



Chair Rosen and Committee Members:

Minnesota Rural Counties supports SF3081 and appreciates Sen. Newman bringing the bill forward. Significant additional revenues to the Highway User Tax Distribution Fund is a key priority for MRC in 2022.

In the months leading up to the legislative session the largest transportation concerns raised by our members were voiced by those with the smallest populations.

The issues raising most concern included the Highway User Tax Distribution Fund falling well short of meeting small county road and bridge needs, the legislative tools authorized to address broad HUTDF shortfalls hold little or no benefit for small counties, and the needs gap is growing between counties that have adopted one or more of those supplemental funding programs, and the smaller counties those programs don't serve.

While all counties need new revenues to address growing transportation needs, the problem is particularly acute for smaller counties. To begin addressing these critical concerns, MRC supports the shift of general sales tax revenue on motor vehicle repair and replacement parts to the HUTDF as a good first step.

Prior to legislative authorization of new tools like the Local Option Sales Tax and the Wheelage Tax, virtually every county had funding shortfalls. The authorization of these two programs was legislative recognition the HUTDF was not meeting local road needs. Fortunately, those programs have been helpful for counties with a retail tax base and/or an adequate population to support one or both of the programs. But, as mentioned, they are little or no help to smaller, low population counties that lack those resources and continue to struggle with needs that far exceed the capacity of the HUTDF or local property tax to address.

Not only is the HUTDF not meeting local road needs in most small counties, but the Wheelage Tax and Local Option Sales Tax is a disincentive for counties that have implemented them to support a gas tax and / or tab fee increase that would help provide relief to the revenue crunch in smaller counties.

Getting significant stable, on-going, reliable new revenues into the HUTDF is critical to keeping smaller counties from falling farther behind and it is a key reason MRC supports shifting the general tax revenue from motor vehicle repair and replacement parts to the HUTDF.

Sincerely,

A rectangular box containing a handwritten signature in black ink. The signature appears to be 'Dan Larson' written in a cursive style.

Dan Larson, Executive Director

Minnesota Rural Counties

*Aitkin / Becker / Big Stone / Clay / Cottonwood / Douglas / Grant / Hubbard / Kittson / Koochiching
Lake of the Woods / Lincoln / Mahnomon / Marshall / Meeker / McLeod / Mille Lacs / Mower / Murray / Nobles / Norman
Pennington / Pipestone / Polk / Pope / Red Lake / Redwood / Roseau / Stevens / Todd / Traverse
Wadena / Wilkin / Watonwan / Wright*