The House and Senate Republican caucuses have released transportation plans. Neither plan includes any increase in dedicated transportation fees or taxes (other than a $75 increase in the annual registration tax for all-electric vehicles in the House bill). Both plans rely on statutorily dedicating existing sales tax revenue that is currently deposited in the state’s general fund. Both plans ignore transit needs in the state. The House plan provides about $580M in additional funding for transportation for the FY18-19 biennium along with authorization for $1.3 billion in trunk highway bonds over 4 years. The Senate bill provides additional resources of $400 million for the biennium along with $325 million in trunk highway bonds over 4 years.

MnDOT has identified a funding gap of $600M per year for the next 10 years between anticipated revenue – including increased federal funding – and the amount of revenue needed to maintain and improve the system. In addition, the local system faces a larger annual funding gap – closer to $900M per year. Transit systems face a funding gap of $65 million for existing service and the state share for major transitways is needed in order to move ahead with any light rail transit projects.

**The House bill (HF861**) creates a new Transportation Priorities Fund that would receive the following dollars currently going into the general fund:

* Existing tax on auto parts (partial) $307M in FY18-19 two-year biennium or $156.8M in FY18 and $151.1M in FY19.
* Existing tax on auto rentals (9.2%) $52.3M for the FY18-19 biennium
* Existing sales tax on auto rentals (6.5%) $36.9M for FY18-19 biennium
* Motor vehicle lease sales tax $64M for FY18-19 biennium
* Depositing $136.6M in general fund dollars
* Re-directing existing motor vehicle lease tax dedicated to transportation: $129.8M

**TOTAL: $579.8M for two-year biennium**

* Starting in FY2021, re-directs a $10 fee imposed on motor vehicle registration and title transfer to the Transportation Priorities Fund instead of the Environmental Fund.

**Distribution of $579.8M**

* Trunk Highway Fund - $203.234 or $106.548M in FY18 and $96.686M in FY19
* CSAH - $95M or $49.837M in FY18 and $45.224M in FY19
* MSAS - $29.5M or $15.467M in FY18 and $14M in FY19
* Town roads and bridges: $8M or $4M per year
* Turnbacks - $9.2M or $4.8M FY18 and $4.3M FY19
* Small Cities Assistance program: $25M for biennium
* Local Bridge program: $24.7M for biennium
* $2.7M Greater MN Transit
* $2.7M five collar counties
* Trunk Highway Bonds: $1.3B with $250M in FY18 for Corridors of Commerce ($50M in state road construction funds in FY18-19 is set aside for Corridors of Commerce) and $250M each year for 4 years for state road construction with an additional $50M in trunk highway bonds for state road construction in FY18 and FY19.

The House bill includes significant cuts to transit funding in the Twin Cities Metropolitan Area leaving a funding shortfall for current transit service. The bill prevents a county or city in the Twin Cities area from spending any funds for study, project development or construction of a light rail transit project unless the project is specifically authorized by the legislature. Language prevents the Metropolitan Council from using certificates of participation or other obligations backed by MVST revenue. The bill eliminates the current requirement that the state cover 50% of transitway operating costs for any future light rail projects, shifting that cost to CTIB or metro counties.

**The Senate bill (SF1060)** statutorily dedicates:

* Existing sales tax on auto parts: $247M for FY18-19 biennium or $123.5M per year
* Existing sales tax on rental cars (6.5%) $37M for biennium or $17.2M in FY18 and 19.7M in FY19
* Existing sales tax on rental cars (9.2%) $52M for biennium or $24.4M in FY18 and $27.9M in FY19
* Existing motor vehicle lease sales tax $64M for biennium or $32M per year

**TOTAL: $400M for two-year biennium**

Distribution:

* $226M Trunk Highway Fund
* $106M CSAH
* $33M MSAS
* $10M one-time Small Cities assistance
* $3.3M Greater MN Transit
* $3.3M five collar counties
* Trunk Highway Bonds: $325M over 4 years with $200M for Corridors of Commerce and $125M for Highways 212, 14 and 12.
* Re-directs $117M in turnback account to Trunk Highway Fund

The House bill contain weight limit exemptions – 10% increase for trucks hauling milk -- and an annual permit from MnDOT for trucks with additional axles hauling 90,000 and 97,000 lbs if hauling construction materials.

Senate bill authorizes the 5 counties in the Counties Transit Improvement Board to levy a 1/5% local sales tax for transportation if approved through a referendum at a general election.

Both bills contain policy language requiring changes in MnDOT’s highway project selection process as well as numerous studies.

Language requires MnDOT to develop best practices for highway project selection processes, for both standard highway program and specialty programs such as Corridors of Commerce which must be implemented by January 1, 2018. MnDOT is required to contract for a study of highway construction costs, inflation and cost estimating with a legislative report due February 15, 2018.

The House bill places a cap of $7 million on spending for any bridge that receives funds from the Local Bridge Replacement program.

**Governor’s Transportation Proposal**

The Governor recommends the state commit to a major investment plan for transportation to fund the estimated $6 billion dollar gap that exists between funding needs and revenues in the next 10 years.

• Initiating a 6.5% gross receipts tax on gas

• Increasing registration fees (increase additional tax rate from 1.25% to 1.5% and base tax from $10 to $20; phased-in over 4 years)

• Authorizing $2 billion in trunk highway bonds over the next 10 years

* Imposing a ½ cent sales tax in the metro area for transit
* Implementing $10 surcharges on both motor vehicle registrations and motor vehicle title transfers. These surcharges would raise an estimated $57 million per year, and would be deposited in the Special Revenue Fund to fund transportation needs not eligible for trunk highway funds:

o Greater Minnesota transit - $10 million annual base increase

Trunk Highway Fund: $533.8M FY18-19 biennium

CSAH: $295M FY18-19 biennium

MSAS: $77.5M FY18-19 biennium

Metro Transit: $446.4M FY18-19 biennium