

Legislative Briefing

February 28, 2017

This Legislative Briefing provides basic information about the Minnesota Department of Transportation's 2017 capital and operating budget requests and policy initiatives recommended by the Governor (released in January and reflecting November 2016 forecast assumptions where applicable).

Governor's Recommended Funding Requests

NexTen Transportation Funding Package

A major investment plan for transportation to fund the estimated \$6 billion gap that exists between funding needs and revenues in the next ten years. The Governor proposes addressing the gap in road and bridge funding through:

- 6.5% gross receipts tax on gasoline
- Increase in registration fees
- \$2 billion in Trunk Highway Bonds over the next 8 years
- Savings through MnDOT efficiencies.

In addition, implement \$10 surcharges on both motor vehicle registrations and motor vehicle title transfers. These surcharges would raise an estimated \$57 million per year, and would be deposited in the Special Revenue Fund to fund transportation needs not eligible for Trunk Highway funds:

- Greater Minnesota transit
- Bike and pedestrian infrastructure, including Safe Routes to Schools administration
- Americans with Disabilities (ADA) projects for local roads
- Aid for Cities with Populations under 5,000
- Aid for Large Cities
- Aid for Tribal Roads

Highway Users Tax

Distribution Fund

\$340M in FY2018

\$586M in FY2019

\$611M in FY2020

\$658M in FY2021

Governor's Recommended Operating Budget Requests

Below are the Governor's recommended operating budget requests. Operating budget requests are listed by priority order.

Cyber Security Risk Management and Agency Priorities

An increased investment for cyber security, risk management and protection of the state's sensitive data assets and technology investments. This would provide necessary enhancements and allow for expansion of current IT initiatives so MnDOT can keep pace with technology to improve data tracking, project management and reporting abilities to better inform agency stakeholders.

Trunk Highway Fund

\$10.5M in FY2018

\$9.4M in FY2019

Snow and Ice Contingency

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. This language would provide flexibility in covering costs in extreme winters.

Trunk Highway Fund

Workforce Optimization

A base increase to hire approximately 260 operations maintenance staff. This would provide a full complement of snow plow truck operators to cover two shifts per day, staff the critical spring and summer maintenance work and relieve current cross-over positions in program planning and delivery from plowing.

Trunk Highway Fund

About \$25M annually

Operating Pressures

A base increase in the Trunk Highway operating appropriations to help cover inflation on commodity purchases, cost of living increases for salaries and increases in pension contributions.

Trunk Highway Fund
\$8M in FY2018
\$16.4M in FY2019

State Road Construction

Authority that enables the agency to spend the increase in federal funding from the Fixing America’s Surface Transportation (FAST) Act. This change allows the state road construction program spending to increase to meet the new federal reimbursement levels.

Trunk Highway Fund
\$105M in FY2017
\$215.4M in FY2018
\$145.9M in FY2019

Tribal Training Funding

Funding to provide tribal training for state agencies. This training informs state employees how to more appropriately interact, communicate and collaborate with tribes and tribal governments. To provide the service to other agencies without billing them additional amounts, MnDOT needs a General Fund appropriation.

General Fund
\$0.19M in FY2018
\$0.22M in FY2019

Port Development Assistance Reappropriation

Cancel the 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.

General Fund

Aeronautics Appropriation Increase

A base increase to provide additional funding for construction, pavement maintenance and other improvements at the state’s publicly owned airports. This increase would be the first in 20 years and will help the budget keep pace with inflation and support more airport projects.

State Airport Fund
\$3M in FY2018 and FY2019
\$1M in FY2020 and FY2021

Pavement Preservation

A base increase to provide funding for pavement preservation. One-time funding has helped keep pace over time but this funding would allow more strategic planning over time. MnDOT expects that the miles of pavement in poor condition will increase to, or be beyond, target levels by FY2018 and will continue increasing.

Trunk Highway Fund
\$10M annually

Working Capital Loan Fund Program

A one-time appropriation for the Working Capital Loan Fund Program that supports the goal of equity and reducing disparities in contracting by providing loans to small businesses to acquire the necessary operating capital to participate in MnDOT projects.

