



March 30, 2022

RE: HF3931 DE1

Dear Chair Hornstein and House Transportation Committee Members:

I am writing on behalf of the member organizations, both private and public sector, who represent local governments, labor, transit, the construction industry and other advocates and professionals who work on Minnesota's transportation system every day.

The Transportation Alliance strongly supports the goal of dedicating 100% of the revenue from the sales tax on auto repair parts to transportation. Moving from the current flat amount of \$145.6 million per year to a statutory dedication of this revenue source only makes sense.

Minnesota's transportation system continues to suffer from under-investment leading to safety issues, delays in shipping products and moving commodities, vehicle damage and increased social costs as people struggle to get to work, medical appointments and other important destinations. Transportation impacts all areas of people's lives. Transportation is critical for getting children to school, workers to jobs, patients to health care, and moving our entire economy – all issues that are seen as a higher priority for general fund dollars. Dedicating an additional \$175 million to transportation out of a \$26 billion annual budget in a year with a \$9.3 billion surplus, will not negatively impact other areas of the state budget.

The Transportation Alliance has long advocated for increases in dedicated transportation fees and taxes and we continue to push for additional revenue that is constitutionally dedicated. This year, there is little support for any increases in taxes or fees to meet our growing transportation needs. Dedicating sales tax revenue from auto repair parts is a way to capture dollars from drivers that can be used to repair the roads they drive on.

We want to thank Chair Hornstein for supporting the statutory dedication of all of the revenue from the sales tax on auto repair parts. This is the year to finish the job and provide badly needed funding for roadways, bridges, and transit. Local governments are greatly affected by funding shortfalls, often leading to delays in safety improvements and needed maintenance. They need state assistance to maintain critical connections all across the state.

In addition to allocating revenue from the sales tax on auto repair parts to the Highway User Tax Distribution Fund, the Small Cities Assistance Fund, the Town Road Account and transit, we urge you to consider a specific direct allocation to the County State Aid Fund (CSAH) and the Municipal State Aid Street Fund (MSAS).

Since 1893

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The CSAH fund receives 29% of 95% of revenue deposited into the HUTDF and the MSAS fund receives 9% of 95% of revenue deposited into the HUTDF. A direct allocation to these funds would direct more dollars to local governments who have jurisdiction over many thousands of miles of roadway. The increased federal formula funds for highways from the Infrastructure Investments and Jobs Act (IIJA) will be deposited into the Trunk Highway Fund, not the HUTDF. Additional funding from the sales tax on auto repair parts will provide increased funding that counties and cities need.

Construction projects almost always include state and federal funding, and so local governments need stable funding sources. While the governor's supplemental budget recommendations call for transferring almost the same amount of general fund dollars to the Highway User Tax Distribution fund and to MnDOT, the stability that comes with a statutory dedication is important.

The Minnesota Transportation Alliance urges you to ensure that the 2022 Legislative Session doesn't adjourn without meeting its obligations to our counties, cities – large and small – townships and transit systems that need these investments to keep our citizens safe and able to live their lives independently.

Sincerely,

Margaret Donahoe
Executive Director