



# Summary of meeting with State Rep. Bernie Lieder

Civic Caucus, 8301 Creekside Circle, Bloomington, MN

*Monday, February 25, 2008*

**Guest speaker: State Rep. Bernie Lieder** , chair House Transportation Finance Division and chief author of major transportation bill that passed the Legislature on Feb.21.

**Attendance** : Verne Johnson, chair; Chuck Clay, Paul Gilje, Jim Hetland (by phone), John Mooty (by phone), and Clarence Shallbetter (by phone)

**A. Context of the meeting** —The Civic Caucus has been devoting considerable attention to issues of leadership by the Governor and Legislature. Also the Civic Caucus issued a major report in 2003 calling for changes in transportation policy-making. Today we're visiting about changes in transportation policy-making that are contained in a transportation funding bill approved by the Legislature on Feb. 21.

**B. Welcome and introductions** —Verne and Paul welcomed and introduced State Rep. Bernie Lieder, Crookston, MN, who is serving his 12th term in the House. Lieder, a retired engineer, is a graduate of the University of Illinois and of Purdue University. He is chair of the House Transportation Finance Division and is chief author of H.F. 2800, a major transportation funding bill that passed the House and Senate last Thursday.

**C. Policy planning aspects of the transportation bill** —An additional \$600 million per year for highways and transit is provided by the bill. The bill increases the state gasoline tax by five cents a gallon and imposes an additional gas tax surcharge of up to three and a half cents a gallon to pay off road construction debt. Motor vehicle license fees are increased. A one-fourth cent sales tax increase in the metro area, dedicated to transit also is included.

The Minnesota Department of Transportation, the state's counties and cities over 5,000 population will share proceeds of the gasoline tax and motor vehicle license fees, 62 percent state; 29 percent, county, and 9 percent, cities, as provided in the constitution.

The metro sales tax would be imposed by county boards in the metro area who would organize a joint powers board. The board would consist of "one or more" commissioners of each county in the metro area and the chair of the Metropolitan Council. The joint powers board would decide which transit

projects in the metro area would receive funding.

The Governor vetoed the bill, and the Legislature will soon take up the question of overriding the veto, possibly today.

**D. Comments and discussion with Rep. Lieder** —During Lieder's comments and in discussion with the Civic Caucus the following points were raised:

**1. Overall impact of transportation bill** —It's very difficult to pass a great bill, with all the compromises required, but this bill is better than most, Lieder believes. It's more of a pay-as-you-go approach rather than putting everything into bonding, as had been proposed by Gov. Pawlenty. It provides metro sales tax for metro transit. The Minnesota Department of Transportation will receive amounts equal to about 50 percent of its current construction budget. For cities and counties the amounts will be about 25 percent. The Governor vetoed the bill but Lieder believes the Legislature will over-ride the Governor's veto, possibly today. (Editor's note: the veto was overridden. Thus the bill has become law.)

**2. Difficulty in balancing so many interests** —Lieder said the Legislature has a difficult time balancing all the interests, metro versus out-state, transit versus highways, and a new divide, west metro versus east metro.

**3. Further fragmentation of transportation policy**— The addition of a joint powers board for transit in the metro area seems to exacerbate an already-fragmented transportation policy-making structure in the state, a Civic Caucus member commented. Nothing is done in the way of trying to assemble a comprehensive transportation plan on behalf of the existing jurisdictions—including metro and out-state transit, state highways, counties, and cities, the member said. In addition, an unusual county-led joint powers board is superimposed on the same area covered by the Metro Council. It is the approach that the counties requested, Lieder said. Counties have concerns about power and influence of the Metropolitan Council, including how its members are selected (by appointment by the Governor). The counties were also active in advocating the creation of a joint powers board made up of the counties to allocate the sales tax revenues rather than turning the responsibility over to the Metro Council. There continues to be significant resistance to giving the Metro Council responsibility for determining what to fund for transit and to deciding where transit improvement are to be made.

**4. Metro area transit extending beyond seven-county borders**- -Earlier versions of the bill attempted to address concerns within the seven-county metro area, such as that park-and-ride commuter lots were filling up with residents of outlying counties that weren't sharing the expenses of such lots. Therefore, in the earlier versions a way was provided for outlying counties to contribute financially. But such provisions were deleted in the final version because of opposition from outlying counties.

It was noted that the Civic Caucus in its 2003 report on transportation (see [www.civiccaucus.org](http://www.civiccaucus.org). Under "Position Reports", click on "Transportation 2003) called for major structural change in transportation that would have unified transportation planning and provided a way for all affected geographic areas to be included.

**5. Absence of the role of the Governor**- -A Civic Caucus member observed that the bill virtually ignores the role of the Governor, so it is difficult to see how a statewide perspective can be brought to

bear on transportation. Lieder replied that over the last six years legislators have repeatedly looked to the Minnesota Department of Transportation (MnDOT) to be an advocate for more funds, but that MnDOT has not responded. Thus the Legislature had to fill that void.

