

# Transportation: What Legislators Need to Know 2021



# Overview

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- ❑ Transportation Stakeholders
- How Transportation Funding Works
- Options for the 2021 Legislative Session



# Transportation Coalition

- Local Governments Organizations:
  - Assn. of MN Counties, Rural County Caucus, MICA
  - League of MN Cities, Coalition of GM Cities, Metro Cities, Assn of Small Cities
- Transportation Industry
  - Contractors
  - Engineering Firms
  - Suppliers



# Transportation Coalition

- Labor: LiUNA, North Central States Council of Carpenters, Operating Engineers, Local 49, etc.
- Transit Systems, Advocates
  - Suburban systems
  - Greater MN systems
  - Advocates – Move MN
- Other Modes: Ports, Freight Rail, Airports



# Why Transportation Is Important

- **Economy** - Every economy depends on the movement of products to markets and people to work and other destinations. Without transportation, economic activity would halt.
- **Safety** - In 2018, 381 people died and 27,877 people were injured. The estimated economic cost to Minnesota: \$1,875,540,500. Of those deaths, 203 (58%) occurred in rural areas.
- **Access/Quality of Life** - People need access to institutions and services every day. People need to get to work, to school, to shopping, to health care, to church, to events and to spend time with family and friends



# System is Aging/Inadequate

- Thousands of structurally deficient bridges,
- Thousands of miles of deteriorating roadways,
- Needed upgrades at ports and airports and
- An aging and growing population that needs better transit service.

*Nearly 1 million new Minnesotans will move in by 2050*

*Freight truck traffic is expected to increase 40% by 2040 and the growth in vehicle miles traveled is projected to increase 21.3% by 2040*



# Road Funding Today

- **Constitutionally-Dedicated Revenue**
  - **Fuel Tax – Charged Per Gallon at the Wholesale Level. All fuels are taxed: E85, Diesel, Compressed Natural Gas, etc.**
  - **Motor Vehicle Registration Tax (License Tax Fees) Charged annually based on vehicle price and age – 1.25% of price with depreciation schedule.**
  - **Motor Vehicle Sales Tax (MVST) Split 60/40 between roads and transit. Currently, 6.5% of vehicle price.**

