



2023 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.

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.

MnDOT is projecting a funding gap of between \$19 –\$27 billion over the next 20 years. This annual funding shortfall on the state highway system of between \$950 million and \$1.35 billion does not include local roads or bridges or transit needs. The local road and bridge system has a funding gap of approximately \$1 billion per year.

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 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.

Unfinished Business from the 2022 Legislative Session

The legislature did not take action to pass a capital bonding bill during the 2022 Legislative Session as expected. Action is needed early in the session in 2023 to fund repair and replacement of critical public infrastructure including:

- Local Bridge Replacement Program - \$200 million
- Local Road Improvement Program - \$150 million
- Local Road Wetland Replacement Program - \$14 million GO bonds and \$6 million GF (Base funding should be included in the biennial state budget for this program)
- Bus Rapid Transit/Busway Capital Improvements - \$100 million
- Greater MN Transit Capital - \$5 million
- Port Development Assistance Program - \$28 million
- Minnesota Rail Service Improvement Program - \$10 million
- Highway Railroad Grade Crossing Devices - \$18 million
- Safe Routes to School - \$2 million
- Active Transportation - \$7 million GO bonds, \$1 million GF
- Rail Corridor Capacity Improvements - \$16.1 million

- Budget Authority for MnDOT to spend additional federal dollars. During the 2022 Session, the governor, the House and the Senate all had the same federal funds increase of \$315,500,000 for the State Road Construction budget but the language was not passed. This increase in the State Road Construction Budget needs to be passed as soon as possible during the 2023 Session to allow MnDOT to spend increased federal highway dollars.

Federal Infrastructure Investment and Jobs Act (IIJA)

Enactment of the federal infrastructure plan will provide a significant increase in funding for roads, bridges and transit systems in Minnesota.

Total over 5 Years

\$4.5 billion for federal-aid highway apportioned programs (\$925.7M increase over base)

\$302 million for bridge replacement and repairs

\$820 million for transit statewide (\$212 million increase over base)

\$ 68 million to support the expansion of an EV charging network in the state

Minnesota will also be able to compete for additional federal funds through discretionary grant programs. **The increase in formula funds with a local match requirement, along with the need for a strong local match to effectively compete for federal grant dollars requires additional ongoing, dedicated funding in order for Minnesota projects and programs to access increased federal funds.**

The state needs to dedicate general fund dollars of at least \$185 million over the life of the IIJA to match formula funds and allow the state to compete for discretionary grants.

To provide needed annual local match funds, The Transportation Alliance recommends these options:

Dedication of Current Transportation Revenue

- Convert the current dedication of \$145.6 million per year in revenue from the sales tax on auto repair parts to dedicate 100% of the total revenue collected to transportation recognizing the need to provide ongoing revenue for small city streets, township roads and bridges and transit service.
- Dedicate \$30 million per year from the Trunk Highway Fund for the Transportation Economic Development Program (TED).
- Corridors of Commerce - \$200 million in Trunk Highway Bonds with additional revenue into the Trunk Highway Fund to meet more of the need for improvements in corridors with high freight traffic.

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.

New State Revenue

- Increase the annual electric vehicle fee from \$75 to \$150 or implement a per kilowatt hour fee on electricity used to fuel vehicles.
- Implement a fee on Transportation Network Companies with revenue dedicated to transit systems.
- Charge a delivery fee on package deliveries with revenue dedicated to transportation: 60% for highways and 40% for transit statewide following the distribution formula used for MVST.
- Increase the motor fuel excise tax of 25 cents per gallon by 5 cents per gallon and index the tax to keep up with inflation. The US average for state taxes and fees on gasoline is 38.19 cents per gallon.
- Increase the debt service surcharge of 3.5 cents per gallon by 4 cents over 3 years to allow for additional trunk highway bond authorizations.
- Increase the motor vehicle registration tax.
- Increase the metropolitan area sales tax for transit
- 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%.

Policy Issues

- 1) Support efforts to include rehabilitation under MS174.50 and allow for costs associated with historic bridges to be eligible for state bridge funds.
- 2) Support the constitutional dedication to the Highway User Tax Distribution Fund of any revenue from a mileage-based user fee. Support the retention of the current statutory distribution of the revenue from MVST with 60% to the HUTDF and 40% for transit.
- 3) 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.
- 4) 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.
- 5) Support policies that accommodate new technology including 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.
- 6) Support ongoing efforts to improve the transparency of decision making at MnDOT and the Metropolitan Council including the project selection process.

- 7) Support the current process for determining speed limits on state and county highways.
- 8) Support legislation that simplifies the process by which local governments and nonprofits receive the sales tax exemption on construction material purchases.
- 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, cities and townships to establish load restrictions on their 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.

Dec. 8, 2022