

# Legislative Briefing

June 2017

This updated Legislative Briefing provides information about the enacted 2017 biennial operating and capital budgets and legislative financial changes that affect the Minnesota Department of Transportation. It also includes an update of MnDOT policy initiatives recommended by the Governor.

## FY 2018-19 Biennial Budget—Laws 2017 Special Session—Chapter 3 (HF0003)

### Funding Requests

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Change Item	Source
<b><i>Funding Package for Transportation</i></b>	<b>General Fund</b>
	\$99.7M in FY2018
	\$105.4M in FY2019
	\$221.2M in FY2020
	\$223.1M in FY2021
The Governor recommended the state commit to a major investment plan to address the \$6 billion gap in road and bridge funding, as well as motor vehicle surcharge increases to fund transportation needs not eligible for trunk highway funds. A plan was enacted, but it was significantly less of an increase than the Governor's proposal and relies on general fund transfers rather than constitutionally dedicated funds. These general fund transfers include:	
<ul style="list-style-type: none"><li>• Motor vehicle parts sales tax</li><li>• 9.2% Tax on rental vehicles</li><li>• 6.5% Sales tax on rental vehicles</li><li>• Motor vehicle lease tax changes</li><li>• \$75 Electric vehicle surcharge</li></ul>	

In addition, \$940M in Trunk Highway Bonds were appropriated over the next four years; \$300M were designated for the Corridors of Commerce program.

### Operating Budget

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#### Change Items Enacted

The list below describes the Operating Budget items enacted through the passage of Special Session Laws of 2017, Chapter 3. The items below were approved by the Governor for MnDOT, though some of these items have been modified from their original request.

Change Item	Source
<b>Funding Package Increases &amp; TH Fund Balance Uses</b>	<b>HUTD General Fund</b>
<i>General Fund to the Highway User Tax Distribution Fund</i>	
<ul style="list-style-type: none"> <li>• Operations and Maintenance</li> <li>• Program Planning and Delivery</li> <li>• State Road Construction</li> <li>• County State Aid Highway Fund</li> <li>• Town Bridges</li> <li>• Town Roads</li> <li>• Flexible Highway Account (turnbacks)</li> <li>• Municipal State Aid Street Fund</li> </ul>	\$76.225M in FY18-19 \$57.168M in FY18-19 \$134.2M in FY18-19 \$47.8M in FY18-19 \$1.4M in FY18-19 \$2.6M in FY18-19 \$2.6M in FY18-19 \$14.8M in FY18-19
<i>General Fund</i>	
<ul style="list-style-type: none"> <li>• Local Bridges</li> <li>• Greater MN Transit</li> <li>• Metro Collar Counties</li> </ul>	\$25.2M in FY18-19 \$3.2M in FY18-19 \$3.2M in FY18-19
<b>Snow and Ice Contingency</b>	<b>Trunk Highway Fund</b>
Establish snow and ice management statutory language for times when costs exceed 110 percent of MnDOT's biennial targeted investment level for direct snow and ice management costs.	
<b>State Road Construction</b>	<b>Trunk Highway Fund</b>
Authority that enables the agency to spend the increase in federal funding from the Fixing America's Surface Transportation (FAST) Act. The FY2017 appropriation was in Ch. 14 (HF837).	\$105M in FY2017 \$215.4M in FY2018 \$145.9M in FY2019
<b>Port Development Assistance Reappropriation</b>	<b>General Fund</b>
Cancel the \$1.1M unencumbered portion of the 2015 General Fund appropriation and reappropriate the funds in 2018. The Red Wing Port Authority and the Port Authority of Winona are currently developing projects that will use this appropriation.	
<b>Freight Rail Appropriation</b>	<b>General Fund</b>
A base increase to support and emphasize the increasing prominence and complexity of freight programs and rail issues by providing stable funding for safety issues, project development, planning and responding to questions from constituents as well as elected officials. In addition, this will fund a portion of the Interagency Rail Director, who addresses overall state rail safety, rail service and rail impacts on communities.	\$0.8M annually
<b>Rochester International Airport</b>	<b>State Airports Fund</b>
A grant to the City of Rochester to make improvements that will allow the Rochester International Airport to meet updated U.S. Customs requirements.	\$2.33M in FY 2018-2019

