



May 23, 2019

2019 Legislative Session Summary

No Compromise – Status Quo Transportation Budget

The 2019 Legislative Session is coming to a conclusion in an unprecedented way. As the only state with a divided state legislature – GOP controls the Senate and DFL controls the House – the two sides started very far apart in their efforts to put together a two-year state budget.

For transportation funding, it was the tax or no tax battle that we have experienced in many previous sessions. While the general fund budget surplus shrank in February to about \$1 billion for the coming biennium which was largely seen as a one-time surplus with not so rosy numbers in the following biennium, the GOP majority in the Senate insisted that they could not justify an increase in the fuel tax when the state had a surplus of tax dollars. Unfortunately, the Senate did not propose using any of that general fund surplus for roads and bridges. The Senate transportation budget bill maintained the current law funding levels while spending more from the Trunk Highway Fund on state road construction. The bill left Metropolitan Area transit with a significant budget deficit.

Governor Walz and the House DFL majority developed a very ambitious funding package that included a number of tax increases while simultaneously repealing the statutory dedication of the sales tax revenue from rental vehicles, \$32 million of the sales tax on leased vehicles and the \$145.6 million per year in sales tax from auto repair parts. The House bill included: a 20-cent increase in the fuel tax phased-in over 4 years, an increase in the motor vehicle registration tax, an increase in the MVST from 6.5% to 6.875%, a new ½ cent sales tax in the seven-county metro area and \$2 billion in trunk highway bond authorization over 8 years.

The two parties seemed to position themselves for negotiations that never really happened. Transportation taxes were not considered by the Senate. The Senate went along with maintaining the health care provider tax (at 1.8%) which was set to sunset and tax conformity legislation. The Senate also agreed to increase funding for K-12 Education by over \$500 million for the biennium.

When the global budget deal was announced, transportation was allocated \$93.5 million in general fund dollars for the biennium. This funding was to be distributed:

- Metro Mobility – FY2020 \$23.19 million, FY2021 additional \$13 million (if available)
- Deputy Registrar reimbursement - \$13 million
- MnLARS replacement system - \$55.67 million
- Disaster Contingency Account - \$20 million (if available)

As the clock ticked down to the hard deadline of May 20th for the 2019 Session to end, the Governor, House Speaker and Senate Majority Leader finally reached agreement on how to end the session on May 19th. That did not leave enough time to processing all of the large omnibus budget bills. All parties agreed that a special session would be needed to complete all of the work.

The Transportation budget bill agreed to by the House, Senate and Governor is largely a status quo budget that maintains the statutory dedications of sales tax revenues but does not increase revenue into the future. The sales taxes on leased vehicles and rental vehicles are likely to grow in the future but will not generate large amounts of funding. The dedication of the sales tax on auto repair parts is capped at \$145.6 million per year (about half of the total amount brought in through that sales tax) and that was not changed.

Overall, the transportation budget bill provides \$264.6 million or about 4% in all funds for all agencies more than in the previous biennium. The bill includes \$8 million less in general fund dollars than the budget for last biennium overall.

Thanks to the statutory dedication of sales tax revenue passed in 2017 and some natural growth in constitutionally dedicated revenue sources, there is an increase in County State Aid Funds (CSAH) of \$128.3 million over the previous biennium or about \$64 million more per year and an increase of \$32 million in Municipal State Aid Funds (MSAS) or \$16 million per year over the previous biennium. Included in the budget for MnDOT, is an increase in spending from the trunk highway fund of \$104.8 million. The operations and maintenance budget is increased by \$53 million for the biennium, the state road construction budget is cut by \$23.5 million over the previous biennium, debt service on trunk highway bonds is increased by \$20.6 million for the biennium, and funding for agency management is increased by \$19.3 million for the biennium. An allocation of \$25 million each year or \$50 million for the biennium in trunk highway cash is provided for the Corridors of Commerce program.

Maintaining the statutory dedication of the sales tax on leased motor vehicles (MVLST) means that the local bridge fund is retained. That fund is projected to receive \$26.7 million for the coming biennium. There is also no change in the current allocation of MVLST for the five suburban counties, for the HUTDF and for Greater Minnesota transit.

