

# HOUSE RESEARCH

## Bill Summary

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**Authors:** Brod and others

**Subject:** Auto license taxes, trunk highway bonding, transit bonding, MVST distribution

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### Overview

This bill authorizes a \$1.5 billion trunk highway bond issue spread over seven years, with the proceeds going to metro bottleneck alleviation, greater Minnesota interregional corridors, other safety and capacity projects, and advantages to transit. It also authorizes \$342 million in general obligation bonds for transit capital improvements, divided 80 percent for metropolitan transit and 20 percent for greater Minnesota transit.

The bill increases the caps on automobile license taxes that were enacted in 2000. The additional money to the highway user tax distribution fund from these increases is intended to replace money to that fund that would be lost when the percentage of motor vehicle sales tax revenue dedicated to the highway user fund is reduced from 32 percent to 27.46 percent for fiscal years 2004 through 2007. The savings to the general fund that would result from reducing the MVST transfer to the highway user fund is appropriated in the 2004-05 biennium for transit operating assistance.

The bill proposes a constitutional amendment to dedicate 100 percent of MVST revenues to highways and transit, beginning in FY 2008. By law, the allocation of MVST revenues for FY 2008 and beyond would include the existing percentages of MVST revenues to replace transit property taxes, 2 percent for transit appropriations, 21.25 percent for transit assistance, 23 percent for major trunk highway projects, and 32 percent to the highway user fund. If the amendment is adopted by the voters in 2004, auto license taxes would revert to their 2003 levels beginning in FY 2008.

## Section

- 1 Major projects account.** Creates a major highway projects account in the trunk highway fund, consisting of money credited to the fund from the motor vehicle sales tax and other money credited by law.

Allows money in the account to be appropriated for:

- ▶ improvements to trunk highways in at-risk interregional corridors located primarily or entirely outside the seven-county metropolitan area;
- ▶ removal of significant highway bottlenecks within the metropolitan area;
- ▶ other trunk highway safety and capacity improvement projects, including addition of lanes on trunk highway corridors with known safety problems;
- ▶ trunk highway advantages to transit.

- 2 Passenger automobile license tax maximums.** Increases the maximum license tax for passenger automobiles in the second and subsequent years of life.

Increase the maximum tax in the second year from \$189 to \$200. Increases the maximum tax in the third year of life from \$99 to \$175. Increases the maximum tax in the third year of life from \$99 to \$125. Maintains the present \$99 maximum for the fourth and subsequent years.

- 3 Motor vehicle sales tax.** Reduces the percentage of motor vehicle sales tax revenue dedicated to the highway user tax distribution fund from 32 percent to 27.46 percent, effective through fiscal year 2007.

Provides for the following allocation of motor vehicle sales tax revenue beginning in fiscal 2008:

- ▶ metropolitan transit property tax replacement, 20.5 percent (current figure)
- ▶ greater Minnesota transit property tax replacement, 1.25 percent (current figure)
- ▶ metropolitan transit appropriations account, 2 percent (current figure)
- ▶ transit assistance fund, 21.25 percent (divided by law 80 percent metropolitan transit, 20 percent greater Minnesota transit)
- ▶ major projects account in trunk highway fund, 23 percent
- ▶ highway user tax distribution fund, 32 percent (restoration of current figure)

- 4 Budget base reductions.** Reduces MnDOT's trunk highway fund budget base for the 2004-05 and subsequent bienniums:

- ▶ multi-modal programs, \$1 million
- ▶ state roads, \$32.421 million
- ▶ general support, \$16.665 million

- 5 Appropriations.**

**Subd. 1. Department of transportation; trunk highway projects.** Appropriates the

## Section

following amounts from bond proceeds account in trunk highway fund to MnDOT:

- ▶ FY 2004 through 2005, \$150 million each year
- ▶ FY 2006, \$200 million
- ▶ FY 2007 through 2010, \$250 million each year

Allocated as follows:

- ▶ 45 percent to interregional corridors
- ▶ 45 percent to metro-area bottlenecks
- ▶ 5 percent to other trunk highway projects to improve safety and capacity
- ▶ 5 percent for advantages to transit

**Subd. 2. Department of transportation; greater Minnesota transit capital projects.** Appropriates the following amounts from the bond proceeds fund to MnDOT for greater Minnesota transit capital projects:

- ▶ FY 2004 through 2005, \$6.8 million each year
- ▶ FY 2006, \$9.2 million
- ▶ FY 2007 through FY 2010, \$11.4 million each year

Requires projects to be publicly owned.

**Subd. 3. Department of transportation; greater Minnesota transit operating assistance.** Appropriates \$4.4 million in each of fiscal years 2004 and 2005 from the general fund to MnDOT for greater Minnesota transit operating assistance.

**Subd. 4. Trunk highway debt service.** Appropriates \$15.833 million in FY 2004 and \$38.623 million in FY 2005 from the trunk highway fund to MnDOT for debt service on bonds issued under section 6, subdivision 2.

**Subd. 5. Metropolitan council; transit capital improvements.** Appropriates the following amounts from the bond proceeds fund to the metropolitan council for capital improvements for transit systems operated or assisted by the council.

- ▶ FY 2004 and 2005, \$27.2 million each year
- ▶ FY 2006, \$36.8 million
- ▶ FY 2007 through 2010, \$45.6 million each year

**Subd. 6. Metropolitan council; transit operations.** Appropriates \$17.6 million in each of FY 2004 and 2005 from the general fund to the metropolitan council for transit operations.

**6 Bond sale authorization.** Authorizes sale of state bonds:

- ▶ general obligation bonds, \$342 million
- ▶ trunk highway bonds, \$1,500,000

**7 Constitutional amendment proposed.** Proposes a constitutional amendment to dedicate 100 percent of motor vehicle sales tax revenues for highway and public transit purposes, beginning in fiscal year 2008.

**Section**

- 8**        **Submission to voters.** Submits the proposed constitutional amendment at the 2004 general election.
- 9**        **Auto license taxes.** Provides that auto license tax maximums revert to their level in 2003, beginning in fiscal 2008, if the constitutional amendment is adopted in 2004.
- 10**       **Effective date.** Makes all sections effective July 1, 2003.