



February 22, 2025

To the Members of the House Tax Committee:

The Minnesota Association of Small Cities represents the 700+ cities in Minnesota with populations under 5,000. Approximately 650,000 Minnesotans call a small city home and use their local streets daily.

Our top legislative priority over the last five years has been to secure a dedicated, reliable source of revenue for roads. We had hoped the TAA legislation passed in 2023 would provide this ongoing source, unfortunately, this was not the case. The Dept of Transportation interpreted the new law to cause a delay in revenue distribution. And now, the retail delivery fee is also seeing revenue projections lower than anticipated.

Small City Transportation Funding Expectation Vs Reality

	Expected	Actual
FY24	\$3 million	\$0
FY25	\$21 million	\$14 Million* (*due to \$11 million one time approp in '24)
FY26	\$24 million	\$13.7 million (projected)
FY27	\$26 million	\$17.4 million (projected)

In less than two years since passage, the TAA funding for small cities is now projected to fall short of expectations by over \$25 Million. Spread over 12,000 miles of roads located within small cities, this lack of revenue has real and significant implications for our cities.

We are supportive of HF 5 and its efforts to find reliable and dedicated funding for small cities' transportation needs.

Cap O'Rourke
Minnesota Small Cities
Executive Director