Change Item	Source
<b>Duluth International Airport (Local Request)</b> A grant to the Duluth Airport Authority to reconstruct a runway at the Duluth International Airport.	<b>State Airports Fund</b> \$6.62M
<b>Aeronautics Base and One-time Increase</b> One-time and base increases to assist the office of Aeronautics in maintaining the balance between airline flight property tax and airport spending.	<b>State Airports Fund</b> \$2.5M in FY2018 \$2.3M in FY2019 \$1M in FY2020-2021
<b>Buildings Base Increase</b> A base increase to Building Services appropriation to maintain the critical statewide facilities that support operations for the work of the department.	<b>Trunk Highway Fund</b> \$8.5M annually
Other Enacted Provisions – Appropriations Law	Source
<b>Passenger Rail Office</b> MnDOT's Passenger Rail Office did receive its base funding.	<b>State Airports Fund</b> \$0.5M annually
<b>Civil Air Patrol Training Facility - Aeronautics</b> A grant to renovate a portion of and construct an addition to the training and maintenance facility located at the South St. Paul airport, and to furnish and equip the facility, including communications equipment.	\$3.5M in FY 2018
<b>Grand Rapids Rail Study - Freight</b> A grant to the city of Grand Rapids to fund rail planning studies, design and preliminary engineering relating to the construction of a freight rail line located in the counties of Itasca, St. Louis and Lake to serve local producers and shippers.	<b>General Fund</b> \$1M in FY2018
<b>Highway Construction Costs and Inflation Study – Program Planning &amp; Delivery</b> Requires MnDOT to contract for a study of highway construction costs, inflation, and cost estimating. The commissioner must also report to the legislature on a comparison of estimated versus actual costs of projects.	<b>Trunk Highway Fund</b> \$0.6M in FY2018
<b>Project Selection Policy Development and Report– Program Planning &amp; Delivery</b> Partial funding to modify the entire project selection process and special program selection processes, and issue a report.	<b>Trunk Highway Fund</b> \$0.14M
<b>Corridors of Commerce</b> This appropriation is for the corridors of commerce program under MS161.088. There are also changes to the selection process and reporting associated with this program.	<b>Trunk Highway Fund</b> \$25M annually

Other Enacted Provisions – Appropriations Law	Source
<b>Seven Metro Counties - One-time Appropriation</b> A one-time appropriation to Metro counties. Each county will receive an amount based on the percentage of its population. The population of each metro county containing a city of the first class (Hennepin and Ramsey) is multiplied by .25 of that county's population. Projects must be located outside cities of the first class.	<b>General Fund</b> \$10M in FY2018-2019

<b>Town Roads – One-time Appropriation</b> A one-time appropriation increase to the Town Road Account, which is in the CSAH fund.	<b>General Fund</b> \$4M in FY2018-2019
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### ***Transfers***

The enacted bill would no longer allow transfers between Operations and Maintenance and Program Delivery appropriations, however, transfers between these appropriations and State Road Construction is allowed.

### ***Program Planning and Delivery Appropriation Separation***

Modifies the Program Planning and Delivery budget activity by separating Program Planning and Research and Program Delivery into separate appropriations.

### ***Road Construction Materials Special Permit***

Authorizes a special permit to exceed motor vehicle weight limits in order to haul road construction materials on six- and seven-axle vehicles. Specifies permit fees, sets conditions, and allocates permit revenue. In addition, additional truck weights are allowed for emergency vehicles and special tire haulers, and milk trucks are allowed to be 10 percent overweight.

