



2015 WEEKLY LEGISLATIVE UPDATE

January 30, 2015

GOVERNOR'S TRANSPORTATION PLAN

On Monday, Governor Dayton unveiled his transportation proposal to provide funding for Minnesota's highways, roads, bridges, and public transit systems. His plan would invest \$6 billion over the next ten years to address the state's highway funding deficit, invest \$2.356 billion in local government transportation projects, and provide \$2.92 billion for Metro and Greater Minnesota transit systems. The Governor's proposal would create an estimated 119,000 new jobs, and build the infrastructure necessary to meet the demands of a growing population and an expanding state economy.

The Governor's plan would repair or replace 2,200 miles of state roads and 330 bridges statewide. During the Governor's press conference, Commissioner Zelle noted that half of our state's highways and over one-third of our state's bridges are more than fifty years old. Without funding, over 4,000 of our roadways will run out of life. Therefore, forty percent of the new revenues raised in the Governor's proposal would be directed to cities, counties, and townships; giving local leaders the resources and flexibility to repair and replace local roads and bridges.

The funding for road and bridge construction would be provided by a 6.5 percent gross receipts tax on gasoline, raising the current 1.25 percent base tax on vehicle registration fees to 1.5 percent, and raising car registration fees by \$10. The Governor's plan would also require MnDOT to generate efficiencies of 15 percent from all new revenues, allowing the Department to do \$6 billion of work for \$5.38 billion in new funding.

The Governor's plan also calls for a half-cent metro-area sales tax to raise \$2.8 billion for transit projects, including the Southwest light-rail line. In total, the plan would fund 20 new transitways, increase metro area bus service by 27 percent, increase Metro Area transit ridership by an estimated 80 percent, meet 90 percent of all transit needs in Greater Minnesota, and increase transit service in Greater Minnesota by nearly 500,000 hours of service each year.

Additionally, the plan would provide an extra \$1.6 billion for the Corridors of Commerce initiative, making targeted investments in key freight routes that are important for businesses' expansions and economic development.

Lieutenant Governor Smith spoke about the proposal, making clear that these investments are needed to position the state for future economic success. The proposal reduces congestion, improves safety, increases economic growth through the corridors of commerce, and balances state, city, and county highway repair with transit across the state.

The Governor made clear that the transportation needs of this state are urgent. He noted that while no one likes tax increase and while they may be politically harmful, these increases are essential to our state. He told reporters that even though he is married to my plan, and he believes that we cannot fix this problem without new revenue.

The chart below describes how these new revenues would be used to address Minnesota’s transportation needs:

Road and Bridge Funding Over 10 years	
<p>State Funding (Trunk Highway) – \$5.38 billion \$3.38 billion in new revenue \$2 billion in trunk highway bonds</p> <p><u>Source:</u> Gross Receipts Tax and Registration Fee</p>	<p>County, City, & Township Funding – \$2.356 billion Direct funding to Counties – \$1.58 billion Direct funding to Cities – \$490 million MNDOT funding for Counties and Cities – \$153 million Townships – \$133 million</p> <p><u>Source:</u> Gross Receipts Tax and Registration Fees</p>
Transit Funding Over 10 years	
<p>Twin Cities Metro Area – \$ 2.8 billion <u>Source:</u> ½ cent sales tax increase in 7-county Metro</p>	<p>Greater Minnesota Transit – \$120 million <u>Source:</u> General Fund</p>
Bike and Pedestrian Funding Over 10 years	
<p>Bike and Pedestrian Infrastructure/Safe Routes to Schools - \$ 75 million <u>Sources:</u> General Fund and ½ cent sales tax increase in 7-county Metro</p>	

For more information on the Governor’s plan, below are links to factsheets, snapshots, and maps released by the Governor’s office:

[FACT SHEET: Governor Dayton’s Transportation Plan](#)

[FACT SHEET: Investing in Roads, Bridges, and Transit](#)

[SNAPSHOT: Investing in Roads and Bridges](#)

[MAPS: Transportation Projects](#)

GOVERNOR’S BUDGET RECOMMENDATIONS

On Tuesday, Governor Dayton announced his budget recommendations, highlighting his top priorities: children and families. His proposal would spend a little under a \$1 billion of the state’s \$1.037 billion surplus and leave \$35 million on the bottom line. The Governor’s proposal would devote roughly 75% of the budget to education, health and human services, and child and dependent care. It also would make major investments in the state’s aging transportation system.