General Fund
\$1.5M in FY2018

Building Services Appropriation

A base increase for Building Services to maintain critical statewide facilities. Maintenance, renovation, and replacement of MnDOT facilities have not kept pace with needs. Funding is also included for the Central Office lease is anticipated to increase 5 percent in each FY2018 and FY2019.

Trunk Highway Fund
\$17M annually

Road Equipment Fund

A base increase for an enhanced fleet replacement plan. MnDOT’s operations and maintenance activities are dependent on a large fleet of equipment with varying lifecycles. Currently over 33 percent of MnDOT’s fleet is past its established lifecycle.

Trunk Highway Fund
\$10M annually

State Plane Purchase

A one-time appropriation to replace MnDOT’s aging aircraft utilized by state agencies with two newer aircraft. The current aircraft face increasing maintenance costs and down time due to maintenance.

General Fund
\$10M in FY2018

Intelligent Transportation Systems

A base increase to maintain and strategically expand Minnesota's Intelligent Transportation Systems, including the emerging area of connected and autonomous vehicles.

Trunk Highway Fund
\$4M annually

Governor's Recommended Rail Requests

Below are the Governor's recommended rail budget requests. Rail budget requests are listed by priority order.

Freight Rail Appropriation

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.

General Fund
\$0.8M annually

Minnesota Rail Service Improvement (MRSI) Program

An annual appropriation to the MRSI program to provide a dedicated funding source for preserving and enhancing rail service in the state. In addition, modify language to allow grants for projects generating economic development benefits.

General Fund
\$1M annually

Rail Safety Inspectors

Language changes to current law including hiring up to five additional rail inspectors, plus a program manager. The State Rail Safety Inspection Program ensures compliance with federal and state safety regulations which will help reduce the number of rail accidents. Class I & II railroads are assessed annually for the actual costs of the program.

Special Revenue Fund
\$0.6M in FY2018
\$0.9M in FY2019

Grade Crossing Safety Improvements:

Rail Safety Account

Increasing funding from \$1 million in the Rail Safety Account to all the current revenue statutorily credited to the Trunk Highway Fund, increase estimated at about \$3.725 million. Current funds are made available annually from State Patrol fines. Funding would allow for a significant increase in the number of small safety projects that can be programmed and delivered rapidly.

Special Revenue Fund
\$3.7M annually
Trunk Highway Fund
(\$3.7M) annually

Railroad Assessment for Safety Improvements on Priority Rail Corridors

Annual funding for planning, engineering, administration and construction of highway-rail grade crossing improvement projects along rail corridors transporting crude oil and other hazardous materials. The intent of this investment program is to reduce or eliminate grade crossing crashes, fatalities and injuries, and the release of hazardous materials causing environmental damage. Funding would be provided through an annual assessment on Class I railroads.

Special Revenue Fund
\$32.5M annually

Passenger Rail Program Appropriation Increase

A base increase to cover Passenger Rail Office responsibilities including technical staff for environmental studies, design, traffic engineering and legal services. The office works to deliver passenger rail services that are federally compliant, environmentally friendly and sustainable, to connect Minnesota communities together and with the national passenger rail system.

General Fund
\$0.4M annually

Governor's Recommended Capital Requests

Below are the Governor's recommended capital budget items.

Rail Grade Separation on Crude Oil Rail Lines Program

This request is to construct rail grade separations at highway-railroad grade crossings along corridors in which oil or other hazardous materials are transported. There are potential safety risks involved with the significant traffic increase and large volumes of hazardous material shipped by rail. The funds will provide grade separations at priority locations.

***GO Bonds
\$69.62 million***

- Moorhead \$42.26M
- Prairie Island \$14.76M
- Coon Rapids \$12.6M

Rail Quiet Zones

This request is to provide grants under Minn. Stat. 219.166 as a local match for the capital portion of implementing train whistle-free quiet zones as approved by the Federal Railroad Administration. Given increases in rail traffic statewide and the resulting increase in train whistles, cities are seeking to establish whistle-free quiet zones in their communities to reduce community impacts and improve quality of life.