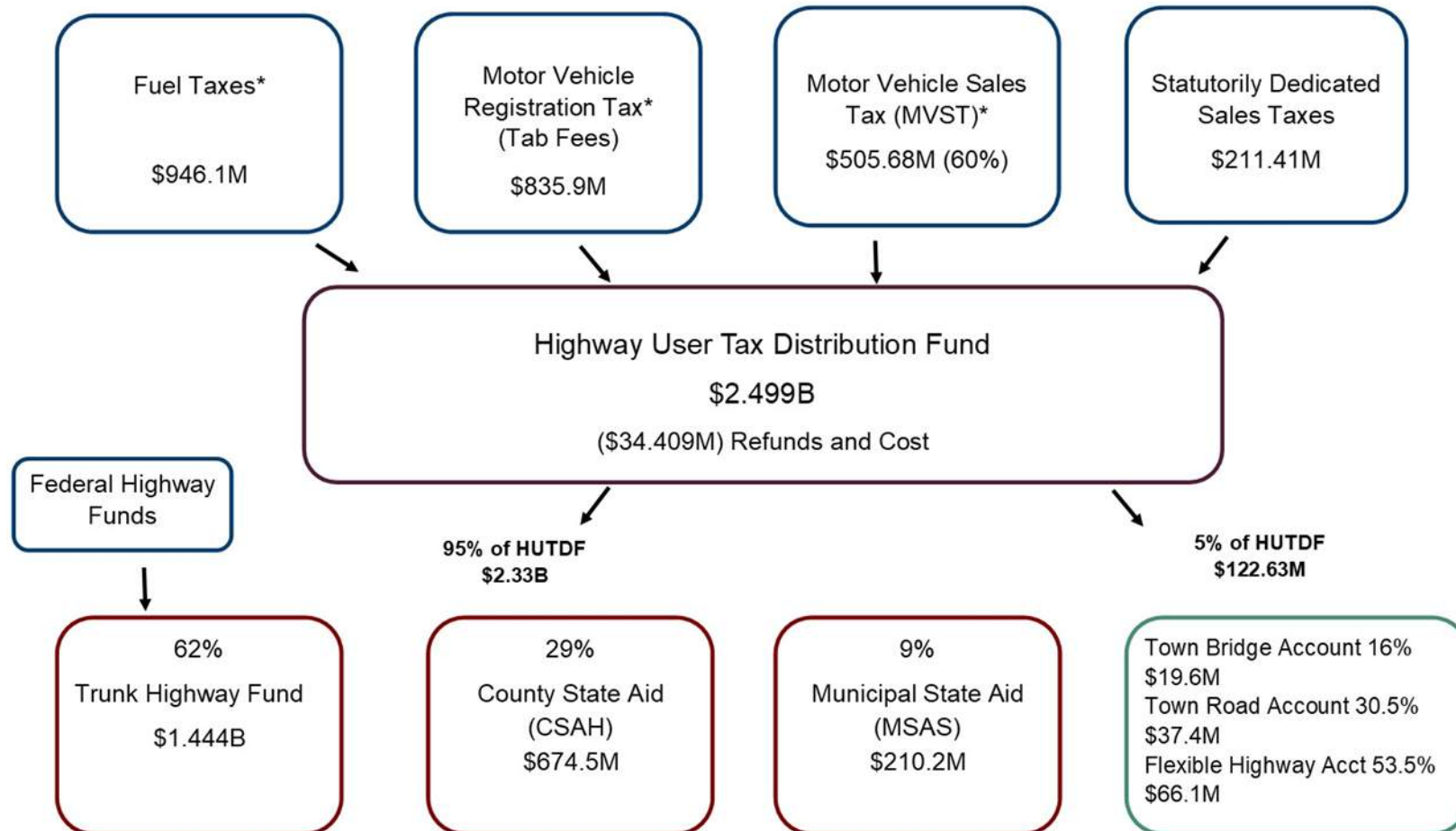


# Road Funding Today

- **Statutorily Dedicated Revenue**
  - Sales Tax on Auto Repair Parts - \$145.6M per year or about 60% of the total tax collected
  - Sales Tax on Rental Vehicles – 2 different taxes: one charged at 9.2% and one charged at 6.5%
  - Motor Vehicle Lease Sales Tax (MVLST) – 6.875% charged on vehicle leases rather than purchases
  - Electric Vehicle Fee - \$75 per year



## Highway User Tax Distribution Fund (HUTDF) FY2020



\*Constitutionally Dedicated



# What is AMC?



**A Voluntary Association of  
Minnesota's 87 Counties Since 1909**

**The Voice of County Government in  
Minnesota**

**An Education, Training, & Research  
Resource for Counties and County  
Officials**





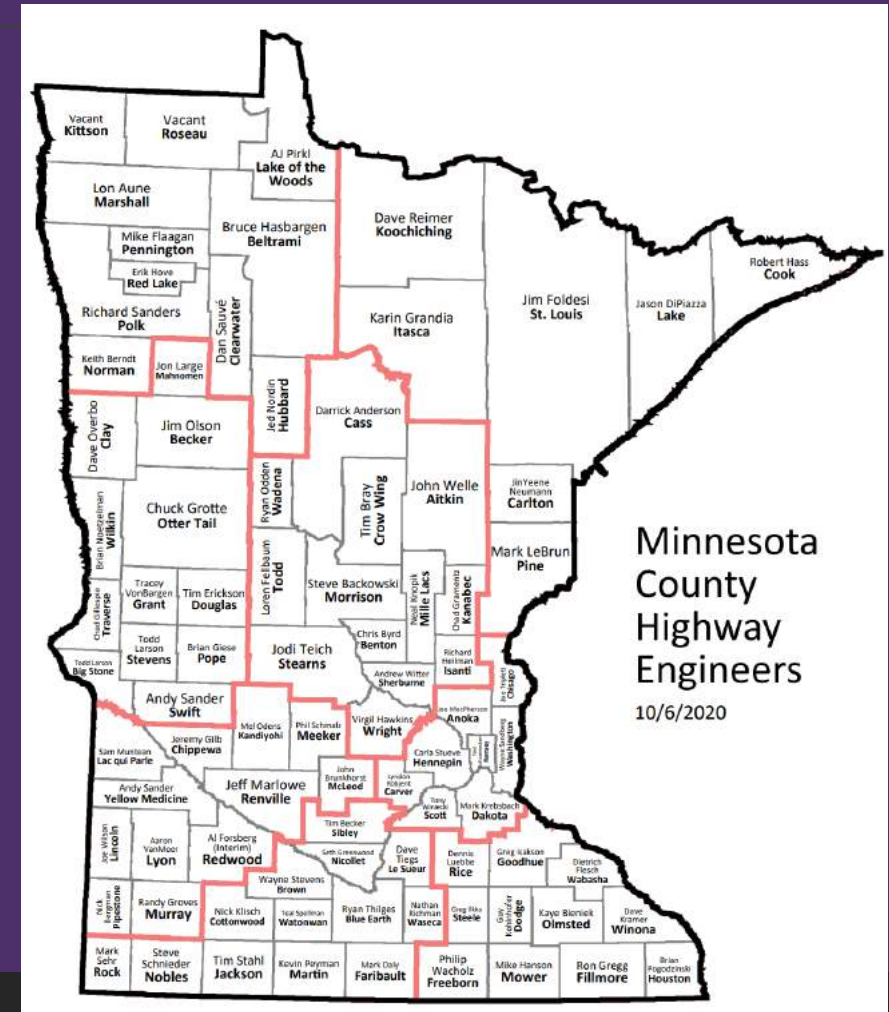
# MCEA

The Minnesota County Engineers Association (MCEA) is an association of the County Engineers in the state of Minnesota

MCEA's membership includes county engineers from each of the 87 counties in Minnesota appointed by the local county board according to MN Statute 163.07 (who must be registered professional engineers in the state of Minnesota) and associate members who are registered professional engineers working for a Minnesota County.

