

**2023**



# SESSION WRAP UP

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Minnesota Transportation Alliance



## **New Revenue and Funding**

- . Summary of New Policies
- . Overview of 2023 Session

## Transformational Session Includes Historic Transportation Funding Bill

The 2023 Legislative Session started with a bang and never let up. After years of pent-up demand, including no major capital bonding bill since 2020, the new leadership worked to address most of their priority issues.

After the 2022 elections, the DFL controlled the House, Senate and governor's office. Concerns about splintering among DFL members never really amounted to much with party unity allowing for the passage of major funding bills.

A \$17.5 billion general fund surplus provided the resources to increase the budget significantly for the coming biennium, but the largely one-time money will mean a contraction of the state budget in the following biennium.

Against the backdrop of a historic budget surplus, with much of the funding being the result of inaction during the 2022 Session, transportation advocates had to make the case for dedicated, ongoing revenue that would sustain the transportation system into the future.

Budget forecasts projected lower revenue from the constitutionally-dedicated user fees than previously expected.

### **The Minnesota Transportation Alliance began the 2023 Session with a long legislative agenda that included:**

- State matching funds for formula and discretionary grants available under the federal Infrastructure Investment and Jobs Act (IIJA);
- Significant funding for roads, bridges, transit, ports and waterways, freight rail and active transportation in the Capital Bonding bill;
- An increase in motor vehicle registration tax (license tab fees);
- An increase in the Metropolitan Area sales tax to fund transit
- Indexing the fuel tax;
- A new retail delivery fee to deal with wear and tear on local roads;
- The equalization of MVST from 6.5% to 6.875%;
- An increase in the authorization for Trunk Highway Bonds over the next 3-4 years.

**All of these items were included in the Omnibus Transportation Funding Bill and Capital Bonding Bill!**

## No Surplus in Transportation

Looking at the forecasts for dedicated transportation revenue sources made clear the need for adjustments to allow the revenue to grow as previously projected.

With no increases since the 2008 legislation - Chapter 152 - these revenue sources would continue to decline.

Revenue Source	February 2022	November 2022	February 2023	\$ Amount Change
	FY24/FY25	FY24/FY25	FY24/FY25	
Fuel Tax	\$933M/\$940M	\$911M/\$905M	\$913M/\$902M	-\$20M/-\$38M
Tab Fees	\$920M/\$948M	\$874M/\$909M	\$875M/\$910M	-\$45M/-\$38M
MVST (HUTDF)	\$637M/\$649M	\$607M/\$616M	\$593M/\$601M	-\$44M/-\$48M
MVST (Transit)	\$424M/\$432M	\$404M/\$410M	\$395M/\$400M	-\$29M/-\$32M
MVLST	\$76M/\$76M	\$58M/\$57M	\$52M/\$52M	-\$24M/-\$24M
Auto Parts/Rental	\$199M/\$202M	\$196M/\$198M	\$198M/\$200M	-1M/-\$2M

## Major Transportation Funding Bill - Chapter 68

The two-year budget bill for MnDOT, the Metropolitan Council, and parts of the Department of Public Safety included:

- ◆ Significant one-time general fund dollars: **\$1 billion** for FY24-25
- ◆ Major increases in ongoing, dedicated transportation revenue: **\$3.8 billion** over the next 4 years
- ◆ New Trunk Highway bond authorization: **\$599 million** over the next 3 years

### 4- Year Totals by Fund - Ongoing, Dedicated Funding

Trunk Highway Fund	\$ 787,834,530
CSAH	\$ 394,562,635
Metro Counties	\$ 450,078,000
MSAS/Large Cities	\$ 148,253,335
Small Cities	\$ 70,360,000
Towns	\$ 59,764,087
GM Transit	\$ 81,972,000
Metro Transit	\$1,739,411,000

#### Major one-time general fund appropriations include:

- Transfer to Trunk Highway Fund - \$152.65M
- Matching Dollars for IIJA - \$216M
- NLX Rail line from Mpls to Duluth - \$194M
- Local Roads and Bridges - \$36M
- Blue Line LRT - \$50M
- GM Transit - \$40M
- Local Road and Bridge - \$36M

#### Transportation Advancement Account

Funds from the Delivery Fee and a portion of the sales tax on auto repair parts are deposited into the Transportation Advancement Account.

