



COVID-19 Response and Recovery

2021 TRANSPORTATION LEGISLATIVE AGENDA

Minnesota's transportation system forms the backbone of the state's economy, allowing for the movement of people and products throughout the state and beyond. The Minnesota Transportation Alliance works for the resources necessary to improve the safety and effectiveness of all modes of transportation.

Minnesota's transportation system is critical for managing and recovering from the COVID-19 pandemic. The transportation system allows:

- Essential workers to get to their jobs;
- Emergency response personnel to get to where they are needed;
- Products including food, medicine and other needed goods to be delivered;
- Vaccines and other medical equipment to be shipped;
- Minnesotans to continue to shop, travel and live independently;
- Manufacturing, agriculture, mining and other industries to ship commodities;
- Jobs in construction, maintenance and operations of the transportation system that help support the Minnesota economy that lead to direct and indirect economic growth

Underfunded Transportation System

Minnesota's transportation system is aging and faces a growing gap between available funding and the dollars needed just to maintain the existing transportation system. Prior to the pandemic the transportation system was struggling with an **annual funding shortfall of over \$1.8 billion**.

The impact of COVID-19 has led to cuts in revenue dedicated to transportation purposes. The November, 2020 forecast shows a cut of \$262.8 million compared to the February 2020 forecast projections.

- Gas tax revenue down – (\$125,448,000) from February, 2020 forecast
- Registration tax (license tab fees) down – (\$54,442,000) from February 2020 forecast
- Motor Vehicle Sales Tax (MVST) 60% roads down – (\$27,749,000) from February 2020 forecast
- Motor Vehicle Sales Tax (MVST) 40% transit down – (\$18,849,000) from February 2020 forecast
- Statutorily dedicated sales taxes down – (\$33,870,000) from Feb. 2020 forecast
- Other down - (\$2,750,000) from Feb. 2020 Forecast

The funding gap for all modes of transportation continues to be a major problem leading to increased safety hazards, growing congestion, missed economic and job opportunities, damaged roads, deficient bridges and increased social costs as people struggle to get where they need to go with inadequate transit options.

Increased investments in transportation are critical to:

- Reduce fatalities and injuries on the transportation system;
- Build a stronger, more resilient transportation system that can withstand flooding and extreme weather;
- Create jobs and boost economic activity and development;
- Allow people to live in their own homes and access critical medical services, jobs, education, food and needed supplies;
- Support the manufacturing, agriculture, mining, tourism and other industries.

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1. **Provide increased, stable and dedicated funding for all modes of transportation to reduce the documented funding gap.**

Transportation infrastructure projects require years to develop and construct. Stable, dedicated funding has been critical to cost-effective planning and delivery of projects in Minnesota. That is why we have 3 constitutionally-dedicated revenue sources: fuel tax, motor vehicle registration fees and motor vehicle sales tax. Dollars in the Highway Trust Fund are not used for transit or other modes of transportation.

New State Revenue

- Increase the motor fuel excise tax of 25 cents per gallon by 5 cents per gallon. The US average for state taxes and fees on gasoline is 36.38 cents per gallon.
- Increase the debt service surcharge by 4 cents over 3 years to allow for additional trunk highway bond authorizations.
- Increase the motor vehicle registration tax by:
 - Increasing the rate from 1.25% to 1.375%
 - Slowing the depreciation schedule
 - Increasing the base fee from \$10 to \$45
- Increase the metropolitan area sales tax for transit by ¼ cent
- Increase the motor vehicle sales tax rate from 6.5% to 6.875% and increase the MVST for Suburban Transit from 4.3% to 5%.
- Increase the annual electric vehicle fee from \$75 to \$150
- Implement a fee on Transportation Network Companies with revenue dedicated to transit systems

Dedication of Current Transportation Revenue (**Only with increase in revenue into HUTDF*)

- Convert the current dedication of \$145.6 million per year in revenue from the sales tax on auto repair parts to dedicate 60% of the total revenue collected to the Highway User Tax Distribution Fund.
- Change the distribution of the statutorily dedicated revenue from the sales tax on leased motor vehicles (MVLST) to:
 - 40% - Greater Minnesota Transit
 - 50% - 7 Metro Counties (No reduction in funding from current law for any county)
 - 10% - Transportation Fund for local bridges
- Distribute revenue from the statutorily dedicated sales tax on rental vehicles (9.2%):
 - \$21 million to the Small Cities Assistance Account
 - \$10 million to Greater Minnesota Transit
- Distribute revenue from the statutorily dedicated sales tax on rental vehicles (6.5%) to the Township Road and Bridge Fund
- Dedicate \$30 million per year from the Trunk Highway Fund for the Transportation Economic Development Program (TED).