PreK-12 Funding

Governor Dayton's budget proposal would provide an additional \$373 million in PreK-12 schools statewide. This funding would include:

- Increasing the per-pupil funding formula to \$5,948 by 2017.
- Investing \$109 million to provide 31,000 four-year-olds access to free PreK learning opportunities.
- Investing in a number of programs to narrow the state's achievement gap, including eliminating the current Head Start waiting list, providing support to help all students read well, targeting educational support to parents of at-risk children ages 0-8, and making added investments in English Language Learning.
- Additional investments in school nutrition and behavioral health in schools, including free breakfasts for all PreK-3 students, in-school programs to improve student behavior, and support for parents of at-risk children.

Higher Education Funding

The Governor's proposal would provide an additional \$93 million in higher education. The funding would be used to:

- Hold down tuition costs at the University of Minnesota.
- Expand the State Grant Program
- Continue reciprocity arrangements with neighboring states
- Hire 50 research faculty members over the next eight years at the University of Minnesota Medical School.

Notably absent from his proposal were any new investments to Minnesota State Colleges and Universities. Governor Dayton recommended no new funding for MnSCU until the faculty and administration resolve their dispute. However, he did state that he hopes to address any additional funding needs in his supplemental budget recommendations next year.

Children and Dependent Care Funding

The Governor's proposal would invest \$99.9 million in expanding the Child and Dependent Care Credit, saving the average family around \$429 per year. It would also invest an additional \$44 million to improve access to high-quality child care for low-income families, provide additional outreach to parents of at-risk children, increase the state's investment in children's mental health services, and enhance the state's child protection efforts.

Rail Taxes

Governor Dayton highlighted proposed changes to rail taxes. These changes would include:

- Updates to how the state taxes railroad companies.
- An annual fee for railroads.

These changes would net about \$100 million over the next two years and would be used to help upgrade railroad crossings and other safety improvements.

Property Tax

The Governor's proposal contains only one property tax relief provision, the Senior Citizen Property Tax Deferral Enhancement. There were no market value homestead credit or LGA change items.

The Governor also did not propose any changes to the homestead credit state refund, renter property tax refund, special property tax refund, or LGA to cities.

Transportation

The details of Governor Dayton's proposed plan to fix Minnesota's aging transportation systems are highlighted above. Although, on Tuesday, Governor Dayton also highlighted a proposed \$3.77 reduction in funding for the Minneapolis Park Board. This funding, allocated by the Met Council, was withheld due to the Park Board's continuing efforts to obstruct progress on the Southwest light rail project.

Below are links to a number of fact sheets and spreadsheets which provide more detailed information on the Governor's overall proposal:

- For fact sheets and spreadsheets on the budget proposal, visit the Governor's website at: <http://mn.gov/governor/toolkit/>.
- For a breakdown of the change items, here is a link to a summary document from the Governor's office: http://mn.gov/governor/images/change_item_summary.pdf.
- For summaries and analysis from Minnesota Management and Budget, visit MMB's Governor's FY16-17 Budget page at: <http://mn.gov/mmb/budget/currentbud/gov16-17>.

GOVERNOR DAYTON SIGNS TAX CONFORMITY BILL

Governor Dayton signed the first new law of the session on January 24th. The bill was in response to congressional action late last year to continue 2013 tax year conformity provisions for the 2014 tax year. The law was authored by the two tax chairs, Rep. Davids and Sen. Skoe. It is effective Jan. 25, 2015, unless otherwise noted.

