



STATE OF MINNESOTA

Office of Governor Mark Dayton

130 State Capitol ♦ 75 Rev. Dr. Martin Luther King Jr. Boulevard ♦ Saint Paul, MN 55155

May 15, 2017

The Honorable Kurt Daudt
Speaker of the House
463 State Office Building
100 Rev. Dr. Martin Luther King, Jr. Blvd.
Saint Paul, Minnesota 55155

Dear Mr. Speaker:

I have vetoed and am returning Chapter 62, House File 861, a bill related to transportation finance.

For the past three years, I have proposed a detailed transportation proposal to adequately fund roads, bridges, and transit. We all agree Minnesota's transportation system needs significant new funding beyond existing revenues:

- **An additional \$400 million per year** in ongoing, dedicated funding just to maintain our state's highways, roads, and bridges in their current conditions;
- **Another \$200 million per year** in ongoing, dedicated funding in order to make the critical improvements and expansions on our state highways, interstates, and bridges, which will be crucial to our continuing economic and social vitality; and
- **An additional \$300 million per year** in ongoing, dedicated funding in order to maintain our current transit and bus systems, and to invest in transit expansions across the state necessary to reduce highway congestion and accommodate population growth.

I found the bill for roads, bridges, and transit disheartening and wholly inadequate. Based on this bill, despite rhetoric to the contrary, transportation does not appear to be one of the top priorities for Republicans.

Roads and Bridges

This bill fails to provide long-term, sustainable, and dedicated funding for the state and local transportation systems. Twenty-five states, including our Republican governed neighbors, are creating more economically sound transportation infrastructure using increases in the gas tax. Despite my willingness to compromise and accept a transportation bill without the gas tax increase, this bill completely lacks a new funding source that is long-term and constitutionally dedicated for roads and bridges. That is unfortunate for our cities, counties, township and states that rely on dedicated funding to maintain and build our infrastructure.

This bill anticipates using speculative future general funds to make significant trunk highway bond payments over the next 20 years, which sets up an untenable budget situation. Issuing \$600 million in trunk highway bonds without new, constitutionally dedicated revenue to pay off the bonds will undoubtedly force MnDOT to reduce future road and bridge construction to pay for more debt if the general fund transfers are discontinued or reduced in the future. In fact, as your conference committee progressed, you already demonstrated the folly of relying on general funds for roads and bridges by shifting funds from the sales tax on auto parts away from roads and bridges to other uses in the bill.

Furthermore, the amount of funding in the bill for trunk highways provides only a small fraction of what is needed to preserve, let alone expand the system. My funding proposal provides \$600 million per year in new funding, whereas, your bill allocates only \$75 million per year in new, general fund revenue for state roads and bridges this biennium. This would only be enough to reconstruct 37.5 miles of pavement in greater Minnesota.

The needs of our infrastructure system to keep the state economically competitive demand that we invest additional resources just to maintain our system. And while I am willing to compromise and accept some use of the general fund for transportation, I insist constitutionally dedicated sources of revenue must be part of the transportation bill.

Transit

This bill seriously underfunds Metro Transit services and cuts Greater Minnesota transit. The bill leaves Metro Transit with a \$17.5 million deficit in fiscal year 2018-2019 that would require a reduction of bus service at a time when the population of the metro region and the need for efficient transit is growing. Because the funding increase in the bill is one-time only, Metro Transit is left with a \$110 million structural deficit in the next biennium. The bill also fails to address the rising costs of Metro Mobility, a program that is already stretched and will continue to see growing demand as our population ages.

I will not accept a transportation bill that results in cuts to Metro Transit services. Our transit system is vital to the economic health and competitiveness of the metro region and the state as a whole. My proposal for transit included a half-cent sales tax in the seven-county metropolitan area that would have raised \$3 billion over the next 10 years. It would have eliminated the need for future general fund appropriations for transit expansion and operations, including bus services.

Since the legislature is unwilling to consider my long-term plan for a stable, dedicated funding source for the metro area transit system, at a minimum I insist that the transportation bill include \$85 million in additional base funding for Metro Transit to avoid any reduction in service. 80 percent of metro area transit rides are taken by Minnesotans going to and from work and school. Your failure to adequately fund our transit system will have real life consequences for our seniors, students, low-income individuals, and individuals with disabilities.

Rail

This bill does not provide adequate funding for the MnDOT Freight Rail Office, which would severely limit, and potentially eliminate, the state's ability to administer key rail safety programs statewide, including identifying and upgrading high-risk grade crossings. I encourage you to fully fund these key functions within MnDOT.

By ignoring my request for additional rail inspectors, you are perpetuating a lack of adequate oversight that can have a serious impact on the safety of our communities along the freight lines. These rail inspectors are paid for by the rail industry through an assessment to ensure compliance with federal rail safety standards. In 2016, federal and state inspectors found over 12,068 defects, compared with 4,873 in 2015, an increase of almost 250%. My proposal included 6 inspectors to bring our numbers in line with other participating states.

Another key way of improving safety in my budget proposal was to fund small grade crossing improvements at over 4,500 state and local road crossings in Minnesota. I appreciate that your proposal includes some money for rail grade crossing safety, but my proposal deployed non general fund money that is currently collected from highway patrol fees and allocated the full amount to rail grade crossing safety at \$7.4 million.

Eliminating the passenger rail office, as your bill does, puts Minnesota behind other states in the region that continue to invest in passenger rail planning and implementation. Cities like St. Cloud, Duluth, Red Wing and Winona will be precluded from the economic benefits of expanded passenger rail service by completely eliminating the office. In the spirit of compromise, I would support a status quo option for this office at \$500,000 annually. I also encourage you to support my proposal to provide funding for an intercity passenger rail demonstration to St. Cloud and a full study of a Northstar expansion.

