Transportation Needs: State and Federal

City Engineers Conference
January, 2015
Why transportation matters

What we do today impacts tomorrow:

- Population will increase by 900,000 in metro area over next 20 years,
- Truck freight increase 30% (2030)
- Bakken rail traffic will double in 4 to 5 years
- Tourism industry growing
  - Up 54% since 2000
- Other states are investing in transportation
Minnesota’s transportation systems need critical attention

- Safety continues to be an issue – over 350 Minnesotans are killed each year in traffic crashes.
  - Almost 2.5 million commuters drive across a structurally deficient bridge every day.
  - Nearly half of MN’s roads and bridges are in poor or mediocre condition.
  - Only 10% of jobs in the Minneapolis St. Paul metro area are conveniently served by transit.
Federal Highway Trust Fund Going Broke

- New Congress with Republican majority has to work with a Democratic President
- MAP–21 authorization expires at the end of May
- Spending out of the federal Highway Trust Fund continues to outpace revenue into the fund
- Some hope for compromise that is tied to tax reform
Receipts, Outlays, and Balances of the Federal Highway Trust Fund
State Funding Needs

- Gap between funding needed to meet the need and anticipated revenue is growing:
  - At least $10–12B over 20 years on Trunk Highway System
  - About $9B for CSAH
  - About $9B for County Roads
  - Another $10B for City streets

Gap for all Modes over next 20 years: $50–$55 Billion
Why the Big Gap and State and Federal Levels?

- Problem pushed down the road for too many years – 1 gas tax increase in 25 years
- Lack of leadership and political consensus
- Changes in travel and consumption of fuel
Why Are We in this Mess? Perfect Storm

- Population/Freight shipments increasing
- Aging Infrastructure
- Increasing Fuel Efficiency
- Federal Funding Uncertain
- Costs Increasing for Construction

Funding Shortfall
Transportation Needs Dedicated Funds

- Much of the funding has traditionally come from dedicated user fees at both state and federal levels.

- Now there is more of a trend away from those funds and toward general revenue.

- We have to communicate the importance of stable, dedicated funds for long-term planning and the user-fee concept.
Minnesota Highway Trust Fund

- Funded with user fees
- Minnesota Constitution requires 3 revenue sources be deposited in HUTDF:
  - Fuel Tax
  - Registration Tax
  - Motor Vehicle Sales Tax

- Money has to be used for a Highway Purpose
Transit Funding

- Metropolitan Area Transit & Greater MN Transit
  - Motor Vehicle Sales Tax
  - General Fund appropriation
  - Fares
  - Federal Funds
  - Metro Sales Tax

- MVST is constitutionally dedicated – at least 40% must be used for transit. Split 36/4 between Metro and Greater MN transit
Local Options

- Wheelage Tax imposed by counties
- Local option sales tax for transportation
- Street Improvement Districts in Cities
Many Options

New State Revenue
- Increase and index fuel tax
- Increase license tab fees
- Increase Motor Vehicle Sales Tax
- Increase metropolitan area sales tax
- Increase sales tax statewide

Dedicate Existing Revenue
- Sales tax on leased motor vehicles
- Amazon tax revenue
- Sales tax on auto parts
- Other General Fund dollars
Many Options

Efficiencies
- Cost savings at MnDOT and Met Council could be re-directed to complete more projects

Tolls/MnPASS Lanes
- Add additional MnPASS Lanes in metro area
- Explore tolling options around the state

Mileage Based User Fee
- Charge a fee per mile driven
  ✓ Technology Improvements needed
  ✓ Privacy Concerns
  ✓ High Cost of Administration
  ✓ Not Constitutionally Dedicated
Bonding – GO Bonds

- GO Bonds – Can and have been used for:
  - Local Bridges
  - Local Roads
  - Ports and Waterways
  - Freight Rail
  - Transitways
  - Transit Facilities – bus garages
  - Airports

- GO Bond proceeds CANNOT be used on State Trunk Highways
Bonding – Trunk Highway Bonds

- Trunk Highway Bonds are paid back out of the Trunk Highway Fund
- Proceeds of Trunk Highway Bonds may only be used on trunk highways
- The legislature required MnDOT to develop a policy on the appropriate level of debt. The policy limits debt service to 20% of all state funds in the Trunk Highway Fund

- Without Additional Revenue, no new trunk highway bonds can be authorized
The Problem with the Fuel Tax

Revenue per One Cent Gasoline Tax

Amounts reflect how much revenue (in millions) one penny of gasoline taxes generates annually in the Highway User Tax Distribution Fund.

State Fiscal Year

2008-12 reflect actual data
2013-17 reflect February 2013 forecast

$ Millions

2008 $31.9
2009 $30.5
2010 $30.9
2011 $30.8
2012 $30.3
2013 $30.2
2014 $29.6
2015 $28.6
2016 $28.5
2017 $28.5

N:\Fin-Fis Analysis\Forecast\Gas Tax Forecast Tool.xlsx
MnDOT
4/23/2013
Fuel Tax Reform: Gross Receipts Tax

- Adheres to language in Minnesota’s Constitution dedicating revenue to highways
- Charged at wholesale level – % of average wholesale price of fuel over 12-month period
- Revenue amount converted to a Per-Gallon Equivalent
- Keeps pace with construction costs – similar to sales tax
- 6.5% tax would cost the average driver $1.60 per week
Gas tax increases:
- Maryland
- Vermont
- Massachusetts
- Wyoming

Gas tax Reform:
- Pennsylvania
- Virginia

Sales tax dedication:
- Arkansas – ½ cent increase
- Ballot Initiatives: 70% voter approval to extend or increase taxes for transportation
Increase & extend seven-county sales tax dedicated to transit

- Increase the MSP seven-county sales tax dedicated to transit to one cent (3/4 cent increase)
- Require all seven-counties to participate

$335 million annually
## Sales Tax Dedicated to Transit

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<td><strong>Minneapolis / St Paul</strong></td>
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Potholes!!!!!

- Potholes grab people’s attention. Need to make the issue real and compare cost of auto repair versus increase in user fees

*It’s Not the Weather – It’s the Infrastructure!*
Legislators Listen to the Public

- Polling
- Constituent Contact
- Media Reports
- Voter and Party Activist Opinions

- How do we convince the public that raising taxes will provide value?
How does transportation impact people’s daily lives?
- Congestion
- Traffic crashes
- Auto Repair Costs
- Cost of car ownership
- Choices for getting around
- Living situation/Location
- Goods and services delivered
What Do People Get For Their Tax Dollars?

- People don’t know how transportation dollars are spent and want more information.
- Voters support ballot initiatives when they see a list or map of projects.
- We have to be able to tell people and legislators how additional dollars will be spent as specifically as possible.
Many Arguments for Inaction

- Plenty of money – just need to prioritize transportation
- Spend existing dollars more efficiently
- Look at “Creative” options: value-capture, tolls, vehicle miles traveled tax, P3s, etc.
- We should just focus on roads and bridges or on transit
- People don’t want to pay for it
- The level of need is exaggerated
More than 200 local elected officials, communities, organizations, associations & businesses and still growing...
You Can Make a Difference

- Talk to your legislators/Members of Congress
  - Transportation Day at Capitol Feb 12th
- Talk to local elected officials
- Send Letters to the Editor
- Talk to your neighbors and friends – provide accurate information