Approximately 200,000 Minnesotans will benefit from the provisions that include:

- a higher education tuition tax break;
- a tax deduction for teachers who purchase books, art supplies and other materials for their classrooms;
- a deduction for mortgage insurance premiums paid by homeowners; and
- creation of the Achieving a Better Life Experience Act, which will allow disabled or blind Minnesotans to set up a tax-free ABLER account. When established it will allow people with disabilities to save up to \$100,000 without losing government benefits, and make withdrawals for expenses such as housing, health care and employment training.

Additionally, a provision effective following compliance by the City of Rochester clarifies the funding mechanism for the Destination Medical Center project — provisions that were enacted in 2013. Though the matter involves a strictly technical correction, it has potentially large implications. Without this action, the amount of private investment required to leverage a projected 20-year total of \$455 million in state aid might have jumped from approximately \$6 billion to roughly twice that sum.

The law’s cost to the General Fund for the tax conformity provisions is estimated to be nearly \$20 million for fiscal year 2015 and a projected \$22.52 million for fiscal year 2016.

DEFICIENCY BILL

Next week, Senate Finance committee will be hearing SF 174 (Cohen). This bill would provide deficiency funding for disaster assistance, food assistance, the Minnesota security hospital, natural resources department (DNR) enforcement activities, Ebola-related costs and the zoological board. It would also provide local match assistance for local road repair and funding for water and soil resources in the disaster area.

The bill has already received a few hearings in the House, but will get its first formal hearing in the Senate on Monday evening.

PRELIMINARY LEVY DATE CHANGE FOR SPECIAL TAXING DISTRICTS

HF 457 (Applebaum) was introduced on Thursday. This is the MLC’s initiative to change the preliminary levy date for special taxing districts (HRAs, EDAs, etc.).

THINGS TO WATCH

Next Wednesday, the House Property Tax and Local Government Finance Division will hear an overview on fiscal disparities. They will also be taking up HF130 (Carlson). This bill is targeting property tax refund, directing tax relief to homeowners who have large property tax increases from one year to the next, without regard to their income. The bill decreases the percentage increase in homestead property taxes from one year to the next from 12 percent to 10 percent in determining eligibility for the targeting property tax refund.

SF5 (Bonoff) will be heard in Senate Jobs, Agriculture, and Rural Development Committee on Monday. This bill would allow high school students to take vocational training in return for academic credit. It would include a partnership with local employers interested in providing training opportunities to students.

BILL INTRODUCTIONS THIS WEEK

HF #	Author	SF #	Author	Short Description

147	Dettmer	357	Anderson	Disabled veteran homestead valuation property tax exclusion extension
195	Runbeck	370	Chamberlain	Metropolitan council certain transportation funding indebtedness prohibition
249	Lenczewski	367	Wiklund	I-35W and I-494 interchange improvements bond issue and appropriation
347	Liebling			Sunday sales regulated, and statutory prohibitions against off-sale intoxicating liquor sales and motor vehicle sales removed.
398	Lenczewski	421	Wiklund	Home rule charter city authority to assess for garbage collection clarified.
408	Torkelson	413	Koenen	Wind generation and solar production taxes levy limits application clarification
418	Scott			Contractor required to submit documents to an agency or municipality upon request.
429	Melin	402	Tomassoni	Property tax refund claims deadline extended.
432	Hansen	363	Metzen	Corridors of commerce program appropriation
448	Nash	71	Osmek	Local approval of gubernatorial appointees to the Metropolitan Council required.
457	Applebaum			Proposed levy certification dates for special taxing districts changed.
		301	Pratt	Motor vehicle lease sales tax revenue deposit in trunk highway fund requirement
		354	Gazelka	Property taxes late payments uniform penalty