

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 946

DATE: May 11, 2007

Version: Conference Committee Report

Authors: Lieder

Subject: Transportation finance omnibus

Analyst: Matt Burress, 651-296-5045

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Overview

This is the transportation finance omnibus bill. It appropriates \$4.18 billion for fiscal years 2008-2009 to the Department of Transportation (MnDOT), Department of Public Safety, and the Metropolitan Council. The primary transportation finance changes include:

- Appropriating \$1.5 billion in trunk highway bonds;
- Raising the gas tax by five cents;
- Establishing a gas tax surcharge of up to 2.5 cents based on debt service required on trunk highway bonds;
- Amending the motor vehicle registration tax to eliminate the caps and accelerate the vehicle depreciation schedule;
- Allocating motor vehicle sales tax (MVST) revenue so that in fiscal year 2012, after a phase-in, the allocation will be 60 percent to highways and 40 percent to transit, with the transit portion split 36 percent to the metropolitan area and 4 percent to greater Minnesota;
- Allocating motor vehicle lease tax revenue starting in fiscal year 2010, so that in fiscal year 2012, after a phase-in, the allocation will be 50 percent to highways,

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37.5 percent to metropolitan area transit, and 12.5 percent to greater Minnesota transit;

- Modifying the wheelage tax to allow imposition of a \$5 or \$10 tax and remove the property tax offset requirement;
- Authorizing counties to impose a local transportation sales tax of 0.5 percent and a motor vehicle sales excise tax of \$20; and
- Amending the county state-aid highway fund allocation formula.

Article 1: Transportation Appropriations

Overview

The article contains appropriations totaling \$4.18 billion for fiscal years 2008-2009 to the Department of Transportation (MnDOT), Department of Public Safety, and the Met Council.

- 1 Summary of appropriations.** Summarizes the appropriations by fund.
- 2 Transportation appropriations.** Establishes that appropriations are from the trunk highway fund, unless another is named, for the agencies and purposes specified.
- 3 Transportation.** Appropriates \$1.70 billion in fiscal year 2008 and \$1.98 billion in fiscal year 2009 to the Minnesota Department of Transportation (MnDOT).

Subd. 1. Total appropriation. Summarizes MnDOT appropriations by fund.

Subd. 2. Multimodal Systems. Appropriates money for aviation, transit, freight, and rail:

- \$20.3 million per year for airport development and assistance, which includes \$6 million per year in onetime appropriations;
- \$6 million in fiscal year 2008 and \$6.1 million in fiscal year 2009 for aviation support services;
- \$19.6 million per year for Greater Minnesota transit;
- \$5.4 million in fiscal year 2008 and \$5.5 million in fiscal year 2009 for freight; and
- \$250,000 in fiscal year 2008 for a grant to the Northstar Corridor Development Authority for work on extending commuter rail service.

Subd. 3. State roads. Appropriates money for the state trunk highway system:

- \$236.1 million in fiscal year 2008 and \$247.3 million in fiscal year 2009 for infrastructure operations and maintenance;
- \$184.7 million in fiscal year 2008 and \$194.7 million in fiscal year 2009 for infrastructure investment support (which includes \$266,000 per year for grants to metropolitan planning organizations outside the Twin Cities;

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\$75,000 per year for federally reimbursable research projects; \$600,000 per year for grants to regional development commissions outside the Twin Cities to identify crucial concerns and issues; up to \$1 million for trunk highway congestion reduction; and \$5 million for a pilot project to study replacement of the gas tax with a mileage charge);

- \$504.1 million in fiscal year 2008 and \$677.6 million in fiscal year 2009 for trunk highway construction work;
- \$58.7 million in fiscal year 2008 and \$80.5 million in fiscal year 2009 for debt service on bonds; and
- \$5.2 million in fiscal year 2008 and \$5.3 million in fiscal year 2009 for electronic communications.

Subd. 4. Local roads. \$474.1 million in fiscal year 2008 and \$526.9 million in fiscal year 2009 for the county state-aid highway system; \$127.7 million in fiscal year 2008 and \$141.6 million in fiscal year 2009 for the municipal state-aid street system; and \$2.5 million in fiscal year 2008 for town road sign maintenance.

