

Request for City Council Committee Action from the Department of Intergovernmental Relations

Date: July 27, 2009

To: Chair Betsy Hodges and IGR Committee Members

Subject: Federal, State, Local Update: Federal-Transportation; State-Local Government Aid Study Group

Recommendation: Receive and File

Prepared by: IGR Staff

Approved by Gene Ranieri: _____

Presenters in Committee: IGR Staff

Background Information:

Federal: Transportation: House Transportation and Infrastructure Committee Chair Rep. James Oberstar testified before the House Ways and Means Committee Subcommittee on Select Revenue Measures regarding surface transportation funding. Rep. Oberstar spoke of the need for additional revenue to fund the transportation reauthorization legislation that his committee is developing and immediate funding to keep the highway trust fund account in balance.

The transportation reauthorization bill will require an additional \$140.0 million over the six year authorization period for fiscal years 2010 through 2015. Of this amount, \$65.0 billion is to fund the existing surface transportation funding level and \$75 billion is for the new investments. Rep. Oberstar identified several sources to fund the bill. Among them are general fund reimbursements to the highway trust fund for emergency relief, vehicle safety research and foregone interest; issuing treasury bonds to finance increase funding of the early years of the bill; increasing fees on crude oil and imported gasoline and diesel and user fees.

Rep. Oberstar also stated that his committee recommends that the Committee on Ways and Means transfer by October 1, 2009, at least \$3.0 billion from the general fund to the Highway Account. If the transfer does not occur the account could run out of money. The subcommittee chair indicated the House would probably approve the request before the start of the August recess on July 31.

Senate Committees have approved an 18 month extension of the transportation bill as well as \$22.0 billion for the Highway Trust Fund and \$4.8 billion for the Mass Transit Account. It is expected that the Senate will pass one bill with the extension and appropriation. The Senate is expected to adjourn August 7.

State of Minnesota: Local Government Aid Study Group. The House and Senate have announced their members for the LGA Study Group. The membership follows:

Senate

Sen. Rod Skoe

Clearbrook

Sen. Linda Scheid
Sen. David Senjem
Mayor Bruce Ahlgren
Joel Young
Steve Peterson

Brooklyn Park
Rochester
Cloquet
Chatfield (City Clerk)
Coalition of Greater Minnesota Cities

House

Rep. Paul Marquart
Rep. Diane Loeffler
Rep. Pat Garofalo
Council Member Betsy Hodges
Anne Norris
Rachel Walker

Dilworth
Minneapolis
Farmington
Minneapolis
Crystal (City Manager)
League of Minnesota Cities

The Study Group was established by the 2008 tax bill and the study shall include but not be limited to:

“consideration of existing disparities in the distribution of local government aid, an analysis of current law need and capacity factors, alternative analytical methods for determining correlations between factors and need, the formula to calculate aid for small cities, and volatility in the local government aid distribution”.

The group is required to report its specific recommendations to the legislature by December 15, 2010.

Capital Bonding. Approximately \$2.6 billion in project requests have been submitted to the Minnesota Department of Management and Budget for possible inclusion in the Governor's 2010 Capital Budget. Of the total \$2.03 billion has been requested by state agencies and approximately \$600.0 million has been requested by state agencies. A listing of all projects can be found at www.mmb.state.mn.us. Prior to the beginning of the 2010 legislative session, the House and Senate Capital Investment Committees will tour the sites of the proposed projects. The Minneapolis tours which also includes Park Board and Hennepin County projects are usually scheduled for November- December.