### ***Active Transportation Program***

Requires MnDOT to establish an active transportation program to provide grants to local governments and tax exempt organizations to support bicycling, pedestrian activities, and other forms of nonmotorized transportation. The program is not funded in this bill.

### ***Guideways Report***

Modifies the Guideways Report significantly for the Metropolitan Council. MnDOT's only change is to only contribute to the report rather than compiling it.

### ***MVLST Allocation***

Reallocates revenue from motor vehicle leases to go entirely to transportation purposes (after accounting for constitutionally dedicated Legacy amendment funds). Under the previous law, \$32M per year was deposited in the General Fund, and the remainder was divided 50/50 between the CSAH and greater Minnesota transit account in the Transit Assistance Fund. The distribution will now be:

## Other Enacted Provisions – Appropriations Law

Source

- 38 percent to CSAH
- 38 percent to greater Minnesota transit account
- 13 percent to the local bridge program in the state transportation fund
- 11 percent to the HUTD

### ***Loan Conversion***

Converts the unpaid balance of a loan to the Minnesota Valley Regional Rail Authority to a grant. Future payments on the loan - \$4.13M - are therefore cancelled.

### ***Interstate Hwy 35 Weight Station***

Establishes a moratorium until February 1, 2018 on MnDOT constructing a weigh station for southbound traffic on I-35 near the I-35W/I-35E split in the northern Twin Cities metropolitan area.

### ***Report on Dedicated Fund Expenditures***

Directs MnDOT and the Department of Public Safety to produce an updated legislative report on expenditures and transfers out of the Trunk Highway Fund and the Highway User Tax Distribution Fund.

### ***Report on MnPASS lanes and tolling***

Requires MnDOT to report to the legislature on using MnPASS lanes and tolling to reduce congestion and raise revenue.

### ***Report on Turnbacks***

Requires MnDOT to report to the legislature on turnback projects completed in the past five years and anticipated projects for the next two years.

### ***Working Group and report – Wilkin County***

Requires MnDOT to report on project options to address the concerns of the intersection of Highway 55 and Wilkin County Road 19. The department must establish a working group to determine the preferred project option.

### ***Removed Reports***

- Stillwater Lift Bridge Endowment Account report
- Railroad Yard Lighting report
- Trunk Highway Emergency Relief Account report

### ***MnDOT Efficiencies***

Directs MnDOT to implement agency efficiencies that amount to at least 15 percent of increased trunk highway funding over base appropriations in the budget for FY2018 and FY2019. Specifies that resulting funds are for trunk highway construction, rehabilitation and maintenance, which includes roads and bridges.

### ***Major Local Bridges***

## Other Enacted Provisions – Appropriations Law

Source

Creates a category for major local bridge grants of over \$7 million in the Local Bridge Replacement and Rehabilitation program, which is only available with appropriations made specifically for the category.

### **Bridge Grant Program**

Sets a \$7 million total project cost limit in order for MnDOT to provide grants under the Local Bridge Replacement and Rehabilitation program, unless funds are appropriated specifically for major local bridges. Allows grants for higher cost bridge projects under some circumstances in which identified lower-cost projects have been funded.

## Other Enacted Financial Provisions

Source

### **Railroad and Pipeline Safety Account - Ch. 95 (HF 470)**

**Special Revenue Fund**

\$0.6M in FY2018

\$0.6M in FY2019

Requires DPS to transfer from the railroad and pipeline safety account to MnDOT for improving railroad grade crossings.

### **Review of environmental assessment worksheets and environmental impact statements - Ch. 93, Art. 2 Sec. 138 (SF 844)**

Changes MnDOT's frequency of reviewing environmental assessment worksheet and environmental impact statement mandatory categories from 5 to 3 years. Reviews must also now include recommendations for whether the mandatory category should be modified, eliminated, or unchanged based on its intended outcomes.