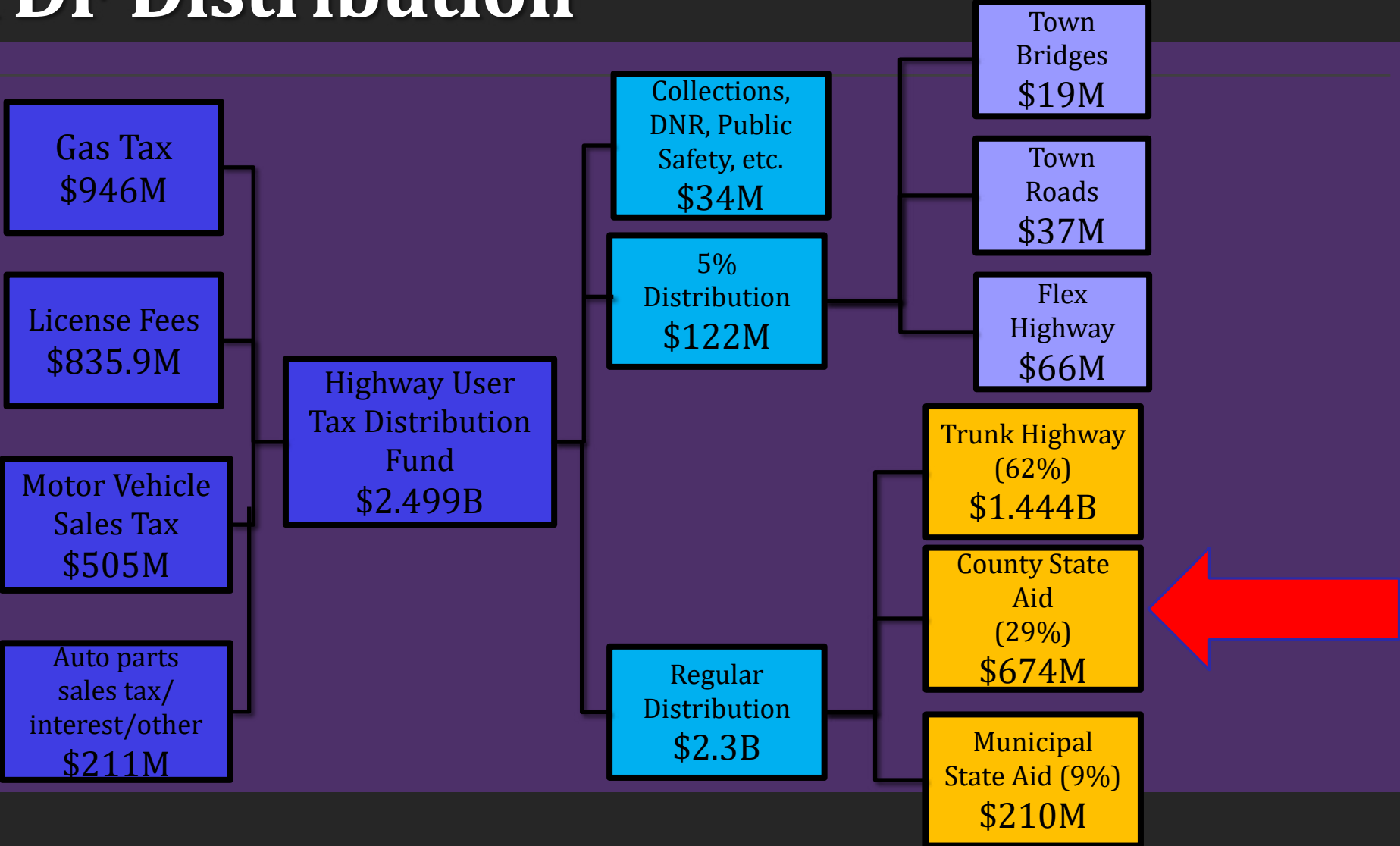
## Experts in their field

MCEA is an affiliate of AMC





# 2020 HUTDF Distribution





# CSAH vs. County Roads

**The County Road system is about 46% the size of CSAH system**

- 30,659 CSAH miles
- 13,930 County Road miles

**CSAH system eligible for HUTDF revenue**

**County Road system funded with local revenues**

- Property tax levy, wheelage tax, local option sales tax, etc.
- **NO HUTDF**



# CSAH vs. County Roads

**HUTDF/CSAH revenues not enough**

**Local revenues funding CSAH routes**

**County Road system continues to fall behind  
without:**

- Increased local options (levy, wheelage, etc.)
- Local Road Improvement Program (LRIP)
- Local Bridge Replacement Program



