

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 4134

**DATE:** May 1, 2006

**Version:** As introduced

**Authors:** Vandev eer and others

**Subject:** Reinst ituting metro transit levy; modifying distribution of MVST revenues

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### Overview

H.F. 4134 reinst itutes the property tax levy as the principal source of operating revenues for transit in the metropolitan area. It diverts the share of motor vehicle sales tax (MVST) revenues allocated to transit to the trunk highway fund, regardless of whether the proposed constitutional amendment is adopted or not. Transit grants to greater Minnesota transit systems will automatically be reduced by the elimination of the MVST dedication and those funds will have to be made up from increased levies and/or other local revenues; however, no law changes are needed in order for that to occur.

H.F. 4134 authorizes highway bonds to be sold based on the additional revenues being provided to the trunk highway fund, with a different amount depending upon whether the constitutional amendment is or is not adopted. The commissioner of transportation is directed to allocate the additional resources in fixed proportions between the metro area and greater Minnesota based on the relative amounts each area currently receives in transit revenues.

## Section

### Article 1: Metropolitan Area Transit Levy

#### Overview

This article reinstates the levy for metropolitan transit operating expenses as it existed prior to 2001. The levy is fully implemented for taxes payable in 2008; for taxes payable in 2007, the levy is one-half of the normal amount because the metropolitan council would continue to receive MVST funding for the first six months of the year.

- 1 1 **Financial assistance.** Provides a formula for determining grant amounts from the metropolitan council to "opt-out" transit municipalities.
- 2 2 **Local levy.** Provides levy authority for opt-out transit municipalities.
- 3 3 **Transit district tax.** Reinstates the property tax levy for transit operations in the metropolitan transit taxing district as it existed prior to 2001, beginning with taxes payable in 2007. For 2007, the levy is one-half of the FY '06 MVST revenues dedicated to metro transit, adjusted for inflation using the Implicit Price Deflator for state and local government (IPD). (The Council will continue to receive MVST revenues from January 1, 2007 to June 30, 2007.) For 2008, the levy is equal to the FY '07 MVST revenues dedicated to metro transit, adjusted for inflation. After 2008, the levy is allowed to grow annually by the rate of growth of the IPD.
- 4 4 **Transit area tax.** Provides for a transit levy in the metropolitan transit taxing area at a rate equal to 10 percent of the rate in the transit taxing district, as it was prior to 2001.
- 5 5 **Levy within opt-out municipalities.** Provides for the Met Council to levy a residual amount in "opt-out" transit municipalities, as it was before 2001.

### Article 2: Sales Tax on Motor Vehicles

#### Overview

This article eliminates the dedication of MVST revenues to transit funds, both under current law and under the language that will become law if the proposed constitutional amendment is adopted. In either case, the portion dedicated to transit is instead dedicated to highway purposes. It also changes the language of the proposed constitutional amendment to propose a 100 percent dedication to highways. Highway bonds are authorized based on the additional highway revenues.

- 1 1 **Distribution of MVST revenues.** Provides that beginning on July 1, 2007, revenues from the motor vehicle sales tax (MVST) will no longer be distributed to the metropolitan area transit fund or to the greater Minnesota transit fund.

Paragraph (c), which would only take effect if the proposed constitutional amendment is not adopted, provides that the 21.75 percent of the MVST currently being distributed to

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the two transit funds would instead be distributed to the trunk highway fund.

Paragraphs (d) through (h), which would only take effect if the proposed constitutional amendment is adopted, provides for an FY '08 distribution of 38.25 percent to the highway user tax distribution fund, 25.5 percent to the trunk highway fund, and 36.25 percent to the general fund. In each succeeding year, the general fund share would be reduced and the shares of the other two funds would increase until the ultimate distribution is reached in FY 2012, which is 60 percent to the highway user tax distribution fund and 40 percent to the trunk highway fund.

**2 2** **Constitutional amendment proposed.** Amends the language of the constitutional amendment to be placed on the ballot at the November, 2006 general election to say that the ultimate allocation of MVST revenues will be 60 percent to the highway user tax distribution fund and 40 percent to the trunk highway fund.

**3 3** **Submission to voters.** Amends the ballot question for the proposed constitutional amendment to read that all of MVST revenues would be dedicated to highway purposes.

**4 4** **Bond sale authorization.** Authorizes \$2.9 billion of highway bonds to be issued, and requires 65 percent of the bond proceeds to be used for highway bottleneck and expansion projects within the metropolitan area, and 35 percent of the proceeds to be used for highway projects outside the metropolitan area. [Note: this section is only effective if the proposed constitutional amendment is adopted.]

**5 5** **Bond sale authorization.** Authorizes an additional \$2.45 billion of highway bonds to be issued (Governor's proposal). [Note: this section is only effective if the proposed constitutional amendment is adopted.]

**6 6** **Bond sale authorization.** Authorizes \$1.65 billion of highway bonds to be issued, and requires 70 percent of the bond proceeds to be used for highway bottleneck and expansion projects within the metropolitan area, and 30 percent of the proceeds to be used for highway projects outside the metropolitan area. [Note: this section is only effective if the proposed constitutional amendment is not adopted.]