The funds must be distributed as follows:

- 36% to metropolitan counties
- 10% to CSAH
- 15% to Larger Cities Assistance Account
- 27% to Small Cities Assistance Account
- 11% to the Town Road Account
- 1% to food delivery support account

Distribution among the 7 counties is based 50% on need and 50% on population. A metropolitan county must use the funds as follows:

- 41.5% for active transportation and transportation corridor safety studies
- 41.5% for repair, preservation and rehabilitation of transportation systems without adding capacity.
- 17% for transit purposes, complete streets, projects, programs and operations that meet the requirements for mitigation.

# Omnibus Transportation Funding Bill—Chapter 68

## Transportation Revenue Increases

- **New Metropolitan Area Sales Tax** :  $\frac{3}{4}$  cent in seven-county Metropolitan Area distributed to Metro Transit (83%) and metro counties (17%).
  - **Tab fee increase** – to 1.54% for vehicles registered prior to November 16, 2020, and 1.575% for those on or after that date. Changes the depreciation schedule to slow depreciation. Revenue deposited in HUTDF.
  - **MVST increase** from 6.5% to 6.875%. Keeps 60/40 highway/transit split. Increases percentage for GM transit from 4% to 5.7% and reduces Metro Transit share from 36% to 34.3%.
  - **Delivery Fee** of \$.50 per order on orders over \$100. Includes exemptions for small businesses, non-taxable items, food, drugs and medical devices or baby products. Effective July 1, 2024
  - **Index Gas Tax** – The fuel tax is indexed to the Minnesota Construction Cost Index with 3% cap per year. Expected to increase the fuel tax rate by 5 cents per gallon by FY27. Effective January, 2024.
- Dedication of revenue from existing sales tax on auto repair parts** - The percentage of this revenue dedicated to transportation gradually increases, reaching 100% in FY33.

Increase in revenue by fiscal year				
Motor vehicle registration tax	FY24	FY25	FY26	FY27
HUTDF	\$60,799,000	\$180,779,000	\$257,830,000	\$288,400,000
<b>MVST Increase 6.875%</b>	<b>\$51,700,000</b>	<b>\$57,744,000</b>	<b>\$59,809,000</b>	<b>\$62,060,000</b>
<b>Motor Fuel Indexing</b>				
HUTDF	\$42,720,000	\$112,170,000	\$128,240,000	\$137,760,000
<b>Metropolitan Area Sales Tax 3/4%</b>	<b>\$362,300,000</b>	<b>\$561,500,000</b>	<b>\$578,900,000</b>	<b>\$595,600,000</b>
METC	\$300,333,000	\$465,462,000	\$479,886,000	\$493,730,000
Counties - 7 metro	\$61,514,000	\$95,336,000	\$98,290,000	\$101,125,000
<b>Retail Delivery Fee - 50 cents/order</b>				
Transportation Advancement Acct.		\$59,000,000	\$64,800,000	\$65,300,000
<b>Sales Tax Auto Repair Parts</b>				
Transportation Advancement Acct.	\$11,256,000	\$14,951,000	\$18,846,000	\$26,438,000

# Omnibus Transportation Funding Bill/ Chapter 68

## Trunk Highway Bond Authorization

- MnDOT Facilities - \$87.4M
- Corridors of Commerce - \$153M
- State Road Construction - \$200M
- Named Projects - \$166.15M

**TOTAL - \$599.2M FY24-27**

### Trunk Highway Bonds - Named Projects

TH65 in Anoka County:	\$68,750,000
US Highway 10 Coon Rapids:	\$30,000,000
TH61 Two Harbors:	\$11,000,000
US Highway 169 Scott County:	\$ 4,200,000
TH3 Roundabout:	\$ 2,200,000
US Highway 8 Chisago Co:	\$42,000,000