# Local Option Sales Tax

**Rate: Up to ½ of 1 percent on retail sales within the county**

**Use: A specific transportation project, transit capital expenditures as well as operating costs**

**How Enacted: by County Board approval**

**50 counties have adopted**

- Blue/purple counties on the map



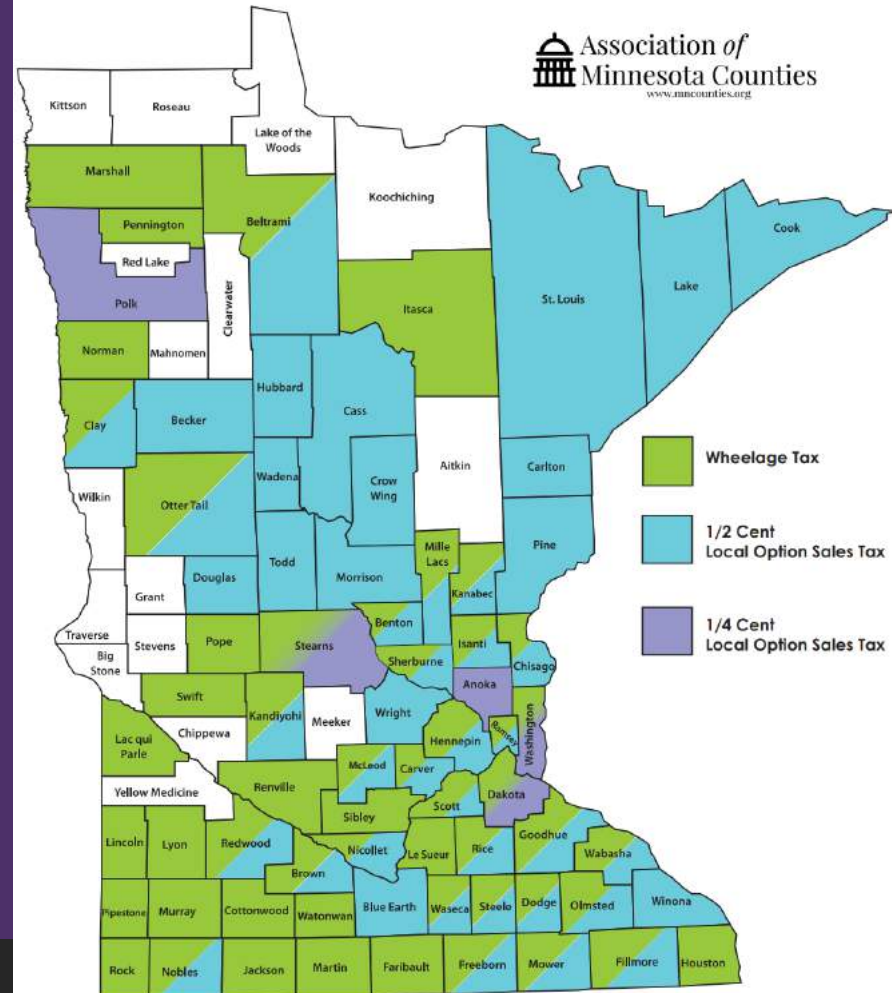
Association of  
Minnesota Counties

## Local Option Taxes for Transportation

January 2021



Association of  
Minnesota Counties  
[www.mncounties.org](http://www.mncounties.org)





# Wheelage Tax

**Rate:** up to \$20 per vehicle charge on vehicles housed in the county

**Collection:** With annual tab fees

**Use:** Highway purposes; intended for local roads or CSAH matches

**How enacted:** By County Board approval

**53 counties have adopted**

- Green counties on map



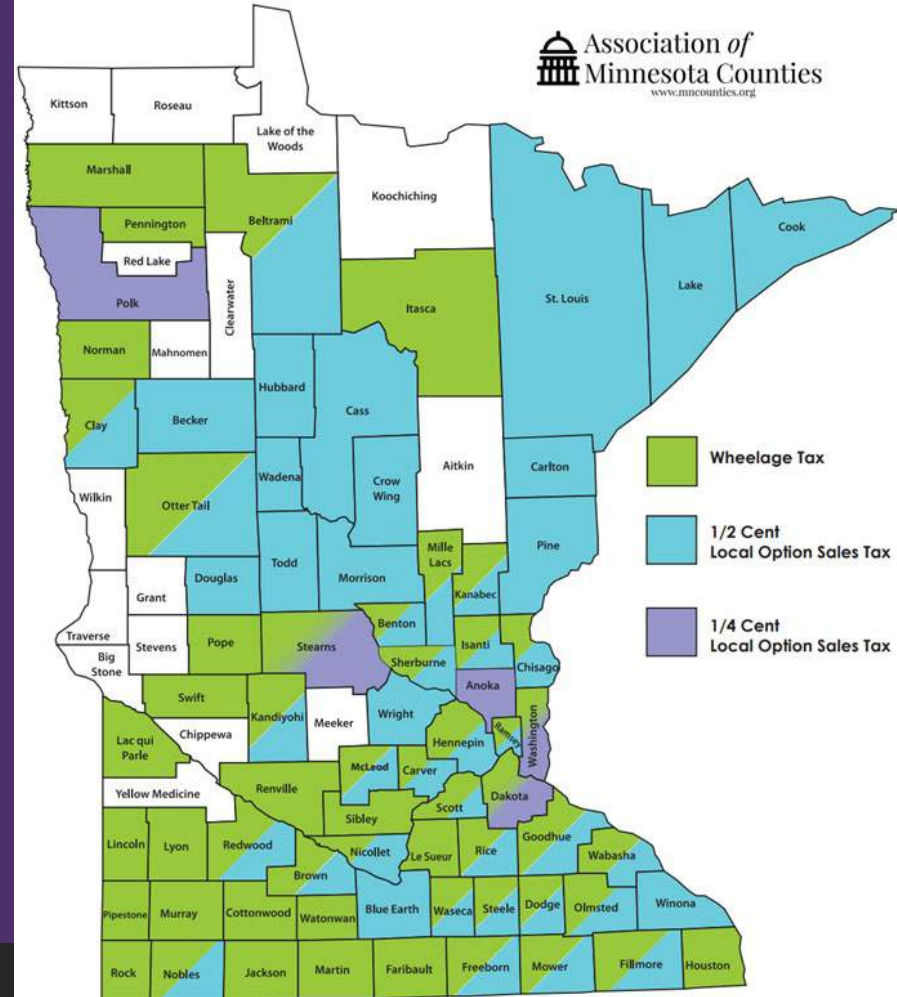
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## Local Option Taxes for Transportation

