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Authors: Backer and others

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Analyst: Matt Burress (matt.burress@house.mn)

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Overview

This bill concerns road funding for cities. Among the changes, it allocates general fund revenues to city road aid through a new formula that is for both the Small Cities Assistance program and a new program being established for those cities that have streets in the municipal state-aid streets (MSAS) system. The general fund funding sources are (1) annual interest earnings (unless there is not a corresponding surplus at the end of a fiscal year); (2) a portion of revenue from the sales tax on motor vehicle leases; and (3) revenue from a rental tax imposed on short-term rentals and leases.

Section

- 1** **Additional revenues; interest earnings.** Allocates some general fund dollars to city road funding purposes as part of each November forecast. The amount allocated reflects the interest and investment earnings from the previous fiscal year, but is reduced to reflect the forecasted general fund balance at the end of current fiscal year if it is less than the amount of interest. The allocation takes precedence over various statutory set-aside and payback provisions (such as funding the budget reserve) that are used with forecasts. Funds provided for municipal roads are distributed following the formula created in section 3 of the bill.
- 2** **Receipts.** Makes a conforming change.
- 3** **[162.085] Distribution of certain municipal road funding.** Establishes a formula for allocating road funds to municipalities, which applies only when the formula is specifically referenced. The formula is used in conjunction with reallocated general fund revenues in the bill (see sections 1, 6, 7, and 8). The formula is as follows:

Section

- ▶ for the first \$50 million to be allocated, 50 percent is for the Small Cities Assistance program and 50 percent is for a larger cities assistance program being created in the bill; and
- ▶ any revenue above \$50 million that is available to be allocated must go the Small Cities Assistance program.

- 4 **Administration.** Clarifies that cities receiving aid under the Small Cities Assistance program can use the aid to build up a balance for future road projects.
- 5 **[162.146] Larger cities assistance.** Establishes a program for additional road funding assistance to those cities that have municipal state-aid streets, which is administered by MnDOT. This aid is not restricted to the MSAS system and projects on city streets that are not part of the MSAS system are not subject to MSAS engineering standards in administrative rules. Funds are allocated on formula basis proportionally based on the MSAS needs calculation.
- 6 **Late fee.** Reallocates revenue from an existing late fee imposed on title transfers, to be distributed for city roads following the formula created in section 3 of the bill. (Under the February 2017 forecast, the revenue for fiscal years 2017 and after goes to the vehicle services operating account. In previous years it had been improperly directed to the general fund.)
- 7 **Motor vehicle lease sales tax revenue.** Amends the allocation of general sales tax revenue associated with motor vehicle leases (commonly referred to as the motor vehicle lease sales tax). The key changes are to:
- ▶ restructure the allocation formula to only utilize percentages (instead of a minimum dollar amount first distributed to the general fund);
 - ▶ allocate a portion of the revenue to be distributed for city roads following the formula created in section 3 of the bill; and
 - ▶ clarify that the calculated revenue attributed to the lease sales tax does not include revenue collected due to the Legacy amendment (which increased the total rate of the state general sales tax and constitutionally dedicated it).

The formula changes would have the effect of (1) roughly holding estimated funding steady for county roads in some Twin Cities metropolitan area counties as well as for Greater Minnesota transit; (2) providing funding for municipal roads; and (3) reducing (but not eliminating) the amount going to the general fund.

- 8 **Deposit of revenues.** Reallocates the revenue from a rental tax imposed on short term rentals or leases of motor vehicles, to be distributed for city roads following the formula created in section 3 of the bill.