**6. Covering operating subsidies for transit-** -A Civic Caucus member commented that operating expenses for transit usually exceed fare box revenues 3-to-1. Lieder was asked how much of the 1/4 cent increase in the sales tax will be used to cover operating subsidies. Such subsidies have been provided by the general fund in the past but will be covered, after July 1, 2009, by the metro sales tax. Lieder said. Subsidies from Hennepin County for operating subsidies for the Hiawatha light rail line also will be covered by the sales tax, he said.

Lieder affirmed that the first call for sales tax revenue would likely be for transit operating subsidies. When asked if the legislature would likely appropriate some general revenue if these funds were not sufficient, Lieder said the counties had better figure this out and use the property tax if necessary rather than come to the state.

**7. Placing funds where they'll do the best job of fighting congestion-** -It was noted that serious questions have been raised about the fact that the proposed Central Corridor light rail line (on University Avenue between Minneapolis and St. Paul) might have the effect of increasing congestion. Lieder was asked how such a project could receive a high priority ranking in light of other urgent needs, including bridge construction. Lieder replied that much of the impetus for the Central Corridor light rail line comes from the availability of federal funds, which Minnesota would lose out on without making applications such as for the Central Corridor. The federal government seems to be getting more into the transit mode because the federal highway user fund is in serious financial difficulty.

**8. Likely impact of a broader definition of transit-** -Lieder said that the metro sales tax for transit would be available for all sorts of ways for people to ride—from ride-sharing, to buses, to rail. It was noted, however, that the chief orientation of metro counties, with their county rail authorities, has been on use of transit funds for rail, not other forms of transit.

**9. Absence of a state planning agency-** -Lieder was asked about the potential of some body at the state level being able to put together a comprehensive transportation plan for all types of major transportation facilities by all jurisdictions. Nothing is probably more important to the economic health of the state than education and transportation, a Civic Caucus member said. Lieder agreed that comprehensive planning is needed. He noted that MnDOT does present long-range plans for part of the state's transportation system: state trunk highways. But MnDOT doesn't have authority for other components, such as transit or major county and city thoroughfares .

In response to a question Lieder said he doesn't know how the various jurisdictions would respond to proposals for an overall transportation plan. Having just put together the transportation funding bill, and the bargaining necessary to gain enough votes for passage and to have a good chance at overriding a veto, Lieder doesn't know what would be necessary to gain agreement on a structure for transportation planning. Lieder said Rep. Alice Hausman is concerned about transportation planning structure.

Lieder said a comprehensive transportation plan is absolutely what the state needs.

**10. Whether funds should be earmarked for specific projects—** Lieder said he always has

opposed the practice of legislators' agreeing to support a bill in exchange for their favorite projects being included. In the current bill some provisions come dangerously close to earmarking. The criteria for certain bridge reconstruction, for example, are drafted so they can only apply to the Lafayette bridge and the Hastings bridge. The impetus for earmarking is usually the result of under-funding, he said. Certain interests have been talking to him about finding funds for a \$100 million freeway interchange. There's just not enough money. If transportation revenues become adequate, and stable, then pressures for earmarking will be reduced.

Although the bill does not specifically designate routes or projects for highway improvements, it does designate projects for transit, especially LRT and commuter rail projects. While the legislature does not earmark funds generally for roads it does routinely designate other kinds of projects in the general funded state bonding bill.

**11. Prohibition on toll roads explained—**It was noted that the legislation prohibits toll roads. Lieder said the prohibition applies to existing freeway lanes that aren't toll lanes now. It doesn't apply to any toll road or high-occupancy lane established before September 1, 2007, or to additional lanes for more capacity that might be built in the future. Lieder says he personally favors toll roads, but many legislators are strongly opposed. He would favor a new Stillwater bridge as a toll road.

**12. Desirability of using a source of general revenue —**Questions were raised about the desirability of using a sales tax—which is commonly used as a source of general revenue in the state—for transportation, particularly because transportation has many other potential revenue sources available, unlike services like education.

**13. Exploring "value capture" revenue potential —**Continuing the discussion of such improvements as major freeway interchanges, it was noted that such installations have the effect of producing substantial increases in the value of nearby land. Lieder said the bill appropriates \$325,000 for a study by the Center for Transportation Studies at the University of Minnesota on capturing the value of benefits created by major transportation improvements to help finance such improvements.

**14. Consequences if the Governor's veto is sustained —**A member inquired why, as published reports have indicated, the Legislature would be unlikely to try to pass another transportation bill this session. A lesser bill, Lieder said, would be opposed because it would simply prolong the agony of under funding. Minority Republicans have a bill for using \$225 million of general revenue to repay some transportation bonds. That money could simply come from other services like health care and education, he said.

**15. Thanks —**On behalf of the Civic Caucus, Verne thanked Lieder for meeting with us this morning, particularly with all the activities associated with trying to override the Governor's veto.

## **Participant Responses to Bernie Lieder Interview, and to Civic Caucus Transportation Questions**

***The Civic Caucus* is a non-partisan, tax-exempt educational organization. Core participants include persons of varying political persuasions, reflecting years of leadership in politics and business.**

**A working group meets face-to-face to provide leadership. They are Verne C. Johnson, chair; Lee Canning, Charles Clay, Bill Frenzel, Paul Gilje, Jim Hetland, John Mooty, Jim Olson, Wayne Popham and John Rollwagen.**

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