Subd. 5. General support. \$40.8 million in fiscal year 2008 and \$41.6 million in fiscal year 2009 for general departmental support, and \$17.4 million per year for MnDOT buildings.

Subd. 6. Transfers. Directs and allows transfer of money across certain funds. Directs the Department of Finance to transfer \$4.6 million from trunk highway revolving loan account to the trunk highway fund, and \$1.2 million from the general fund to the trunk highway fund for repayment of land transferred to the City of Mounds view in an arrangement with Medtronic.

Subd. 6. Use of state road construction appropriations. Allows MnDOT to use previous year trunk highway construction appropriations in fiscal years 2008 and 2009, if used for the original purpose.

Subd. 7. Contingent trunk highway appropriation. Allows any unappropriated trunk highway fund money to be appropriated to MnDOT, upon approval by the Governor as well as five legislative members from a group consisting of (1) the Legislative Advisory Commission and (2) the ranking minority members of the Senate and House of Representatives transportation finance committees. Certain conditions must be met to allow the appropriation.

4 Metropolitan Council. Appropriates money to the Metropolitan Council.

Subd. 1. Total appropriation. Appropriates \$108.8 in fiscal year 2008 and \$85.1 million in fiscal year 2009 to the Metropolitan Council.

Subd. 2. Bus transit. \$97.2 million in fiscal year 2008 and \$73.5 million in fiscal year 2009 for bus operations.

Subd. 3. Rail operations. \$11.5 million in fiscal year 2008 and \$11.6 million in fiscal year 2009 for operation of the Hiawatha line rail transit line.

5 Public safety. Appropriates \$145.6 million in fiscal year 2008 and \$151.5 million in fiscal

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year 2009 to the Department of Public Safety.

Subd. 1. Total appropriation. Summarizes Department of Public Safety appropriations by fund.

Subd. 2. Administration and related services. Appropriates money for administrative functions.

- \$412,000 in fiscal year 2008 and \$434,000 in fiscal year 2009 for the office of communications;
- \$8 million in fiscal year 2008 and \$8.2 million in fiscal year 2009 for public safety support (which includes \$138,000 for the biennium for a security coordinator for the Republican National Convention; \$380,000 per year to pay public safety officer survivor benefits; \$1.2 million in fiscal year 2008 and \$1.4 million in fiscal year 2009 for the public safety officer's benefit account; and reimbursements to the trunk highway fund totaling \$2.1 million per year); and
- \$3.9 million per year for technical support services.

Subd. 3. State Patrol. Appropriates money for the State Patrol:

- \$67.6 million in fiscal year 2008 and \$71.5 million in fiscal year 2009, which includes a \$8 million increase for the biennium for 40 additional state troopers and enhancements;
- \$6.9 million in fiscal year 2008 and \$7.2 million in fiscal year 2009 for commercial vehicle enforcement; and
- \$3 million per year for capitol security.

Subd. 4. Driver and vehicle services. \$26 million in fiscal year 2008 and \$26.6 million in fiscal year 2009 for vehicle services, and \$27.9 million in fiscal year 2008 and \$28.7 million in fiscal year 2009 (both of which include an increase for a driver license and motor vehicle records coordinator).

Subd. 5. Traffic safety. \$435,000 per year.

Subd. 6. Pipeline safety. \$1.3 million in fiscal year 2008 and \$1.4 million in fiscal year 2009.

- 6 **General contingent accounts.** Allows \$375,000 per year for contingencies, upon approval by the Governor as well as five legislative members from a group consisting of (1) the Legislative Advisory Commission and (2) the ranking minority members of the Senate and House of Representatives transportation finance committees.
- 7 **Tort claims.** Appropriates \$600,000 per year to the Department of Finance for tort claims.
- 8 **Driver and vehicle services carryforward.** Allows the Department of Public Safety to carry forward into the next biennium any unexpended appropriations for vehicle services from fiscal year 2007. Makes the funds available, first, for initial planning on replacement of the DVS database and computer system, and second, for remediation steps to avoid major computer system failures.
- 9 **Federal funds spending authority.** Authorizes MnDOT to expend up to \$5 million in federal aid from fiscal years 2008 to 2013 for transit assistance in greater Minnesota.

