April 20, 2017

Conferees for HF861 Transportation Omnibus Budget bill

Senator Scott Newman	Rep. Paul Torkelson
Senator John Jasinski	Rep. John Petersburg
Senator Mary Kiffmeyer	Rep. Linda Runbeck
Senator David Osmek	Rep. Jeff Howe
Senator Dan Sparks	Rep. Jon Koznick

Dear Conferees:

I am writing on behalf of the member organizations of the Minnesota Transportation Alliance to share our organization's views on some of the provisions passed by the House and Senate as part of HF861, the Transportation Omnibus Budget bill.

Overall, Alliance members appreciate the recognition that a status quo budget is not acceptable as our state's infrastructure continues to age and deteriorate. Additional, ongoing revenue is needed for highways, bridges and transit throughout the state. MnDOT has established a clear need for an additional $600 million per year on the state highway system for the next 10 years, while local governments face a funding shortfall near $900 million per year for the coming decade.

Minnesota's transportation system has long relied on a combination of revenue sources that are constitutionally dedicated along with some revenue from the general fund. The voters of Minnesota have decided that relying on user fees, specifically the fuel tax, motor vehicle registration tax and motor vehicle sales tax is how our roads and bridges should be funded and that those fees should be constitutionally dedicated and used solely for transportation purposes. This constitutional protection has been critical for long-term planning and cost effectiveness in delivering transportation projects. States that do not have this constitutional protection have had highway trust funds raided to balance general fund budgets during times of deficits.

We agree that dedicating the sales tax on auto parts, on an ongoing basis, to highway purposes makes sense as it can be categorized as a user fee, similar to the motor vehicle sales tax. However, a clear dedication of all revenue attributable to the sales tax collected on auto parts is not part of the current language of HF861. The set dollar amount transferred in this bill is significantly less than the $300 million dedicated in other legislation and or the previous revenue estimates for the full sales tax from auto parts.We urge the conferees to strengthen the statutory dedication language so that at some point in the near future, all revenue attributable to the sales tax on auto parts shall be deposited in the Highway Trust Fund and used solely for a highway purpose.

Without clear legislative intent that the auto parts sales tax is to be dedicated to highway purposes, future legislatures may well decide to direct those dollars to other purposes, leaving programmed road projects suddenly short of funds and potentially leaving authorized trunk highway bonds without sufficient revenue to cover debt service at a level that does not exceed 20% of funds in the Trunk Highway Fund.

The amount of sales tax revenue provided in the bill will definitely meet some of the identified need, but will leave a shortfall on the state highway system of $400 to $480 million each year and a much larger shortfall on the local road system. The Trunk Highway Bond authorization provided in the House bill does provide the resources to complete many state highway and bridge projects in the next four years and we support the inclusion of $1 billion in trunk highway bond proceeds for the Corridors of Commerce program.

Alliance members urge you to provide more stability to the Highway Trust Fund by changing the depreciation schedule for the motor vehicle registration tax to depreciate at a slightly slower rate to generate additional constitutionally dedicated revenue to help support the level of trunk highway bonding authorized in the House bill for the life of the bonds.

The Transportation Alliance supports the House provision that creates a new Local Bridge program and Small Cities Assistance Account. Stable funding to meet local road and bridge needs is clearly needed. We have long supported a $10 surcharge on vehicle title transfers and registrations to provide ongoing revenue to large and small city street assistance accounts.

We are very concerned about the Senate proposal to shift funds from the flexible fund that are designated for turnbacks to the Trunk Highway Fund. Constitutional restrictions on the use of trunk highway funds means dollars can only be spent on trunk highways regardless of any statutory language and once the jurisdiction has been changed, a roadway is no longer a trunk highway. Also, having funding in the turnback account provides more certainty for local governments. While future MnDOT commissioners and future administrations may be able to spend certain funds on turnbacks, they may decide not to and this leaves local governments struggling to plan at a time when there is a backlog of projects waiting for funding.

The Transportation Alliance supports the House provision (now in the House tax bill HF4) for an annual fee for all electric vehicles of $75 and urge your support for this provision. More and more states are passing similar annual fees including the State of California which just enacted a $100 annual fee for electric cars.

We appreciate the inclusion of a full dedication of the sales tax on leased vehicles to transportation which will transfer the $32 million currently being deposited in the general fund to transportation purposes. We request that the funds be split between Greater MN transit and metropolitan counties to meet county highway needs.

The Transportation Alliance has very serious concerns about the cuts to transit funding and the policies that restrict the ability of the Metropolitan Council and local governments to move forward with plans to build out the transitway network in the metropolitan area.

Alliance members do not support the cut to the general fund budget that will reduce transit service by 40%. As Metro Transit faces a $74 million deficit for the coming biennium, we urge an increase in funding to both cover this gap and provide additional resources to meet the growing demand for bus service including mandated Metro Mobility service.

The Alliance does not support the proposed shift of $67 million in state covered costs for 50% of operations of existing Blue Line and Green Line to CTIB or the prevention of regional rail authorities, cities or counties or the Metropolitan Council from spending any funds for study, project development or construction of a light rail line unless the legislature specifically authorizes the project. We do not support the language prohibiting the Metropolitan Council from issuing Certificates of Participation or other obligations backed by MVST funds or from planning on a state share for the capital costs of a light rail transit project unless the funds are made available by law. We do not support the repeal of the provision establishing that 50% of net light rail transit operating costs come from state sources.

The Senate language includes a shift of $16M per year into a newly created Active Transportation Account from the National Highway Performance Program. The NHPP provides support for the condition and performance of the National Highway System (NHS), for the construction of new facilities on the NHS, and to ensure that investments of Federal-aid funds in highway construction are directed to support progress toward the achievement of performance targets established in a State's asset management plan for the National Highway System. It is the largest source (63%) of formula federal funding for Minnesota roads and bridges. The state has programmed $144.5 million in funds for bike/pedestrian improvements in the current 4-year STIP (2017-2020) including Federal funding of $49 million from the Transportation Alternatives Program and Federal Funding of $22 million from Surface Transportation Block Grant Program. These programs are a better fit for active transportation projects than the NHPP.

The Senate language includes authorization for the counties that are part of the Counties Transit Improvement Board (CTIB) to levy a 1/5% additional local sales tax for transportation purposes if approved by voter referendum at a general election. We believe that all counties should have the same authorization to levy a local option sales tax for transportation purposes by vote of the county board as is authorized for the other 82 counties.

Thank you for this opportunity to provide input as you work to develop a strong transportation funding bill that will significantly improve the safety and effectiveness of Minnesota’s transportation system for years to come.

Sincerely,

Margaret Donahoe
Executive Director