***GO Bonds
\$10 million***

Highway/Railroad Grade Crossing - Warning Devices Replacement

This request is to design, construct and equip active highway-railroad grade warning devices that have reached the end of their useful life. Reliability and credibility of grade crossing warning devices is important to the traveling public. When a device malfunctions, lights flash as if a train is coming until the problem is corrected. Drivers can confuse signals with long warning times as a malfunctioning signal and attempt to cross the tracks. At a cost of approximately \$300,000 per crossing location, these funds could upgrade an estimated 16 locations.

***GO Bonds
\$5 million***

Stone Arch Bridge

This request is for design and construction to repair deterioration on the historic Stone Arch Bridge in Minneapolis.

***GO Bonds
\$2.5 million***

Facilities Capital Program

This request is to fund capital improvements on MnDOT's building infrastructure. These funds will extend the useful life of existing facilities through renovation and expansion to meet current operational needs. In cases when renovation and expansion of existing facilities is not feasible, new building construction is planned. The vast majority of the funding is going to the projects identified below:

***Trunk Highway Bonds
\$40 million***

- Virginia Headquarters Building \$1.4M
- Jordan Truck Station Building \$0.8M
- Windom Headquarters Addition \$0.6M
- Crookston Headquarters Renovation \$6.8M
- Eden Prairie Truck Station Renovation \$13.5M
- Mendota Heights Truck Station Addition \$14.1M
- Wheaton Truck Station \$0.9M

Port Development Assistance Program

**GO Bonds
\$10M**

This request 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. The funds are also for partnership programs to improve freight handling efficiency on Minnesota’s commercial waterway systems. Under Minn. Stat. 457A, a local share is required to move the project forward.

- St. Paul Port Authority \$3.3M
- Winona Port Authority \$0.3M
- Red Wing Port Authority \$0.8M
- Duluth Seaway Port Authority \$5.6M

Passenger Rail Program

**GO Bonds
\$1 million**

This request is to provide non-federal matching funds for implementation of passenger rail service along several corridors in the state and connecting Minnesota to the upper Midwest. These corridors include the Northern Lights Express service to Duluth, a second daily Amtrak train between Chicago and the Twin Cities, and development of other corridors identified in the 2014 State Rail plan. This request would also pay for agency staff costs directly attributable to capital projects.

Local Bridge Replacement Program

**GO Bonds
\$70 million**

This request is to provide funding replace or rehabilitate deficient bridges owned by local governments throughout the state. Funds are used to match local and federal funding.

Local Road Improvement Program

**GO Bonds
\$115.5 million**

This request is to provide 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.

- Hwy 35W and Lake St. Access Project \$25M
- Hwy 694 and Rice Street Interchange \$20.5M
- Funds Not Earmarked \$70M

Duluth International Airport (Local Request)

**State Airports Fund
\$6.62M**

A grant to the Duluth Airport Authority to reconstruct a runway at the Duluth International Airport. The state funding will be matched with Federal Aviation Administration Airport Improvement Program (FAA AIP) funds. The main runway is in need of major reconstruction effort to provide a safe and reliable runway for civil and military aircraft operations.

International Falls – Koochiching County Airport (Local Request)

**GO Bonds
\$3M**

A grant to the International Falls-Koochiching County Airport Commission, to be matched with Federal Aviation Administration Airport Improvement Program (FAA AIP) funds, to complete Phase II of the Airline Terminal Construction project at the International Falls-Koochiching County Airport. The project will allow the airport to meet security standards for an international port of entry, and accommodate increasing levels of travel.

Rochester International Airport (Local Request)

**State Airports Fund
\$2.33M**

A grant to the City of Rochester to make improvements that will allow the Rochester International Airport to meet updated U.S. Customs requirements.

St. Cloud Airport Study (Local Request)

**State Airports Fund
\$ 0.3M**

A grant to the City of St. Cloud of \$250,000 to conduct an air transit optimization planning study for the St. Cloud Regional Airport. The study will provide strategies for maximizing return on investments and enhancing the economic impact of the airport.

Governor's Recommended Policy Initiatives

Below are the Governor's recommended policy initiatives.