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- 10** **Airport funding advisory task force.** Establishes a task force to examine airport funding issues, including examination of current revenue sources, other funding approaches, and aviation needs. Specifies the membership of the task force. A report to the Legislature must be made by February 15, 2008.

Article 2: Trunk Highway Bonds

Overview

This article authorizes and appropriates \$1.5 billion in trunk highway bonds.

- 1** **Annual debt service surcharge.** Requires that the Department of Revenue annually calculate and impose a surcharge on motor fuels that matches, for the upcoming two fiscal years, the forecasted debt service on trunk highway bonds authorized under this section. The surcharge initially goes into effect August 1, 2007, and is updated annually on April 1 to apply to the next fiscal year. The surcharge is capped at 2.5 cents per gallon of gasoline (and proportionally for other types of fuel).
- 2** **Transportation appropriations.** Appropriates to MnDOT trunk highway bond revenue amounting to \$150 million per year for fiscal years 2008 through 2017. This is for trunk highway construction and improvements. Specifies that in fiscal year 2008:
- \$4.229 million is for Great River Road historic properties;
 - \$20,637 million is for a MnDOT Mankato headquarters building;
 - \$12.715 million is for the transportation building exterior; and
 - \$40 million is for economic development interchanges.
- \$50 million must go towards transit facility improvements along trunk highways.
- 3** **Finance appropriation.** Appropriates \$1.5 million over ten years to the Department of Finance for bond sales expenses.
- 4** **Bond sale authorization.** Authorizes the sale of trunk highway bonds.

Article 3: Highway User Taxes

Overview

This article makes various changes to highway user taxes to: restructure the motor vehicle registration tax, eliminating the caps and accelerating the depreciation schedule; increase the gas tax by five cents, along with proportional increases in other types of motor fuel; allocated motor vehicle lease tax revenue to transportation starting in fiscal year 2010; and, allocate motor vehicle sales tax revenue.

- 1** **Transit assistance fund.** Creates a transit assistance fund, and makes the greater Minnesota transit fund as well as the metropolitan area transit fund into accounts within the transit

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assistance fund. Raises the amount allowed for MnDOT administration to \$408,000 in fiscal year 2008 and \$416,000 in fiscal year 2009.

2 Passenger automobile; hearse. Restructures the motor vehicle registration tax, as follows:

- Eliminates the caps of \$189 in the first year and \$99 in the second and subsequent years of the vehicle's life;
- Amends the vehicle depreciation schedule to be a steeper reduction per year in the base value upon which the tax is calculated; and
- Limits the registration tax so that it is not increased for previously registered vehicles.

3 Exceptions. Changes requirements for short-term registration of leased and rented motor vehicles.

4 Establishment; purpose. Makes conforming changes.

5 Operating assistance; recipient classifications. Makes conforming changes.

6 Method of payment, operating assistance. Makes conforming changes.

7 Rate of tax. Raises the gas tax by five cents effective September 1, 2007, with proportional increases for other types of motor fuel.

8 Rate of tax. Raises the tax on special fuels proportionally to the gas tax increase.

9 Fee imposed. Increases the fee on rentals and short-term leases of vehicles from three to five percent of the sale price.

10 Reporting of tax proceeds. Requires motor vehicle lessors to report lease sales taxes separately from other sales taxes.

11 Deposit of revenues. Modifies the allocation of motor vehicle lease tax revenues to dedicate funds to transportation. The allocation is phased in over fiscal years 2010 to 2012. Starting in fiscal year 2012, the revenue is distributed as follows:

- 50 percent goes to the highway user tax distribution fund;
- 50 percent goes into the transit assistance fund, which is further allocated 37.5 percent in the metropolitan area transit account and 12.5 percent in the greater Minnesota transit account.

