



STATE OF MINNESOTA

Office of Governor Mark Dayton

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

May 30, 2017

The Honorable Kurt Daudt
Speaker of the House
Room 469, State Office Building
St. Paul, Minnesota 55155

Dear Speaker Daudt:

On the advice of my General Counsel, to ensure there are no legal challenges, I am signing Chapter 3, House File 3 rather than allowing it to become law without my signature.

As I have previously stated, our transportation and transit systems lack the resources necessary to maintain our existing system, let alone fund the needed expansion to support a thriving economy. My concerns with this bill are consistent with the concerns I laid out in my veto letter for Chapter 62, House File 861. This is not a comprehensive transportation bill, it lacks constitutionally dedicated as well as stable funding and has inadequate funding for transit. As I have repeatedly stated in addition to current revenue, Minnesota needs the following funds to adequately fund roads, bridges, and transit:

- 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.

This budget invests only \$300 million above base in funding for roads, bridges, and transit in fiscal year 2018-2019 in comparison to my proposal, which would have raised \$944 million in new and constitutionally dedicated funding for roads and bridges, \$180 million in new and dedicated funding for transit, and \$114 million in new and dedicated funding for local roads, bridges, and transit in fiscal year 2018-2019. The new funding invested in roads, bridges, and transit is far below the need.

Below is a side-by-side comparison of funding received by the Highway User Tax Distribution system under this budget vs. what my proposal would have raised.

HUTD Formula

	House File 3 FY18-19	Governor’s Proposal FY18-19
State Trunk Highway	\$102M	\$544M
County State Aid Highway	\$47.8M	\$254M
Municipal State Aid Street	\$14.8M	\$78.9M
TurnBacks	\$4.6M	\$24.7M
Townships	\$4.0M	\$21.5M

I also am disappointed that the legislature did not consider my proposal to create on-going dedicated funding for local roads, bridges and transit. I recommended \$114 million in additional and dedicated funding to small cities (\$38 million), large cities (\$38 million), Greater Minnesota transit (\$20 million), ADA assistance to cities (\$8 million), safe routes to school (\$5 million), and tribal roads (\$5 million). The vast majority of Minnesota's roads and bridges are maintained by township, city, and county governments, whose main source of funding are property taxes. My proposal was intended to lessen the burden on property taxes. I do support the modest investments provided to local governments. However, the one-time funding does not support this on-going need local officials face.

- \$25 million for local bridges (on-going)
- \$16 million for small cities under 5,000;
- \$10 million for metro roads
- \$4 million for township roads

Furthermore, I am concerned that this bill issues \$940 million in borrowing (trunk highway bonds) without new constitutionally dedicated revenue to pay off the bonds. In future years, should the legislature reverse or reduce the general fund commitment to roads and bridges, MnDOT would be forced to pay for debt service from sources that are meant for road and bridge construction.

The bill also falls short of funding the needed investments in metro area transit. This bill funds Metro Transit at \$70 million in fiscal year 2018-2019 to ensure that there will not be a reduction of vital bus services in the next biennium. However, the funding increase is one-time only. Therefore, Metro Transit is projected to have a \$110 million structural deficit in the next biennium. As a result, Metro Transit will begin planning for reduced service despite the projected population increase of 750,000 people by 2040. I urge the legislature to work with the Metropolitan Council to adequately fund metro transit next year so that our transit system remains strong and our region is competitive. I am pleased that this bill removed the policy provisions included in the vetoed bill that obstructed transit development.

This bill fully funds the MnDOT freight rail office and maintains base funding for the passenger rail office. The freight rail office is responsible for administering key rail safety programs statewide, including identifying and upgrading high-risk grade crossings. Next year, I encourage the legislature to consider my proposals for additional rail inspectors, the rail grade crossing safety program, and extending rail service to St. Cloud. These are key investments to ensure safety as well as support an important economic engine of our state.

This bill fully funds my request for the State Patrol's helicopter at approximately \$5.8 million. This investment will allow the State Patrol to provide critical life-safety search and rescue, which no one else can provide in Minnesota. This bill also provides one-time \$16 million to fund MNLARS, the backbone of our driver and vehicle services system. Next year, I encourage the legislature to re-consider my proposal to establish a stable ongoing funding source for this critical driver and vehicle services system. The bill also provides funding for the MNCrash system which law enforcement and other stakeholders rely on to better direct resources related to safe roads. The bill also increases the salary for State Patrol Academy trainees to encourage and support recruitment.

This bill makes the necessary investments in our regional airports to permit us to leverage federal dollars and improve infrastructure to support local economic growth.

- An additional \$6.6 million will make the necessary improvements at the Duluth International Airport and the Sky Harbor Airport to leverage an additional \$47 million in federal funding.
- An additional \$2.3 million investment in terminal improvements at the Rochester International Airport will help the airport accommodate the rapid economic growth driven by Destination Medical Center and Mayo Clinic.

Minnesota needs long-term, sustainable, and constitutionally dedicated funding for our roads, bridges, and transit. While I am concerned that the use of the General Fund in this bill is not reliable, I acknowledge that this bill does provide a much-needed funding infusion, in fiscal years 2018-2019 to maintain our infrastructure so that we can continue to make progress even though it remains short of addressing the growing gap between resources and transportation system needs.

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, Minnesota Senate
Representative Melissa Hortman, House Minority Leader
Representative Paul Torkelson, House of Representatives
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