The bill does not change current funding for Greater Minnesota transit. For Metropolitan Area Transit, the final bill separates the base general fund appropriation of \$179.6 million for the biennium into one appropriation for transit operations (\$65.3M) and another appropriation for Metro Mobility which is also increased from the base (\$137.5M). The Metro Mobility appropriation may increase by \$13 million for FY2021 if general fund receipts come in higher than projected. Language in the bill specifies that if FY2019 final closing balance in the general fund is at least \$33 million higher than projected, \$13 million will be provided for Metro Mobility and \$20 million will be transferred to the disaster assistance account. The total general fund appropriation for Metropolitan transit is \$47.8 million less than the total general fund appropriation for the FY18-19 biennium. The Metropolitan Council is authorized to issue regional bonds for transit capital expenses in the amount of \$92.3 million for the next two years.

The bill includes an appropriation of \$200,000 for Minnesota Valley Transit Authority Route 495 and includes language expanding the Metro Mobility service area to include the City of Lakeville. The bill also allocates \$650,000 in general fund dollars for a study of extending the North Star Commuter Line to the City of St. Cloud. A general fund appropriation of \$1 million is provided for trunk highway corridor and bridge improvement studies, which may include evaluation of safety improvements on trunk highways and a feasibility study of river crossings that connect trunk highways.

A total of \$5 million in existing federal Transportation Alternatives Program funds is shifted for FY2020 and FY2021 to the state active transportation program.

The Transportation Budget bill includes a number of policy provisions. The final bill includes:

- A requirement that the Legislative Auditor audit the programs and services administered by MnDOT and the Department of Public Safety.
- Authorization of data sharing between the Metropolitan Council and the Department of Human Services regarding special transportation services for people with disabilities and elderly individuals.
- A requirement that MnDOT and DPS submit a report in each odd-numbered year on expenditures and transfers from the trunk highway fund and HUTDF.
- Designating the TH53 bridge the Tom Rukavina Memorial Bridge and designating a portion of highway between Jordan and US Highway 61 as the Richard J. Ames Memorial Highway.
- Extending a weight tolerance for vehicles transporting unfinished forest products year round.
- Authorization for cities to establish speed limits for city streets under the city's jurisdiction without conducting an engineering and traffic study. This does not apply to town roads, county highways or trunk highways in the city. A city that establishes a speed limit must implement changes in a consistent and understandable manner and must erect signs to display the speed limit.
- Specifies the weight limits for emergency vehicles. Allows MnDOT to issue a permit for a vehicle that transports paper products, finished forest products, or iron ore tailings and operates on certain highways in northern Minnesota. Allows six and seven-axle vehicles hauling qualifying agricultural products to haul increased weights with a permit.
- Allows a person to apply to MnDOT for approval of a plan to use a vehicle platooning system on freeways and expressways.
- Provides an exemption to federal hours of service rules for drivers hauling utility construction materials within a 50-mile radius from the site of construction.
- Establishes a new air transportation services account in the state airport fund. Provides zoning requirements for airport property.
- Turnbacks of a number of state highways.
- Increases the threshold for a contract for work by direct negotiation with MnDOT from \$150,000 to \$250,000.

A number of policy provisions under consideration were not included in the final bill including:

- Testing for autonomous vehicles
- An increase in the electric vehicle fee/changing how revenue from the fee is deposited

- Environment and climate reporting by MnDOT/Transportation goals and energy conservation
- Bicycle regulations
- Indian Employment preference
- Utility relocation costs
- Electric vehicle infrastructure requirements
- Dan Patch corridor prohibitions repeal
- Mileage-based user fee pilot program matching funds
- Changing requirements for use of MnPASS lanes
- Sewage septic tank weight limit exemption
- LRT operating and capital cost prohibition of state funds
- Ditch mowing permit moratorium

One of the items agreed to by the Governor, House Speaker and Senate Majority Leader was passage of a capital bonding bill of \$500 million with \$440 million in GO bonds and \$60 million in housing bonds. A draft of that bill is yet to be seen. Passage of a bonding bill in the House requires 81 votes as opposed to a simple majority of 68 votes. That means passage requires 8 Republicans to vote for the bill. House Minority Leader Kurt Daudt has said that his members were not included in the final agreement and do not support passage of a capital bonding bill.

If a capital bonding bill is developed, the expectation is that it will contain funding for roads, bridges and other transportation projects.