12 Deposit of revenues. Modifies the allocation of motor vehicle sales tax (MVST) revenues so that starting in fiscal year 2012, after a phase-in, the revenue is distributed as follows:

- 60 percent goes to the highway user tax distribution fund;
- 40 percent goes into the transit assistance fund, which is further allocated 36 percent in the metropolitan area transit account and four percent in the greater Minnesota transit account.

13 Metropolitan area transit tax. Makes conforming changes.

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- 14** **Repealer.** Removes an obsolete provision governing the transit assistance program, which is no longer used.

Article 4: County State-Aid Highway Fund Distribution

Overview

This article amends the county state-aid highway (CSAH) fund apportionment formula, to create separate formulas for current revenues and new revenues from the changes in article 3 to the gas tax, motor vehicle sales tax, and registration tax.

- 1** **Accruals to county state-aid highway fund; accounts.** Changes funding for MnDOT administrative costs, a disaster account, research account, and state park road account to only come out of the apportionment sum identified in section 2.
- 2** **Apportionment sum.** Identifies the formula for distribution of the apportionment sum, which is the same as current CSAH apportionment formula.
- 3** **Apportionment sum and excess sum.** Defines the "excess sum" as the amount in the CSAH fund that comes from 1) new revenue from the gas tax above 20 cents per gallon, 2) new revenue from registration tax above the inflation-adjusted amount collected in fiscal year 2007, and 3) new revenue from motor vehicle sales tax above the percentage collected in fiscal year 2007.

Defines the "apportionment sum" as the amount available in the CSAH fund minus the excess sum.

- 4** **Excess sum.** Establishes the formula for distribution of the excess sum, as follows:
- 40 percent is based on each county's proportion of motor vehicle registration; and
 - 60 percent is based on each county's proportion of construction needs.
- 5** **Revisor instruction.** Instructs the Revisor to renumber a section.

Article 5: Local Option Taxes

Overview

This article governs local option taxes. It amends the metropolitan wheelage tax. It also authorizes counties in the metropolitan area as well as in Greater Minnesota to impose a 0.5 percent transportation sales and use tax, and establishes requirements governing the taxes.

- 1** **Metropolitan county wheelage tax.** Modifies the wheelage tax to:
- Allow metropolitan counties to impose a tax of \$5 or \$10 (instead of only \$5

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under current law);

- Deposit proceeds into a county road and bridge fund;
- Eliminate the requirement that the wheelage tax be offset by a reduction in property taxes; and
- Remove obsolete language and make technical changes.

2 Tax. Clarifies that metropolitan counties may impose a wheelage tax.

3 Imposition. Clarifies that counties may impose a wheelage tax.

4 Metropolitan transportation sales and use tax. Authorizes metropolitan counties to impose a 0.5 percent transportation sales and use tax, and establishes requirements on its use.

Subd. 1. Definitions. Defines terms. "Metropolitan transportation area" is defined as those metropolitan counties that choose to join a joint powers board, and may include Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington, as well as any county that is adjacent to one that has already joined.

Subd. 2. Authorization; rates. Authorizes the counties to impose a 0.5 percent sales tax, and a \$20 excise tax on vehicles sold at retail, that is in addition to any other local sales taxes.

Subd. 3. Joint powers agreement. Requires that before imposing the tax, all participating counties the must create a joint powers agreement to create the joint powers board. Specifies requirements for the joint powers agreement.

Subd. 4. Joint powers board. Specifies requirements, powers, restrictions, and duties for the joint powers board. Identifies grant application requirements, and allows creating of a technical advisory group. Directs the Department of Revenue to remit the sales tax proceeds, less collection costs, to the board.

Subd. 5. Grant evaluation and ranking system committee; grant awards. Establishes requirements for the grant application and award process, including creation of a grant evaluation committee and identification of committee membership. Specifies that grant awards must be funded by the metropolitan transportation sales tax proceeds or money from bonds. Requires that \$18.85 million go to the Metropolitan Council in fiscal year 2009.