Bonding

- Authorize \$200 million per year for 4 years (\$800 million) in Trunk Highway Bonds to the Corridors of Commerce program. (Dependent on increase in revenue to the Trunk Highway Fund)
- Authorize general obligation bond funds for local roads and bridges, transit capital projects, ports and waterway projects, railroad improvements and airport needs.

Efficiencies/Tax Reform

- Fund MnDOT and DPS Trunk Highway Fund expenditures not related to a Highway Purpose from the state general fund.
- Support early acquisition of rights-of-way for transportation projects. Adequately fund the Right of Way Acquisition Loan Fund (RALF).
- Eliminate payment of state sales tax on purchases for transportation projects for MnDOT, transit agencies and local units of government, including joint powers boards.

- Eliminate some of the exemptions to payment of the motor vehicle sales tax.
- Expand the transit taxing district to encompass the entire seven county metropolitan area if additional operating dollars are allocated to provide additional service. Remove restrictions on the use of regional property tax dollars collected by the Metropolitan Council for transit.

Local Options

- Authorize cities to create Street Improvement Districts.
- Authorize a municipal local option sales tax for transportation that is similar to the county local option sales tax for transportation.
- With an increase in revenue into the Trunk Highway Fund, revise the local cost participation policy to reduce the burden on local governments for contributing to state highway projects.

Policy Issues

1) Support legislation to improve the transportation project delivery process, including the permitting process in order to speed up the completion of projects and reduce costs.

- Support the implementation of the recommendations of the Wetland Streamlining committee.
- Eliminate some requirements for projects within the existing right-of-way.
- Increase the use of innovative technologies.
- Support state assumption, in collaboration with local government, of the federal 404 permit program.

2) Support the constitutional dedication to the Highway User Tax Distribution Fund of any revenue from a mileage-based user fee.

3) Support efforts to bring MN Stat. 174.50 Bridge Grant Program Subds. 7(f) and 7(g) into alignment with Subd. 6d by removing reference to total project cost in order to provide consistency and to limit the total grant award to less than \$7,000,000.

4) Support the incorporation of policies designed to improve the resiliency of the transportation system as the risk of flash floods, extreme flooding, slope erosion and winter precipitation and freeze/thaw cycles are projected to increase in the future. Support MnDOT's work in completing a vulnerability assessment and incorporating resilience considerations into design guidelines and asset management.

5) Support the use of Public Private Partnerships (P3s) for transportation projects that are in the public interest and supported by local governments. Processes should be established for managing P3 projects including the management of unsolicited proposals.

6) Monitor legislation related to autonomous and connected vehicle technology as well as the results of MnDOT's testing of an autonomous bus. Support funding for infrastructure improvements that will allow the state to take advantage of new technology that will improve safety and mobility.

7) Support ongoing efforts to improve the transparency of decision making at MnDOT and the Metropolitan Council including the project selection process.

8) Support the current process for determining speed limits on state and county highways.

9) Monitor legislation related to the governance structure of the Metropolitan Council.

10) Road and bridge weight issues – Support the prohibition of any weight limit exemptions except during harvest and support the ability of counties to establish load restrictions on their county road systems. Support eliminating the implements of husbandry exemptions and support civil penalties for excess weight. Support eliminating the liability exemption for damage caused by non-weight related unlawful operation on public highway bridges. Oppose efforts to remove local permitting authority.

11) Support full state funding, from non-transportation funding sources, for mitigation of wetland impact from county and municipal highway projects.

12) Oppose increased funding out of the Highway Trust Fund for recreational trails or other non-highway purposes and support a comprehensive study of diversions of revenue from the Trunk Highway Fund.

13) In the event of a state government shutdown, state permits issued for local road, bridge and airport projects should remain in effect with local governments responsible for meeting all legal requirements of the permits. Additional costs incurred by contractors and vendors related to a government shutdown should be paid out of the state general fund.

14) Support electronic and photo monitoring on roadways and in work zones for data collection, traffic planning, driver education, and enforcement as a means of reducing road wear, crashes and injuries.

15) Review possible opportunities to increase safety in work zones including speed enforcement activities, changing MnDOT traffic control unit pricing in a low bid environment and public education.

16) Refine the eminent domain process to reduce costs with constitutionally dedicated tax dollars, including a requirement that owners provide their appraisal 45 days before the condemnation commissioners' hearing, and the acquiring entity provides a revised acquisition offer within 30 days of receipt of the owner's appraisal.