issuing certificates of participation for light rail transit secured by a pledge of motor vehicle sales tax revenue.
- Limits liability for a railroad that is operating in the same corridor as a light rail transit line.
- Establishes a Metro Mobility Task Force to examine the Metro Mobility program and identify methods to increase efficiency including partnerships with taxi service providers and transportation network companies.

How Does the 2017 bill Compare to 2016 Proposals?

Last biennium we had a divided legislature with a DFL governor who all promised to increase funding for transportation. Toward the end of the 2016 Legislative Session, proposals were traded back and forth, but ultimately, no agreement was reached. Here is what was on the table with the estimated revenue increase for FY2017 (one year):

Senate	House	Governor
Fuel tax: 12 cents over 3 years \$360M	Sales tax auto parts \$300M	Fuel tax: 5 cents \$150M
License tab fee increase \$107M	License tab fee increase \$100M	License tab fee increase \$200-\$400M
GO Bonding \$193M	GO Bonding \$227M	GO Bonding \$200M
Trunk Highway Bonding \$1 billion	Trunk Highway Bonding \$200M	Trunk Highway Bonding \$200M
Metro Sales Tax \$388M		Metro Sales Tax \$280M

2017 Capital Bonding Bill HF5 – Special Session

Project	Governor	Senate SF210	House HF892	Special Session bill
Local Bridge Replacement Program	\$70M	\$ 90M	\$ 59M	\$ 49.212M ⁵
Local Road Improvement Program	\$70M	\$141.196M ¹	\$107.691M ³	\$115,932M ⁶
Stone Arch Bridge	\$ 2.5M			
I694/Rice St Interchange – Ramsey	\$20.5M			
Highway 4 – City of St. James	\$ 3.443M		\$ 3.443M	
Highway 53 Utility Relocation	\$ 4.9M			
Bloomington Transit Station Mall of America		\$ 8.75M		\$8.75M
Met Council Orange Line BRT		\$ 12.1M		\$12.1M
35W/Lake Street Transit Project – Hennepin	\$25M			
Gateway Corridor – Washington	\$ 3M			
Rail Grade Separation on Crude Oil Lines	\$69.624M	\$ 26.749M ²	\$57.024M ⁴	\$71.124M ⁷
Highway/Rail Grade Crossing Warning	\$ 5M	\$ 1M	\$ 1M	\$ 1M
State Rail Quiet Zone Program	\$10M			
Ramsey County Rail Grade Separation	\$ 1M			
Passenger Rail Program	\$ 1M			
Hugo Short Line Railway		\$ 1.1M		\$ 1.1M
Minnesota Valley Regional Rail Authority		\$ 4M	\$ 4M	\$ 4M
Minnesota Rail Service – Grand Rapids	\$ 1M	\$ 1M		
Grade Separation Westminster & Division Ramsey	\$ 1M			
City of Hugo Shortline track			\$ 1.1M	\$ 1.1M
MN Rail Service Improvement Grant				\$ 1M
Port Development Assistance	\$10M	\$ 5M	\$ 5M	\$ 5M
MnDOT Facilities Capital Program	\$40MTHB			
City of Grand Rapids Pedestrian Bridges	\$.75M	\$.75M	\$.75M	\$.75M
Safe Routes to School				\$ 1M
Eden Prairie Rail Crossing				\$ 1.4M
Int'l Falls – Koochiching Co Airport	\$ 3M Air	\$ 3M	\$ 3M	\$ 3M
BWSR Local Road Wetland Replacement	\$ 10M	\$ 5M	\$ 5M	\$ 5M
DEED – Transportation Economic Development	\$ 10M	\$ 7M	\$ 7M	\$ 3.5M
Proposal	TOTAL Bill	\$1.5B GO/ GO/ \$16M GF	\$972.7M GO/ \$201.9M GF	\$620M GO
		\$40MTHB	\$197M THB/ \$143.4M THF	\$987,939 GO GF \$11,033

- 5 – Local Bridge Program
 - City of Isle – Malone Island Bridge [\$800]
 - City of Minneapolis – 10th Avenue Bridge [\$31,875]

TOTAL: \$32,675

- City of Inver Grove Heights Broderick Blvd [\$1,000]
- Ramsey County I-694 and Rice Street interchange [\$20,500]
- Redwood County Veterans Cemetery Road [\$700]
- McLeod County CSAH15 [\$2,350]

TOTAL: \$90,596

- 6 – Local Road Improvement Program
 - Appleton Township 100th Street [\$1,000]
 - Anoka County Lake Drive and I-35 Interchange [\$9,000]
 - City of Baxter – Cypress Drive [\$6,000]
 - City of Blaine – 105th Avenue [\$3,246]
 - Hennepin County – I-35W/CSAH 3 [\$25,000]
 - Hennepin County – US Highway 12 interchange [\$11,300]
 - Chaska – US212 Interchange [\$10,500]

- 7 – Rail Grade Separation
 - Moorhead [\$42,262]
 - Anoka County Hanson Blvd [\$14,100]
 - City of Red Wing Sturgeon Lake Road [\$14,762]

TOTAL: \$71,124

The \$49.2 million in the Local Bridge Program provides \$32.675M for specific bridges, leaving \$16.537 million in non-earmarked funds. Combined with the \$25 million in HF3 for local bridges, this provides \$41 million in funds for local bridges on the waiting list.

For the Local Road Improvement Program, there are \$90.5 million in earmarked projects out of the \$115.9 million in funds leaving \$25.3 million in non-earmarked funds for a solicitation.

Other Transportation Bills Passed Into Law

2017 Session Laws, Chapter 7 – Funding for Local Road Wetland Replacement Program

This law provides an appropriation of \$5 million from the general fund for the Local Road Wetland Replacement Program, effective March 11, 2017. This is a one-time appropriation available until June 30, 2019.

2017 Session Laws, Chapter 14 – Modifying the State Road Construction Appropriation

This law increases the appropriation for State Road Construction for FY2017 by \$105 million to accommodate an increase in federal funds. The appropriation is increased from \$744,166,000 to \$849,166,000. The increase is effective April 4, 2017.

2017 Session Laws, Chapter 15 – Governing Mowing and Haying in Trunk Highway right-of-way

This law states that the commissioner of transportation must implement a moratorium until April 30, 2018, on enforcing permits to mow or bale hay in right-of-way of a trunk highway.

No later than March 1, 2018, the commissioner of transportation must recommend to the legislative committees with jurisdiction over transportation, agriculture, and natural resources establishment of a permit or notification system to mow or hay in trunk highway right-of-way. The recommendation must be developed with input from agriculture and environmental groups.

2017 Session Laws, Chapter 86 – Increasing the weight limit for vehicles transporting milk

Establishes a ten percent vehicle weight limit increase (including per-axle and gross vehicle weights) for single-unit vehicles to transport milk from the point of production to another point of production or the first point of processing.

2017 Session Laws, Chapter 94 – Jobs, Energy and Economic Development Budget Bill

Signs must be affixed on retail petroleum dispensers: "The price for each gallon of gasoline includes the current state gasoline tax of 28.5 cents per gallon and federal gasoline tax of 18.4 cents per gallon. Revenue from the state fuel tax may be used only for roads and bridges, according to the Minnesota Constitution."