### **Legislative Budget Office - Ch.4, Art. 2 Sec. 2, 9-11 (SF 1)**

Establishes a new Legislative Budget Office which will complete fiscal and local impact notes from agencies.

### **Pre-Emption Veto (MGEC Contract, Paid Parental Leave Benefits) - Ch. 3 (SF 3)**

The governor vetoed the pre-emption bill which carried several provisions including the MGEC Contract and the Paid Parental Leave Benefits. Although vetoed, MMB released a memo determining that since the contract and benefits were ratified by the House and Senate the arbitrated MGEC contract agreement and the MOU's for state employee unions on paid parental leave benefits are in effect.

### **Gas Tax Sign on Petroleum Dispenser – Ch. 94 Art. 8 Sec. 9 (SF1456)**

DEED must ensure signs of at least 12 pt. font are placed on retail gas dispensers that note the state and federal gas tax amounts included in each gallon.

## **Capital Budget – Laws 2017 Special Session – Chapter 8 (HF0005)**

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The list below describes the capital projects for MnDOT funded through the enacted 2017 capital budget process, as well as other transportation-related projects. They were primarily projects approved by the Governor for MnDOT and several local projects where the funding will flow through MnDOT. Several amounts changed and earmarks were added. All were funded through General Obligation (GO) bonds.

### **Capital Budget**

#### ***Local Bridge Replacement Program***

**\$49.2M**

The enacted amount provides funding to replace or rehabilitate deficient bridges owned by local governments throughout the state. Funds are used to match local and federal funding.

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| • Local Bridge Replacement Program Only              | \$16.5  |
| • City of Isle – Malone Island                       | \$0.8M  |
| • City of Minneapolis – 10 <sup>th</sup> Ave. Bridge | \$31.9M |

#### ***Local Road Improvement Program***

**\$115.9M**

The enacted amount provides funding for Rural Road Safety Projects, Routes of Regional Significance Projects and the local share of trunk highway improvements. Funds are used to match local and federal funding.

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|---|---------|
| • Local Road Improvement Program Only                       | \$25.3M |
| • Appleton Township – 100 <sup>th</sup> St SW Road          | \$1.0M  |
| • Anoka County – Lake Dr. & I-35 Interchange                | \$9.0M  |
| • City of Baxter – Cypress Dr.                              | \$6.0M  |
| • City of Blaine – Reconstruction of 105 <sup>th</sup> Ave. | \$3.2M  |
| • Hennepin County – I35W/CSAH 3                             | \$25.0M |
| • Hwy 12 in Hennepin. Co.                                   | \$11.3M |
| • Hwy 212 in Chaska   | \$10.5M |
| • City Inver Grove Heights – Broderick Blvd.                | \$1.0M  |
| • Ramsey County – I694 & Rice St.                           | \$20.5M |
| • Redwood County – State Veterans                           | \$0.7M  |
| • McLeod County – CSAH 15                                   | \$2.4M  |

#### ***Rail Grade Separation on Crude Oil Rail Lines Program***

**\$71.1M**

The enacted amount is to construct rail grade separations at highway-railroad grade crossings along corridors in which oil or other hazardous materials are transported.

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| • City of Moorhead – 21 <sup>st</sup> St. S. | \$42.3M |
| • Anoka County – Hanson Blvd.                | \$14.1M |
| • City of Red Wing – Sturgeon Lake Rd.       | \$14.8M |