Flaggers in Work Zones

This proposal allows a peace officer to issue a citation to the driver of a vehicle if the officer has probable cause to believe that the driver violated a flagger's direction within the past 4 hours. If a flagger can report the violation to a peace officer and the driver could be cited afterwards, then it is anticipated that there would be fewer violations.

Drone Registration

This proposal changes Minnesota Statutes Chapter 360 to more explicitly allow MnDOT to regulate the use of unmanned aircraft systems (drones) through a \$25 annual registration. Unmanned aircraft systems used for recreational purposes are exempt.

Airport Zoning

This proposal requires airport zoning ordinances to be placed on zoning maps to increase the visibility of these ordinances and consolidate relevant zoning boundaries for the benefit of citizens, government officials, and zoning enforcement staff. This proposal would also increase flexibility by allowing for airport-specific design of zoning regulations as an alternative to using the standards contained in state rules.

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% 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 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.

New Bicycle Route from St. Paul to Canada via the North Shore

This proposal designates a new bicycle route from St. Paul through Duluth and terminating at the Canadian border north of Grand Marais. This authority is similar to what exists for the Mississippi River Trail.

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. Under current law, if a property does not sell by bid, MnDOT can re-initiate the bid process, hire a real estate agent or have a public auction. With the proposed changes, MnDOT could offer property for sale "over the counter." MnDOT would add the property to an online inventory, and anyone could purchase the property after paying the minimum bid. DNR uses this method of sales. 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. This section of roadway ceased being a Trunk Highway many years ago. No turn back 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.

Policy Bill

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 Minnesota Statutes 171.12, Subd. 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 proposal exempts pipeline welding trucks from most federal motor carrier safety regulations. The Dimler provision is important because federal highway funding is at risk if state law remains out of compliance with federal regulations. The pipeline welding truck provision is new due to the passage of the FAST Act, but states are required to adopt compatible provisions within a 3-year period.

Commercial Vehicle Inspector Authority

This proposal clarifies the authority of commercial vehicle inspectors. Several years ago, their authority to conduct traffic stops was challenged in court, and it was determined that state employees who are not troopers lack the statutory authority to stop drivers and their motor vehicles. This ruling negatively impacted the effectiveness and efficiency of Minnesota’s size, weight and safety enforcement program. If it is determined that the state is not enforcing these laws adequately, then National Highway System federal funds can be reduced by 10%.

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 Minnesota Statute 169.865, but under the restrictions provided in Subd. 3 of that section, have not been allowed to operate on Interstates. The FAST Act now allows overweight milk trucks to use Interstate highways.

Modify Statutes Related to Yield Signs at Grade Crossings

This proposal eliminates the need to create unnecessary regulations for yield signs at railroad grade crossings. It also eliminates confusion about the requirement to have yield signs at crossings when stop signs are not present. The 2009 Manual on Uniform Traffic Control Devices requires that yield signs be installed at all highway-railroad grade crossings by December of 2019.

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% bid preference for only 8 years following May 1, 2012, or the date of their initial certification in the program.

Budget Bill Policy Provisions

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.

Truck Permits Cleanup

This proposal repeals two sets of changes made to oversize/overweight permit statutes that are not being used. One relates to linking the expiration date of an oversize/overweight permit to a vehicle’s registration, and the other cancels a \$30,000 appropriation made in 2012 to tie MnDOT’s permit system to DPS’s vehicle registration system. Both of these provisions would be costly and impracticable for MnDOT and DPS to implement, in major part due to the pace of Minnesota License and Registration System (MnLARS) development.

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% of the distribution amount and the “excess sum” is 32%. Minnesota Statute 161.081, Subd. 3, provides further details on the excess sum calculation. It should be modified to reflect the changes enacted in 2015.

Utility Relocation on Interstates

This proposal revises Minnesota Statute 161.46, Subd. 2 so that utilities on Interstate right-of-way must be relocated at the utility company’s expense. Utility relocations on all other roadways have to be paid for by the utility companies. When the Interstates were first being constructed it was common to encounter utilities already located within the proposed right-of-way. At the time, it made sense to compensate utility companies for the relocations. Now, utilities are often placed within Interstate right-of-way fully knowing that they may be required to move in the future. This would only apply to utilities placed after passage of this change, grandfathering in all existing utilities.

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