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# Bonds

## **General Obligation Bonds**

**Funds many modes – rail, transit, airports, ports and waterways, roads and bridges, wetland mitigation.**

### **Established programs supported by counties:**

- Local Road Improvement Program
- Local Bridge Replacement Program
- Local Road Wetland Replacement Program
- Busway Capital Improvement Program



# Local Road Improvement Program



**Grant program administered by State Aid**

**LRIP provides funding assistance to local agencies – counties, cities, and townships – for constructing or reconstructing local roads**

- Trunk Highway Corridor Account
- Routes of Regional Significance Account
- Rural Road Safety Account

**Projects are selected through a competitive solicitation process**

Year	Competitive LRIP		Earmarked LRIP	
	LRIP Funds (millions)	# of Projects Funded	LRIP Funds (millions)	# of Projects Funded
2014	\$54.4	43	-	-
2015	\$4.3	9	\$9.3	3
2016	\$0.0	n/a	-	-
2017 <sup>A</sup>	\$25.3	43	\$90.6	11
2018 <sup>A</sup>	\$35.0	49	\$75.4	16
2019	\$0.0	n/a	-	-
2020 <sup>A</sup>	\$75.0	TBD	\$109.9	23

<sup>A</sup> Competitive LRIP account is still open so number of projects funded is subject to change



# Local Bridge Replacement Program



**15,074 bridge structures on the local system**

**1,124 of these structures are eligible for rehabilitation or replacement based on condition ratings**

**Master Bridge Priority List: a compilation of all eligible local bridge projects identified by local bridge owners as priority for replacement or rehabilitation**

Year	General LBRP		Earmarked LBRP	
	LBRP Funds (millions)	# of Projects Funded	LBRP Funds (millions)	# of Projects Funded
2010	\$47.2	229	\$18.8	3
2011	\$33.0	128	-	-
2012	\$30.0	129	-	-
2013	\$0.0	0	-	-
2014	\$21.3	48	\$11.8	1
2015	\$7.4	23	-	-
2016	\$0.0	0	-	-
2017 <sup>A</sup>	\$16.5	78	\$32.7	2
2018 <sup>A</sup>	\$5.0	22	-	-
2019	\$0.0	0	-	-
2020 <sup>A</sup>	\$30.0	TBD	\$56.2	3

<sup>A</sup> Regular LBRP account is still open so number of projects funded is subject to change



# What is the need?

**How do we quantify what the need is for the entire county highway system in Minnesota?**

**We looked at this two different ways:**

1. Transportation Finance Advisory Council (TFAC) Report
2. County State Aid Needs System
  - 10% equalization
  - 10 % motor vehicle registration
  - 30% lane miles
  - 50% “needs”



# Local Needs – TFAC Report

20-Year Funding Needs to Achieve Desired Outcome (\$billions)			
	Scenario 1	Scenario 2	Scenario 3
<b>System/Mode</b>  (Includes funding for bikes and pedestrian needs associated with highway projects)	Anticipated transportation revenue for the next 20 years:  Baseline	Increment added to baseline to maintain current performance for the next 20 years	Increment added to baseline to become economically competitive/world class system for the next 20 years

**Scenario 3 recommended**

**\$18 billion over 20 years**

**\$900 million each year**

- \$450 Million for CSAH
- \$450 for County Roads



# County State Aid Needs System (with assumption for County Road System)



## **Considers what is needed on CSAH system for 25 Years**

- \$18.7 billion over 25 years
- ~\$750 million per year
- Current Revenue from HUTDF ~ \$400 million per year
- **Annual Funding Gap ~ \$350 million**

## **ASSUMPTION – County Road system about 46% of CSAH system**

- \$8.6 billion over 25 years
- ~\$340 million per year
- **Annual Funding Gap ~ \$160 million**

**\$1.1 Billion Total Annual Need**

**\$510 Total Annual Funding Gap for County System**



# AMC 2021 Priority



## TRANSPORTATION FUNDING

*AMC supports equity in transportation infrastructure through continued comprehensive transportation funding that includes new revenue for roads, bridges, and transit.*

The solution should be comprehensive (multi-modal), balanced (regionally and between modes), sustainable (on-going funding), and dedicated (constitutionally for roads and statutorily for transit).



# Transit Service Twin Cities Metropolitan Area

Metro Transit / Metropolitan Council - Metropolitan Area Transit includes buses, light rail and vanpools and services.

- Bus service is provided through express bus service, local buses, light rail, bus rapid transit (offers limited stops) dial-a-ride service (Transit Link), vanpools and service for people with disabilities (Metro Mobility).
- Light rail services is provided between downtown Mpls, mpls airport and mall of America (Blue Line); from downtown Saint Paul to the Capitol, Midway business district, University of Minnesota and to downtown Minneapolis (Green Line).
- Northstar Commuter Rail provides service from Big Lake to downtown Minneapolis



# Suburban Transit Providers

Suburban Transit Association was founded in 1995 when several communities sought legislation to allow them to opt out of the metropolitan council transit district to establish their own services.

Current Suburban Transit Association Providers are:

- Maple Grove Transit
- Minnesota Valley Transit Authority
  - *(Serves Apple Valley, Burnsville, Eagan, Lakeville, Rosemount, Savage, Shakopee, Prior Lake)*
- Plymouth Metrolink
- Southwest Transit
  - *(Serves Eden Prairie, Chaska, Chanhassen)*



# Current Transit Funding

## Twin Cities Metropolitan Area Transit Funding

The 7-county metropolitan area.