Subd. 6. Uses of grant awards. Specifies that grants must only go to public entities, and requires that grants be distributed:

- At least 25 percent for construction and reconstruction of trunk highways and routes of regional significance;
- At least 50 percent for transit purposes, including capital improvements for transitways; park-and-ride facilities; feasibility studies, engineering, and construction of transitways; and transit operations; and
- 25 percent that is flexible, applying to roads, transit, or up to five

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percent for bicycle and pedestrian programs.

Subd. 7. Administration, collection, enforcement. Applies the general local sales tax administration, exemption, notification, and revenue collection requirements to the metropolitan transportation sales and use taxes.

Subd. 8. Report. Requires the joint powers board for the metropolitan area report annually to the Legislature by February 1 on the grant allocations and expenditures associated with the tax.

Subd. 9. Grant awards to Metropolitan Council. Specifies that grants provided to the Metropolitan Council cannot replace state operating assistance.

5 Greater Minnesota transportation sales and use tax. Authorizes a county outside of the metropolitan transportation area to impose a 0.5 percent transportation sales tax.

Subd. 1. Authorization; rates. Authorizes a county outside of the metropolitan transportation area, or more than one working under a joint powers agreement, to impose a 0.5 percent sales tax and \$20 excise tax on motor vehicles sold at retail. This is in addition to any other local sales taxes. Imposition of the tax is only allowed if it is approved by the majority of voters who vote on that ballot question in a general election.

Subd. 2. Allocation; termination. Requires that the tax must be for specific transportation projects, and terminates once the project is completed.

Subd. 3. Administration, collection, enforcement. Applies the general local sales tax administration, exemption, notification, and revenue collection requirements to the metropolitan transportation sales and use taxes.

Article 6: Department of Public Safety Service Fees

Overview

This article raises various motor vehicle plate and driver's licensing fees.

- 1 Additional fee.** Raises fees on most vehicle license plates and stickers, and establishes a fee for collector plates as well as an International Fuel Tax Agreement sticker.
- 2 Amounts.** Raises the fee from \$5.50 to \$6.25 for filing a certificate of title.
- 3 Motorized bicycle.** Raises various permit fees for motorized bicycles by \$0.75.
- 4 Fees.** Raises fees for driver's licenses, permits, and identification cards by \$0.75.
- 5 Identification cards for seniors.** Requires that the fee for an identification card for a senior must be rounded to the nearest quarter.
- 6 Standby or temporary custodian.** Raises the fee from \$3.50 to \$4.25 for an identifier indicating standby or temporary custodian status on a license or identification card.
- 7 Reinstatement fee.** Establishes a reinstatement fee of \$20 for a person whose license was

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suspended for theft of gasoline.

- 8 **Escort service.** Specifies fees for State Patrol escort and flight services.

Article 7: Other Transportation Activities

Overview

This article contains various provisions related to transportation finance, including modifying the uses of the flexible highway account revenue, allowing installment payments on driver's license reinstatement, limiting county regional railroad authority expenditures on transit projects, and modifying the formula for distribution of state transit aid to the Met Council that is passed on to opt-out transit providers.

- 1 **Flexible highway account; turnback accounts.** Expands the uses of the portion of five percent set-aside from the highway user tax distribution fund that goes into the flexible highway account, to include safety improvements and routes of regional significance. The provisions are effective January 1, 2009, and July 1, 2009.
- 2 **Reinstatement fees and surcharges allocated and appropriated.** Allows a person whose driver's license was revoked under certain circumstances to pay the reinstatement fee (at \$250) and surcharge (at \$430) in two installments , with other requirements specified. This provision is effective July 1, 2008.
- 3 **Forecast of revenues and expenditures.** Provides that MnDOT review budget forecast information with legislative chairs and staff within one week following the forecast. Under current law, the deadline is two weeks before the forecast release.
- 4 **Transit funding.** Limits county regional rail authority expenditures for transit projects, to be no more than ten percent of capital costs, and none of the operating and maintenance costs.
- 5 **Financial assistance.** Modifies the formula for distributing a portion of motor vehicle sales tax revenue to opt-out transit service providers in the metropolitan area.