### General Fund - Priority Transportation Projects

Blue Line Extension LRT	\$50,000,000
US169 BRT	\$3,000,000
Traffic Safety	\$8,157,000
Small Community Partnerships	\$2,500,000
TH 5 Improvements in Carver County	\$20,000,000
Rice Street Capitol Area Redesign	\$25,000,000
TH 62 Pedestrian Bridge - Edina	\$3,000,000
St Louis County CSAH 100/Progress Parkway	\$9,000,000
ADA Grants - Cities of the first class	\$5,000,000
US Highway 10 - Sherburne County	\$6,000,000
Veterans Bridge - St Cloud	\$750,000
University Drive - St Cloud	\$8,500,000
Rail Crossing - Moorhead	\$10,000,000
Kellogg Bridge - St Paul	\$3,500,000
TH 36 - Washington County	\$5,000,000
TH 52 culvert - Dakota County	\$2,000,000
US Highway 169 & 109th Ave - Hennepin County	\$10,000,000
White Bear Township Road Projects	\$7,000,000
East River Road; Coon Rapids	\$1,000,000
US Highway 169, TH 282 & CSAH 9 - Local	\$4,900,000
Stone Arch Bridge	\$5,000,000

### Trunk Highway Fund - Priority Transportation Projects

Highway 7 - Hennepin County (Trunk Highway Fund)	\$750,000
US169 - Itasca (Trunk Highway Fund)	\$6,000,000

# Capital Bonding Bill

## *Bonds and Cash*

With pent-up demand after several years with no bonding bill, the legislature agreed on \$2.6 billion in funding for infrastructure investments. This includes \$1.5 billion in general obligation bonds and \$1.1 billion in general fund cash.

**Transportation received \$493 million in capital funding.**

	<b>GO/GF</b>
BWSR – Local Road Wetland Replacement Program	\$12M
MnDOT	
LRIP - Undesignated	\$78.954M
LRIP – Townships	\$ 6M
Named Road Projects	\$146.42M
Local Bridge – Undesignated	\$67M
Named Bridge Projects	\$41.9M
Air and other modes	\$24.47M
Highway Railroad Grade Crossings	\$ 3.6M
Port Development Assistance	\$18.097M
Safe Routes to School	\$ 2.4M
Active Transportation	\$ 1.2M
Minnesota Rail Service Improvement	\$ 9.6M
Greater MN Transit Capital	\$ 3M
Metropolitan Council	
Bus Rapid Transit	\$72M
Apple Valley Transit Station	\$ 7M
Transportation TOTAL	<b>\$493.714M</b>