➤ Funding comes through several revenues:

- Federal Transit Funding (\$135 Million/year)
- State General Fund Appropriates (\$89.8 Million/year)
- State Motor Vehicle Sales Tax (MVST) (\$290 Million/year)
  - Suburban Transit Systems receive 3.75% of the MVST revenues (about \$11 Million/year)
- Farebox (\$120 Million/year)
- Metropolitan area sales tax (\$328 Million/year)

Counties are allowed to levy up to ½ cent local option sales tax for highway and/or transit purposes.

The metro area counties dedicate a large share of the local sales tax revenues for transit.



# Greater Minnesota Transit

Over 40 transit systems providing varying levels of service in the 80 counties outside of the 7 county metropolitan area.

- 6 Tribal systems
- 7 Urbanized systems (populations of \$50,000-200,000)
  - St. Cloud Metro Bus, Rochester, Duluth, St. Cloud, Moorhead,
- 5 Small Urban systems (population 2,500-49,999)

In addition we have Volunteer Drivers programs in both Greater Minnesota and the 7 county metro area



# Current Transit Funding

## Greater Minnesota Transit

➤ Funding comes through several revenues:

- Federal Funding \$34 Million/year
- State General Fund appropriations \$17.2 Million/year
- State Motor Vehicle Sales Tax (MVST) and State Motor Vehicle Lease Sales Tax (MVLST) total \$73 Million in FY 2020
- Local Share – which can come from multiple sources:
  - farebox, local tax levies & local contracts for services such as day activity centers (\$20-\$22 Million)

Note - MVST funds are split between transit (no less than 40%) and roads with a split of 40%-60%



# Impediments to Funding

- Transit funding is complicated
- Many mechanisms
- Governance is complicated
- Lacking a collaborative and unified approach
- Statutory dedications
- Equity issues
- Local share required for GM transit
- Governance
- Cities and MnDOT Control the means of reaching transit  
(sidewalks, bike lanes, streets that connect to park-and-ride lots)
- Lack of agreement between suburban transit systems and Met Council





# Associated General Contractors of Minnesota

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Your Trusted Resource



The background is a construction site at dusk or dawn, with two large tower cranes visible against a hazy, orange-tinted sky. In the foreground, a white hard hat is positioned on the right, and a rolled-up set of blueprints with a red pen resting on it is on the left. The overall scene is dimly lit, emphasizing the industrial and professional nature of the construction industry.

# OUR MISSION

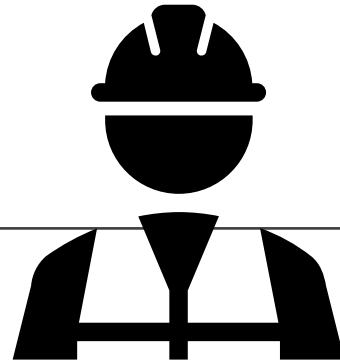
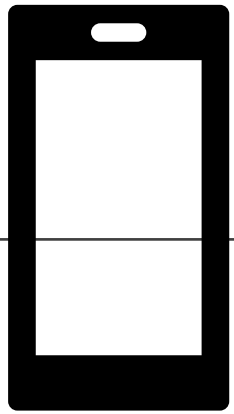
To promote the health and sustainability of Minnesota's construction industry through professional leadership and advocacy, with an enduring commitment to serve all members with skill, responsibility, and integrity.



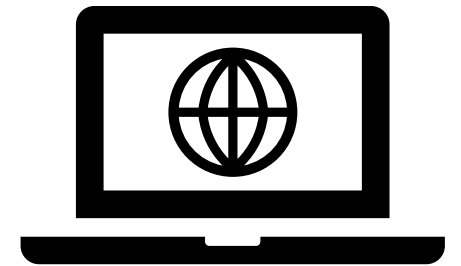
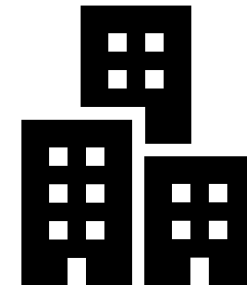
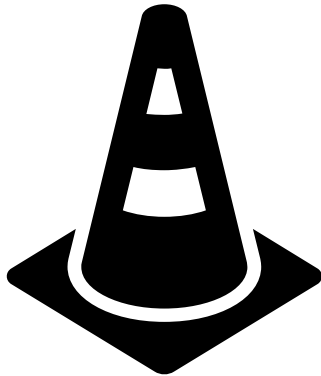
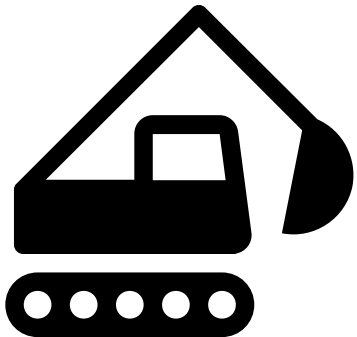
# OUR MEMBERSHIP





