



MUCA Legislative Update

By Nick de Julio and Troy Olsen, Ewald Consulting and MUCA Lobbyists

May 5, 2016

Update on the Budget

Back in November it was projected that the state budget would have a surplus of around \$1.2 billion. A few months later this was updated in the February forecast to project a surplus of around \$900 million, which caused a number of legislators to express caution when considering how to spend state funds in a supplemental budget. The Senate has proposed using the surplus on one time funding initiatives, including \$300 million on tax relief. The House has proposed spending the surplus funds on tax relief and transportation projects. Last year both the House and the Senate passed Tax and Transportation omnibus bills and sent them both into a conference committee. Those bills still remain in their respective conference committees, and progress on those negotiations is expected to take place in the next few weeks.

Meanwhile, this being a bonding year, the House and Senate are working on passing their respective bonding bills. At the beginning of session Gov. Mark Dayton proposed a bonding bill that invested \$1.4 billion while the Senate has said they will likely be in the area of \$1 billion. The House has stated that their bill may fall somewhere near \$600 million. Constitutionally a bonding bill has to originate in the House, so the Senate will have to wait until that happens to make any progress on their bill. Until that time both House and Senate Capital Investment committees have been meeting to hear requests for funding projects from across the state. All totaled, these committees have received nearly requests for projects that would cost \$4 billion, so there is still much work to be done in the next weeks.

The Large Picture-Supplemental Budgets Passed Through the Chambers

This past week saw more floor action by the House and Senate than had previously occurred in the entire 2016 session. A two-year state budget was passed in 2015, meaning that all state departments and agencies are fully funded until next year. However, legislators have been negotiating the best way to utilize a \$900 million state surplus.

On Thursday, the Senate passed a supplemental budget bill [HF 2749](#) (Cohen) that would spend around \$400 million of the surplus to increase funding to state agencies and programs, leaving \$300 million for a tax bill and around \$100 million left unspent. Over the course of the week, the House passed three separate budget bills that would not increase state spending from the budget passed last year, leaving all \$900 million to be used on comprehensive transportation and tax reform bills. [HF 3931](#) (Garofalo) which includes the agriculture, environment and natural resources and job growth and energy affordability bills passed on a 72-54 vote.

With both supplemental budgets having passed through their respective chambers, it is now expected that a conference committee will be formed between the House and Senate to negotiate the differences

between the two proposals and come to an agreement by the constitutionally-mandated deadline of May 23. With just three weeks until that time, all attention will focus on Speaker of the House Kurt Daudt (R-Crown) and Senate Majority Leader Tom Bakk (DFL-Cook) to see if they can come to an agreement.

Transportation Update

With failure to agree on a substantial transportation funding package during the 2015 legislative session, there continues to be trepidation at the legislature as to whether the House and Senate will be able to agree on a funding and policy package by the conclusion of this year's session. The Senate's long-term plan passed last year uses an increase to the gas tax to provide comprehensive funding of \$11 billion for the next 10 years, while House Republicans look to redistribute existing revenue sources to fund \$7 billion in transportation projects around the state over the next decade.

House Republicans have announced they plan to utilize Minnesota's projected \$900 million budget surplus for transportation funding and tax cuts, while Senate Democrats have proposed supplementing transportation spending by \$31.5 million. This past week, the Senate passed [HF 2749](#) (Cohen) 39-24 which provides supplemental budget spending priorities which include increases in transportation related funding for state airports, establishing an interagency rail director at the Department of Transportation, rail planning, rail safety, state road program planning and delivery, and funding to the State Patrol to recruit, hire, train and equip a State Patrol Academy.

On Friday last week, the House/Senate conference committee tasked with finding a compromise between the House and Senate positions met for the first time since March. The committee discussed a public-private partnership program designed to allow the Minnesota Department of Transportation and the Met Council to partner with private design and construction companies on major infrastructure projects. The legislation would allow for a handful of test projects.

Debate on transportation funding will again be the main focus of the committee and the legislature between now and the constitutional mandated adjournment date of May 23rd.

The Big Three

This week is all about three's. With the omnibus bills now off the floor and three weeks to go in session the path to wrapping up seems a little shaky. Many of the moving pieces or not so moving pieces are all waiting on the big three to meet. Gov. Dayton, Senate Majority Leader Tom Bakk and Speaker of the House Kurt Daudt are going to need to come together and start negotiating items if they plan to reach some compromise this session. Besides the supplemental budget waiting on those talks, the three big bills of the session are waiting to move as well. The Tax Omnibus bill, Transportation Omnibus bill and Capital Investment (bonding) bill will all be the last ones to come together if the leaders can reach some kind of deal before they adjourn.

Bills MUCA is Tracking

The bills below are items that MUCA has been tracking since last session. To date, no floor activity has been taken on any of the bills. However, HF 3658 the Construction Career Pathway Initiative that directs \$1M grant from the general fund to help provide year-round educational and experiential learning opportunities for teens and young adults under the age of 21 that lead to careers in the construction industry, was included as part of the House Supplemental Spending bill, HF 3931.

[HF2451/SF 1898](#) - Building and construction contracts regulated, subcontractor payments regulated, and progress payments and retainages provided: Both are awaiting hearings on the floor

[HF1099/SF 924](#) - Building construction and contract requirements clarified: Both are awaiting hearings on the floor

[HF 3658 /SF3265](#) - Construction career pathway initiative: Laid over for possible inclusion in the House Jobs bill, still awaiting a hearing in the Senate. (In House Econ Dev bill)

[SF 3212/HF 3597](#) – Responsible Contractor Repeal: Did not get a hearing and make committee deadlines

[SF 2415](#) - Utility easements location for new subdivisions regulation: Did not get a hearing and make committee deadlines

[SF 2278/HF 2340](#) - Uncollectible judgments against prime contractors permitted to be paid from contract retainage, and direct payments to subcontractors required: Did not get a hearing and make committee deadlines in either chamber.

[SF 2261/HF 3079](#) - Retainages regulated: Did not get a hearing and make committee deadlines in either chamber.