# Capital Bonding Bill

## *Bonds and Cash*

### Grants to Political Subdivisions

Anoka County - Trunk Highway 65 Improvements	\$34,000,000	General Fund
City of Barnesville - 13th Street Reconstruction	\$185,000	General Fund
Baytown, Township of - Lake Elmo Aiport	\$150,000	General Fund
City of Biwabik - Road Improvements	\$1,400,000	General Fund
City of Burnsville - Nicollet Ave Bridge	\$3,900,000	General Fund
Carver County CSAH 18	\$3,760,000	General Obligation Bonds
Carver County CSAH 18	\$6,240,000	General Fund
Chisago County - U.S. Highway 8 Reconstruction	\$8,000,000	General Fund
City of Coon Rapids - Pedestrian Bridge	\$3,500,000	General Fund
Douglas County - Box Culvert under U.S. Highway 29	\$2,000,000	General Fund
City of Dundas - Trail Segments	\$370,000	General Fund
City of East Gull Lake - East Gull Lake Trail	\$353,000	General Fund
City of Forest Lake - State Highway 97 - Co Highway 32	\$4,500,000	General Fund
City of Fridley - Northtown Rail Yard Overpass	\$4,000,000	General Obligation Bonds
City of Greenfield - Greenfield Road Improvements	\$3,000,000	General Fund
Hennepin County - Hennepin Ave. Bridge	\$3,500,000	General Obligation Bonds
Hennepin County - Medina Railroad Crossing	\$450,000	General Fund
City of Hutchinson - Civil Air Patrol Training Center	\$3,700,000	General Fund
City of Inver Grove Heights - 117th St. Reconstruction	\$5,000,000	General Obligation Bonds
City of Karlstad - Airport Runway	\$3,900,000	General Fund
City of Lakeville - Freight Rail Car Storage Facility	\$7,000,000	General Fund
MN River Valley Regional Railroad - Rail Rehabilitation	\$2,000,000	General Fund
City of Madelia - Road Improvements	\$12,800,000	General Fund
Murray County - CSAH 13	\$4,200,000	General Fund
Olmsted County - US Highway 14 and CSAH 44	\$5,000,000	General Fund
City of Plymouth - CSAH 47 Chankahda Tr.	\$6,200,000	General Obligation Bonds
City of Plymouth - CSAH 47 Chankahda Tr.	\$800,000	General Fund
City of Rochester - Park and Ride Design	\$800,000	General Fund
City of Savage - Road and Bridge Improvements	\$800,000	General Obligation Bonds
Sherburne County - US Highway 169 CSAH 4	\$2,000,000	General Obligation Bonds
Sherburne County - US Highway 169 CSAH 4	\$9,700,000	General Fund
Sibley County - CSAH 6 Reconstruction	\$3,200,000	General Fund
Stearns County - Town Line Road Improvements	\$7,500,000	General Fund
City of St. Cloud - Regional Airport	\$3,900,000	General Fund
City of St. Louis Park - Cedar Lake Road and Louisiana Ave	\$5,000,000	General Fund
City of St. Paul - 3rd Street Bridge	\$25,000,000	General Obligation Bonds
City of St. Paul Park - 3rd Street Collector Roadway	\$7,000,000	General Obligation Bonds
Thief River Falls Regional Airport Authority	\$3,000,000	General Fund
Washington County - TH 36 & Lake Elmo Ave. Interchange	\$10,000,000	General Obligation Bonds
Washington County - TH 36 & Lake Elmo Ave. Interchange	\$5,000,000	General Fund

# Major Policy Provisions in Chapter 68

## *Omnibus Transportation Funding Bill*

### **Advisory Council on Traffic Safety**

The Advisory Council on Traffic Safety is established to make recommendations to the commissioners of public safety, transportation and health on projects and programs to improve traffic safety on roadways. The Council serves as the lead for the state Toward Zero Deaths program.

### **Highways for Habitat Program**

MnDOT must establish a highways for habitat program to enhance roadsides with pollinator and other wildlife habitat and vegetative buffers. The department must develop best management practices for integrated roadside vegetation management.

### **Corridors of Commerce**

Changes to project selection process including:

Screening entities: ATPs, Metropolitan Council, Greater metropolitan counties.

Projects must be located on the national highway system for projects outside of the Metropolitan district.

Construction work will commence within 4 years except for readiness development projects.

To ensure regional balance, funds will be distributed:

Metro Projects: at least 25% and no more than 27.5% for projects within or directly adjacent to inside the 494/694 beltway;

Metro Connector Projects: at least 35% and no more than 37.5% for projects outside the beltway located wholly or primarily within a greater metropolitan county;

Regional Center Projects: at least 35% and no more than 40% for projects outside the metro area.

Up to 10% of funds may be used for readiness advancement activities on a project.

Phase 1: Project solicitation – following enactment of each law that makes additional funds available, MnDOT must undertake a solicitation of projects. Phase 2: Local screening and recommendations – Projects must be submitted to appropriate screening entities who must solicit input from legislators and recommend projects to MnDOT for formal scoring. For ATPs: no more than 3 projects, for Met Council: no more than 4 projects, for each greater metropolitan county: no more than 2 projects. Each entity may select up to 2 additional readiness development projects. Phase 3: Project Scoring – MnDOT must score all eligible projects.