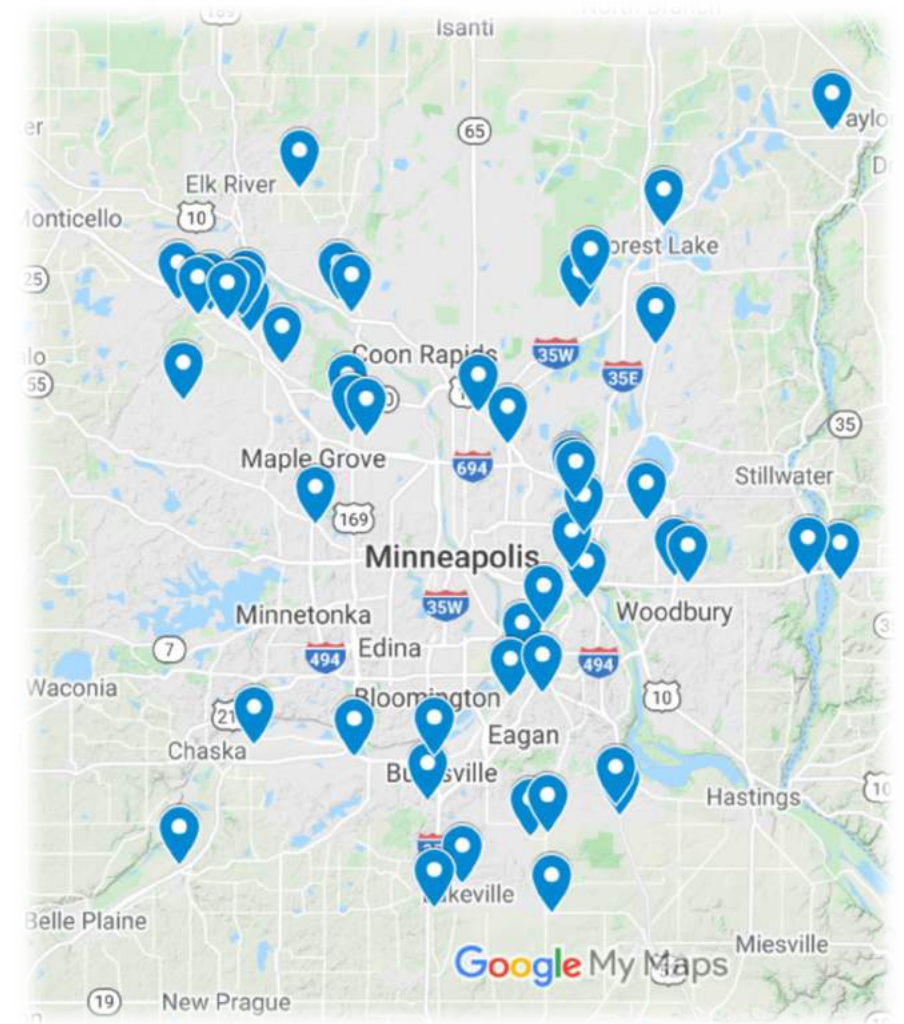
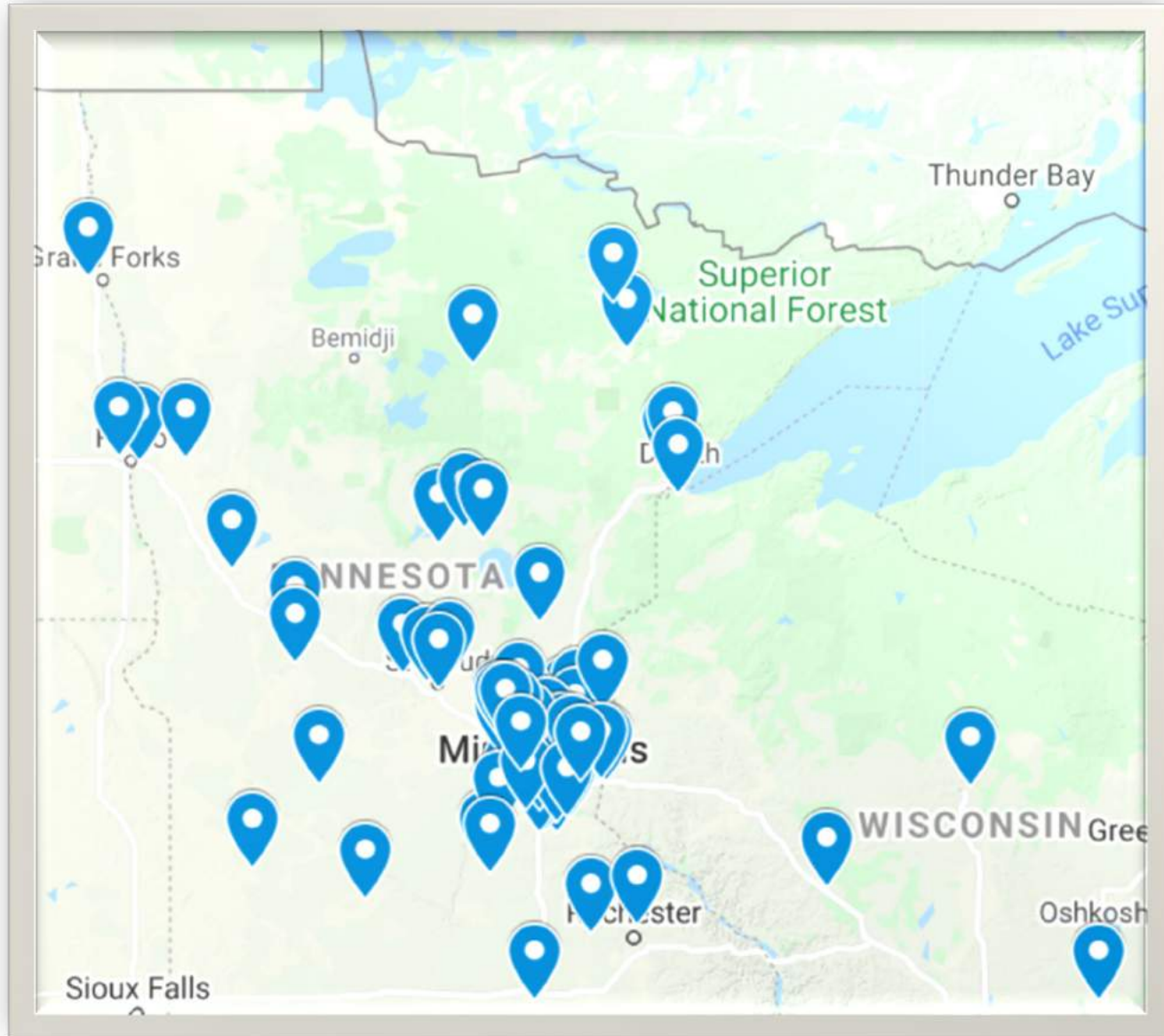


