

HF963 - 0 - "DOT Purchase Exempt for Rd Const Projects"

Chief Author: **Steve Green**
 Committee: **Transportation Finance**
 Date Completed: **02/21/2017**
 Agency: **Transportation Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue	X	
Information Technology		X
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021
Trunk Highway	-	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)
General Fund	-	7,100	7,100	7,100	7,100	7,100
Total	-	(400)	(400)	(400)	(400)	(400)
Biennial Total			(800)			(800)

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
Trunk Highway	-	-	-	-	-
General Fund	-	-	-	-	-
Total	-	-	-	-	-

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

EBO Signature: Stewart McMullan Date: 2/21/2017 11:56:07 AM
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2017	FY2018	FY2019	FY2020	FY2021
Trunk Highway	-	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)
General Fund	-	7,100	7,100	7,100	7,100	7,100
Total		-	(400)	(400)	(400)	(400)
Biennial Total			(800)			(800)
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Trunk Highway	-	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)
General Fund	-	-	-	-	-	-
Total		-	(7,500)	(7,500)	(7,500)	(7,500)
Biennial Total				(15,000)		(15,000)
2 - Revenues, Transfers In*						
Trunk Highway	-	-	-	-	-	-
General Fund	-	(7,100)	(7,100)	(7,100)	(7,100)	(7,100)
Total		-	(7,100)	(7,100)	(7,100)	(7,100)
Biennial Total				(14,200)		(14,200)

Bill Description

HF963/SF834 would make Minnesota Department of Transportation (MnDOT) exempt from paying sales and use taxes on purchases of materials, supplies and equipment incorporated into the construction, improvement and maintenance of public highways, effective for purchases after June 30, 2017.

Assumptions

MnDOT assumes it would be exempt from paying the 6.875% sales and use taxes on all purchases paid from the Trunk Highway Fund to directly or indirectly construct, improve, and maintain public highways. This does not include State Road Construction contract payments. MnDOT contracts for specific construction project activities rather than purchasing materials, supplies, labor, etc.

In FY2016 MnDOT paid \$7.5 million in sales and use tax for such purchases and it is assumed this would be the average amount saved each year. These savings would occur annually in the Trunk Highway Fund beginning in fiscal year 2018. The reduction in General Fund sales and use tax revenue, is \$7.1 million, with the remainder reducing local tax revenue.

Expenditure and/or Revenue Formula

\$7.5 million annual expenditure savings in the Trunk Highway Fund, with a corresponding reduction in General Fund revenue.

Long-Term Fiscal Considerations

These amounts would continue approximately the same in future years.

Local Fiscal Impact

Local government authorities would collect \$.4 million less sales and use taxes.

References/Sources

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Date: 2/21/2017 10:14:45 AM

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