



March 24, 2026

RE: HF3562 Motor vehicle registration tax modified

Dear Chairs Koznick and Tabke and Members of the House Transportation Committee:

I am writing on behalf of our member organizations including counties, cities, townships, contractors, engineering firms, suppliers, labor and other businesses and advocates to share our deep concern with the revenue cuts that would occur with passage of HF3562.

According to the fiscal note for HF3562, the reduction of the registration tax rate along with the changes in the depreciation schedule would cut funding into the Highway User Tax Distribution Fund by \$891.323 million over the next three years. This cut in funding – dollars that have already been programmed by MnDOT, by all 87 counties, by cities with a population over 5,000 and by townships - would have serious impacts leading to projects being cut, jobs being lost and property tax burdens increasing.

The cut over the next three years for the trunk highway fund would be \$524,989,247, the cut to the county state aid fund would be \$245,559,486, the cut to the municipal state aid fund would be \$76,208,116 and the cut to the town road and bridge fund and flexible highway account would be \$44,566,150 over the next three years. Of course, these cuts would only increase in the future, impacting 5-year highway plans at the local level, MnDOT's four-year STIP and 10-year highway investment plan.

In addition, these state dollars are critical for matching and leveraging federal and local dollars - funding that is needed to fully fund roadway and bridge projects.

Any reductions in the cost of the registration fee for newer vehicles, needs to be backfilled with ongoing, constitutionally-dedicated revenue. Adjustments could be made to even out the fee among vehicle owners to make a proposal that is revenue-neutral.

Minnesota's highway system continues to be the backbone of our state's economy and it continues to face funding shortfalls. We absolutely cannot afford to go backward. The proposed cut in revenue will hurt the ability of roadway jurisdictions to make investments that preserve the system, support local businesses and Minnesota workers and save lives.

We urge you not to support passage of HF3562 and we look forward to working with you to improve Minnesota's transportation system.

Sincerely,

Margaret Donahoe
Executive Director