MnDOT must develop and publish a ranked list of all submitted projects with scores and ranking and an overview of each selected project with amounts and sources of funding.

### **Development Guide**

The comprehensive development guide for the metropolitan area must include climate mitigation and adaptation that involves mitigation goals and strategies to meet or exceed greenhouse gas emission reduction goals and vehicle miles traveled reduction targets.



# Major Policy Provisions in Chapter 68

## *Omnibus Transportation Funding Bill*



### **Safe Road Zones**

Upon receiving a local request, the commissioner must consider designating a segment of a street or highway as a safe road zone. The Advisory Council on Traffic Safety must make recommendations on safety measures for each safe road zone through education, public awareness, behavior modification and traffic engineering.

Upon request by the local authority, the commissioner may establish a temporary or permanent speed limit based on an engineering and traffic investigation.

### **Weight Limits for Towing and Recovery Vehicles**

The commissioner may issue permits for a \$300 annual fee to cover all tow trucks that tow disabled or damaged vehicles to exceed length and weight limits. Seasonal load restrictions do not apply to tow truck or vehicle that does not exceed 20,000 pounds per single axle and is used to recover a vehicle involved in a crash or is inoperable and within a public right-of-way.

### **Electric Vehicle Infrastructure Program**

The commissioner must establish a statewide electric vehicle infrastructure program for the purpose of implementing the National Electric Vehicle Infrastructure Formula Program.

Every even-numbered year, the commissioner must submit a report that includes federal funds spent for the program, state funds spent for the program, any changes to the plan, the location of electric vehicle infrastructure created by the program, a description of how projects are selected and regional balance is maintained.

### **Regional Bond Authority**

The Metropolitan Council may issue bonds in an amount not to exceed \$104,545,000 for capital expenditures in 2023 and 2024.

### **Light Rail Transit Construction Staff Assistance**



If the Metropolitan Council is the responsible authority, the council must use MnDOT staff assistance for delivery method selection, risk assessment analysis, contractor and subcontractor schedule analysis, LRT cost management and budget analysis and any other areas of technical expertise. The council must select a qualified project manager with at least 10 years' experience to lead the planning, design, acquisition, construction or equipping of a new LRT project.

### **Transit Rider Activity**

The council must adopt a rider code of conduct for transit passengers which must be posted in a prominent location at all stations.

The council must implement a transit rider investment program that provides for personnel engaged in fare payment inspection, rider education and assistance and improvements to the transit experience.

# Major Policy Provisions in Chapter 68

## *Omnibus Transportation Funding Bill*



### **Federal Transportation Grants Technical Assistance**

The commissioner must establish a process to provide grants for technical assistance to a requesting local unit of government that seeks to submit an application for a federal discretionary grant for a transportation-related purpose.

Technical assistance grants may not exceed \$30,000. The commissioner may not award more than one grant to each unit of government in a calendar year unless it is a Tribal government. From available funds in each fiscal year, 15% must be for Tribal governments and 15% for small cities.

### **Transportation Greenhouse Gas Emissions Impact Assessment**

Prior to inclusion of a capacity expansion project in the state transportation improvement program, MnDOT or an MPO must perform a capacity expansion impact assessment and determine if the project conforms with the greenhouse gas emissions reduction targets and the vehicle miles traveled reduction targets.

If the project is not in conformance, there must be a change in the scope or design and a new assessment performed or interlink sufficient impact mitigation or halt the project development and not allow inclusion of the project in the STIP.

A mitigation action consists of: transit expansion, transit service improvements, active transportation infrastructure, micromobility infrastructure and service, transportation demand management, parking management, land use, infrastructure improvements related to traffic operations, and natural systems.

Impact mitigation must be localized in the following priority order: (1) within or associated with at least one of the communities impacted by the project; (2) in areas of persistent poverty or historically disadvantaged communities; (3) in the region of the project, (4) on a statewide basis.

This does not apply to a project that was included in the STIP or has been submitted for geometric layout before February 1, 2025.