## Capital Budget

<b>Highway/Railroad Grade Crossing - Warning Devices Replacement</b>	<b>\$1.0M</b>
The enacted amount is to design, construct and equip active highway-railroad grade warning devices that have reached the end of their useful life.	
<b>Minnesota Valley Regional Rail Authority</b>	<b>\$4.0M</b>
The enacted amount is for the rehabilitation of a portion of the railroad track between Winthrop and Hanley Falls.	
<b>City of Hugo – Short Line Freight Railway Track Age Repair</b>	<b>\$1.5M</b>
The enacted amount is for the construction of repairs and other capital improvements to railroad track M & D Junction in White Bear Lake and the end of the track in Hugo.	
<b>Minnesota Rail Service Improvement</b>	<b>\$1.0M</b>
The enacted amount is for rail service improvement grants under Minn. Stat. 222.50.	
<b>Port Development Assistance Program</b>	<b>\$5.0M</b>
The enacted amount is to fund the Minnesota Port Development Assistance Program, which supports infrastructure needs of Minnesota's public ports on the Great Lakes and Inland River Navigation Systems.	
<b>International Falls – Koochiching County Airport (Local Request)</b>	<b>\$3.0M</b>
The enacted amount is for Phase II of the Airline Terminal Construction project at the International Falls-Koochiching County Airport.	
<b>City of Grand Rapids – Mississippi River Pedestrian Bridge</b>	<b>\$0.75M</b>
The enacted amount is to design the construction of a bridge over the Mississippi River for pedestrian and bicycle use.	
<b>City of Eden Prairie Rail Crossing</b>	<b>\$1.4M</b>
The enacted amount is to (1) design, construct, and equip new passive and active rail grade crossing warning safety devices at existing and proposed highway-rail grade crossings, or (2) replace existing highway-rail grade crossings.	
<b>Safe Routes to School</b>	<b>\$1.0M</b>
The enacted amount is to fund infrastructure projects that increase safe and convenient opportunities for children to walk and bicycle to school in communities throughout the state.	
<b>Total General Obligation Bond Funding</b>	<b>\$254.9M</b>

## Capital Budget

In addition, the Department of Employment and Economic Development (DEED) received funding for the Transportation Economic Development (TED) program. TED is a collaborative grant program between MnDOT, DEED and the Public Facilities Authority.

\$3.5M

## Governor's Recommended Policy Initiatives

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All the policy initiatives that were enacted are in Chapter 3 (HF3) unless otherwise noted. Those relating to appropriations are included in the previous summary of the biennial budget. Further information regarding these initiatives and all other session activity can be found in MnDOT's Office of Government Affairs' 2017 Legislative Summary.

### Policy Initiatives Enacted

#### ***Billboards / Outdoor Advertising***

This proposal removes duplicative and overlapping language, and eliminates outdated rules relating to outdoor advertising, bringing the state outdoor advertising laws into compliance with federal regulations. The Highway Beautification Act allows the federal government to revoke 10 percent of state funding if a state fails to effectively enforce outdoor advertising laws.

#### ***Bicycles***

##### **Bicycle Laws and Rules**

This proposal updates several portions of Minnesota Statutes that govern bicycle laws and repeals outdated Minnesota Rules. These statutes and rules were last updated in the 1970s. They have obsolete definitions and do not reflect current designs for safe bicycle facilities such as protected bike lanes. Design advances can be adopted more quickly through modification of a design manual rather than the long process needed to change rules.

#### ***Right of Way***

##### **Transfer Property to MHS**

This proposal allows MnDOT to convey the McKinstry Mounds property to the Minnesota Historical Society. This will allow MnDOT to transfer the management and ownership of the burial site to the proper agency.

##### **Changes to Conveyance of Property**

This proposal helps with the conveyance of property once it has been offered for sale and received no bids. With the proposed changes, MnDOT could offer property for sale "over the counter." The proposal also authorizes the sale of property to adjacent property owners if the original land owner does not purchase the property.

#### ***Turnback Highway 225***

This proposal turns jurisdiction of Highway 225 over to Becker County. The county will assume all maintenance responsibilities. The highway is approximately 9 miles long, and mainly serves local interests. Since all trunk highways are listed in statute, the legislature must take action to repeal the description of a trunk highway before it can be turned over to a local government. Ensuring that roads are on the right system (that is, the state system or a local system) leads to better efficiency for maintenance and construction of the road.