Roads, bridges, sewer, water, utilities, parks, trails,  
airports, walkways, energy, transit systems





# Our “Horizontal” Membership





# AGC and State Agencies

Department of Transportation (MNDOT)

Department of Labor and Industry (DLI)

Department of Administration

Office of Pipeline Safety (OPS)/Gopher State One Call

Department of Public Safety (DPS)

Office of Human Rights

Department of Employment and Economic Development (DEED)

Public Utilities Commission (PUC)





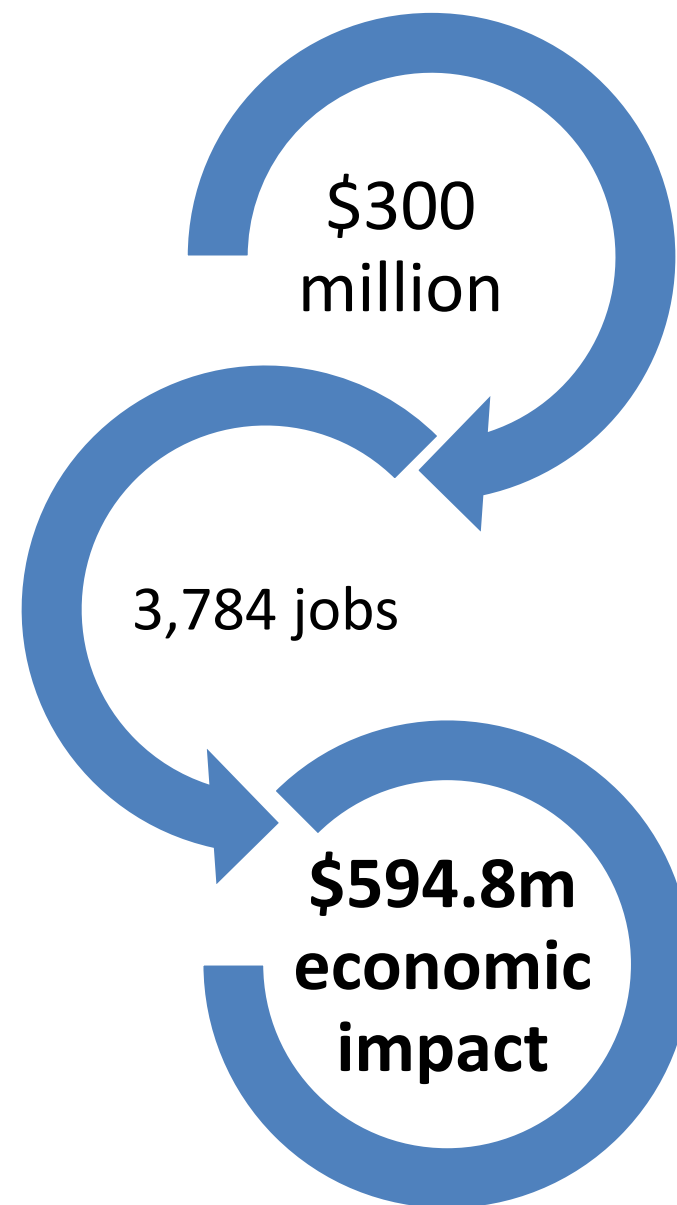


Safety + Stability





# Infrastructure Investment = Jobs/Careers







**We Look  
Forward to  
Working with  
You!**



# We're Here as Resource



701-740-5235



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[@laurahziegler](https://twitter.com/laurahziegler)  
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# Funding Options

- Increase in the debt service surcharge and fuel taxes. Minnesota currently collects 28.5 cents per gallon. The US average for state taxes and fees on gasoline is 36.38 cents per gallon.
- Increase the motor vehicle registration tax by increasing the rate, slowing the depreciation schedule or increasing the base fee.
- Increase the metropolitan area sales tax for transit
- Increase the motor vehicle sales tax rate
- Increase the annual electric vehicle fee
- Implement a fee on Transportation Network Companies with revenue dedicated to transit systems



# Funding Options

## Diversions (spending that may not be strictly for a highway purpose)

- 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.



# Funding Options

## 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.
- 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.
- 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.





# Thank You!

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