By August 1, 2023, a Greenhouse Gas Emissions Impact Mitigation Working Group must be convened to develop a process for impact assessment; development of an impact mitigation plan; consideration of options related to funding greenhouse gas emission mitigation activities in conjunction with capacity expansion projects; and consideration of options for alternative mitigation options.

By February 1, 2024, the working group must submit its findings and recommendations for legislation.



### **Infrastructure Investment and Jobs Act Discretionary Match**

MnDOT must establish a process for allocating funds for requests submitted by federal grant recipients. Funds must only be allocated for transportation-related purposes and in an amount not to exceed the amount necessary to meet federal match requirements or \$10 million, whichever is less.

Funds may be used for: The Trunk Highway System; Any transportation modes or programs including local roads and bridges, transit, active transportation, aeronautics, alternative fuel corridors, electric vehicle infrastructure and climate-related programs; Grants to a federal grant recipient including Tribal governments, local governments and MPOs.

# Major Policy Provisions in Chapter 68

## *Omnibus Transportation Funding Bill*



### **Metropolitan Governance Task Force**

A Metropolitan Governance Task Force is established to study and make recommendations to the legislature on reform and governance of the Metropolitan Council. The study must include an analysis of the costs and benefits of direct election of members to the Metropolitan Council, a combination of directly elected and appointed members to the Met Council, a council of governments that would replace the council; reapportioning responsibilities of the Met Council to state agencies and local governments, adoption of a home rule charter and any other regional governance approaches that are viable alternatives to the current structure.

### **Legislative Report – Road Funding Gap**

By November 1, 2024, the commissioners of transportation and management and budget must submit a report on road funding that analyzes revenue options to address the funding gap over fiscal years 2025 to 2034 between projected revenue to the HUTDF and revenue required to meet performance targets on each of the highway systems that receive HUTDF funding. The report must include recommendations and options that analyzes impacts across individuals and motor vehicles and considers financial stability, social equity, user convenience, administrative efficiency, transparency and other finance principles.

### **Local Road and Bridge Programs**

Local Bridge Replacement Rehabilitation program – political subdivisions may use funds to rehabilitate, construct or reconstruct bridges including the costs of acquiring, rehabilitating and reconstructing historic bridges.

Local Road Improvement Program – MnDOT shall establish procedures for grants to cities, towns, counties and federally recognized Indian Tribes. The procedures shall be established in consultation with AMC, LMC, MAT and Tribal representatives.

Money in the town bridge account may be used to pay the costs for environmental documentation, preliminary design, and final design of historic bridges and for repurposing salvageable components of historic bridges.



### **Legislative Report - Speed Safety Cameras**

By November 1, 2024, DPS must provide a process for issuance of a mailed citation to owners of motor vehicles that a speed safety camera system detects in violation of a speed limit. The commissioner must convene a task force to assist in the development of the report.



## **Advocacy/Coalitions Make a Huge Difference!**

Thanks to the efforts of many people and many organizations over a number of years, the legislature was ready to act to increase ongoing, dedicated revenue for transportation in Minnesota.

The work we do to build a diverse, statewide coalition demonstrates the importance of transportation investments and the support for increased funding.

**Thank you to the members of the Minnesota Transportation Alliance for your support and your advocacy! You make it happen!**



## **Our Work Continues to Prepare for the Future**

While many of the goals of the Minnesota Transportation Alliance were achieved during the legislative session, we know that the transportation industry and community will continue to face challenges and needs.

Our work will continue to focus on:

- ◆ Increasing stable, dedicated funding for transportation investments including increasing the contribution from electric vehicles and looking at new funding options.
- ◆ Contributing to efforts to support workforce development so the industry is prepared to deliver with more funding and more projects in the pipeline.
- ◆ Advocating at both the state and federal levels for important transportation policies, including speeding up project delivery and streamlining the permitting process.
- ◆ Continuing to bring all sectors of the transportation community together with decision makers through high-quality events and meetings.