#### ***Remove Legislative Route No. 101***

The language related to Route No. 101 is obsolete and the reference should be removed from statute. Removing the obsolete language minimizes the number of unnecessary routes in MnDOT information systems.

## **Policy Initiatives Enacted**

This section of roadway ceased being a trunk highway many years ago. No turnback is needed for this repeal.

### ***Turnback Highway 112***

This proposal removes Highway 112 from the state highway system and transfers jurisdiction and ownership to LeSueur County. This will place the roadway under the authority of the county to allow for timely construction and maintenance activities on the highway. The roadway just over 15 miles long.

### ***Statewide Plan Due Dates***

This proposal changes the required update for the Statewide Multimodal Transportation Plan and the Statewide Highway 20-year Capital Investment Plan from every four years to every five years. There are a number of issues that are identified through the plan update process that would benefit from additional time in between updates.

### ***Dimler and Pipeline Welding Provisions***

This proposal amends Minn. Stat. 171.12, Sub. 6(c) so that certain speeding violations (referred to as “Dimler”) for holders of commercial driver’s learner permits are no longer “masked.” Also, this item exempts pipeline welding trucks from most federal motor carrier safety regulations.

### ***Hauling Milk on Interstates***

This proposal updates statute to allow the movement of milk on Interstates under permit. Milk haulers in Minnesota have been able to obtain a special overweight permit under Minn. Stat. 169.865, but under the restrictions provided in Sub. 3 of that section, have not been allowed to operate on Interstates. The FAST Act now allows overweight milk trucks to use Interstate highways.

### ***Remove Sunset on TGB / Vets-owned Businesses for Bid Preference***

This proposal removes the sunset on targeted group business/veterans-owned business participation in MnDOT’s bid preference program. The statute authorizing the program provides that these businesses are eligible for a 6 percent bid preference for only 8 years following May 1, 2012, or the date of their initial certification in the program.

### ***Sponsorship of Highway Property***

This proposal gives MnDOT the authority to enter into agreements with businesses, civic groups or individuals for the maintenance and improvement of Trunk Highway property. Examples include sponsoring plantings to enhance pollinator habitat, the Adopt-A-Highway program, and highway beautification projects. The legislation also gives MnDOT authority to give recognition (such as signage) to the program participants.

### ***Flexible Highway Account-excess sum calculation***

This proposal revises state statute to reflect language changed in the 2015 legislative session regarding the distribution of County State-Aid Highway funds. In 2015, the law was amended to specify that the “apportionment sum” is 68 percent of the distribution amount and the “excess sum” is 32 percent. Minn. Stat. 161.081, Sub. 3, provides further details on the excess sum calculation. It should be modified to reflect the changes enacted in 2015.

## References

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[MnDOT Government Affairs](http://www.dot.state.mn.us/govrel/) (<http://www.dot.state.mn.us/govrel/>)

[2017 Minnesota Session Law, Chapter 3 – Operating Bill Language](https://www.revisor.mn.gov/laws/?year=2017&type=1&doctype=Chapter&id=3)  
(<https://www.revisor.mn.gov/laws/?year=2017&type=1&doctype=Chapter&id=3>)

[Chapter 3 Transportation Finance – Tracking Sheet](http://www.house.leg.state.mn.us/Fiscal/Download/984) (<http://www.house.leg.state.mn.us/Fiscal/Download/984>)

[2017 Minnesota Session Law, Chapter 8 – Capital Bill Language](https://www.revisor.mn.gov/laws/?year=2017&type=1&doctype=Chapter&id=8)  
(<https://www.revisor.mn.gov/laws/?year=2017&type=1&doctype=Chapter&id=8>)

[Chapter 8 Capital Investment – Tracking Sheet](http://www.house.leg.state.mn.us/Fiscal/Download/994) (<http://www.house.leg.state.mn.us/Fiscal/Download/994>)

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