MNLARS

The Minnesota Licensing and Registration System (MNLARS) needs a stable and ongoing funding source to maintain the system when it goes live later this year. This bill does not re-institute a \$1 transaction fee that I included in my budget, which would establish an ongoing funding source for this critical backbone of the driver licenses, identification cards, and motor vehicle registrations system. This bill only funds MNLARS operations for one biennium from the driver and vehicle services special revenue accounts. In addition, there are other budget, policy provisions, and REAL ID proposals that may impact this account. I urge you to re-institute the \$1 transaction fee.

Met Council Governance Change

This bill proposes an ill-advised Metropolitan Council governance change that includes a 28-member Council composed of county commissioners and local elected officials. This governance change proposal was not part of the House or Senate Omnibus Transportation bills. This drastic governance change would create a chaotic structure with conflicts of interest. The offices of Metropolitan Council member and municipal elected official are inherently incompatible because the Council serves both as a regulator and distributor of funds to local governments. Eliminating the Transportation Advisory Board (TAB) and changing the composition of the Council jeopardizes federal funds currently allocated by the Metropolitan Council and will trigger a Federal Metropolitan Planning Organization (MPO) re-designation process.

I appreciate the Legislature's interest in Metropolitan Council governance reform, but I will not sign a transportation finance bill that includes such a drastic change. I encourage the Legislature to propose a change that includes input from and is overwhelmingly supported by a majority of the entities impacted by any change to the Met Council.

Other Policies

I am disappointed to see that this bill includes numerous policy proposals that are: 1) detrimental to the state's economy, 2) obstruct the metro area's ability to build a strong transit system that benefits all Minnesotans, and 3) are harmful to our state's infrastructure. I find the following policy provisions troublesome and they need to be removed before I consider the next transportation bill.

- Increasing truck weights for milk and construction materials would create more damage to roadways when the system is already struggling with maintenance.
- Setting a \$7 million cap on the local bridge funding program, which is unfair to local governments absent another program to fund these large, expensive bridges.
- Historically, tolling has been viewed unfavorably by Minnesotans and this study is unlikely to provide any additional information to make tolling more acceptable. Studying it is simply a waste of money.
- Prohibiting MnDOT legal counsel from performing activities related to data practices requests.
- Establishing requirements for the deposit and appropriation of Clean Air Act Settlement money, which does not belong in a transportation bill.
- I-35 Weigh Station construction moratorium, which will add cost and has no value.
- MN Valley Regional Rail Loan to grant conversion that sets a bad precedent.
- The trunk highway appeal process language does not reflect an agreement MnDOT reached last year on this provision, and as written, it challenges the ability of MnDOT to control access to trunk highways which is key to traffic safety. The language originally in the bill was passed twice on the floor of the House and once in the Senate. This language was never discussed, heard or voted on any committee or legislative body outside the conference committee.
- Snow and ice contingency language restricting the hiring of plow drivers or buying snow plows and other equipment to keep our roads safe during hazardous winters.
- Requiring the codification of the project selection process in law, which will create inefficiency and will not allow for flexibility to adjust to changing circumstances.
- Requiring a larger portion of MVST revenue to be allocated to opt-out bus service providers at the expense of Metro Transit service.
- Requiring the Council to grant financial assistance to Excelsior for replacement bus service.
- Prohibiting the Metropolitan Council from issuing any obligations backed by motor vehicle sales tax revenue, restricting the tools available to the Council to efficiently manage its capital and operating budget.

- Requiring a duplicative alternatives and benefits analysis prior to engineering a light rail project, and applying new requirements to projects already underway that have not yet formally entered the engineering phase of the FTA's New Starts program.
- Eliminating the state's 50 percent share of net operating costs for light rail lines not already in revenue operations.
- Allowing an administrative law judge to consider the reasonableness of a metropolitan system plan or part of a plan if a municipality challenges its system statement.
- Requiring the Metropolitan Council to pay for a vibration susceptibility study for Calhoun Isles by an engineering firm selected by the condo owners association.
- A Metro Mobility Task Force composition that includes providers and members with no experience with or knowledge of paratransit.

This transportation bill is a short-term strategy centered on the Republicans approach to "starve the general fund" by siphoning resources away from other priorities in the state budget. And yet, the dollar amounts in the bill do little to address the growing gap between resources and transportation system needs, including metro area bus service. I expect the next transportation bill to be sincere in what is described as "new" funding for roads and bridges as not to mislead the public.

I remain insistent that we take a long-term approach for transportation funding. I expect the next transportation bill to include constitutionally dedicated resources for roads and bridges, \$85 million for transit, and all the operating adjustment funding included in my budget from the trunk highway fund. I also insist that no extraneous policy provisions be inserted into this funding bill.

This transportation bill shortchanges Minnesotans and I find it deplorable. Thus, I am vetoing this bill.

Sincerely,


Mark Dayton
Governor

cc: Senator Michelle L. Fischbach, President of the Senate
Senator Paul E. Gazelka, Senate Majority Leader
Senator Thomas M. Bakk, Senate Minority Leader
Senator Scott J. Newman, Senate
Representative Melissa Hortman, House Minority Leader
Representative Paul Torkelson, House
The Honorable Steve Simon, Secretary of State
Mr. Cal R. Ludeman, Secretary of the Senate
Mr. Patrick Murphy, Chief Clerk of the House of Representatives
Mr. Paul Marinac, Revisor of Statutes