

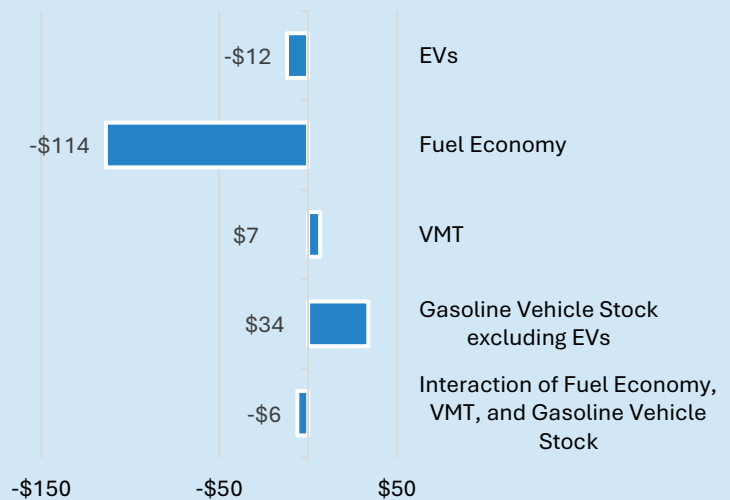
Minnesota's Highway Funding Gap:

Fuel Tax Revenue to Decline by \$91 million through 2030

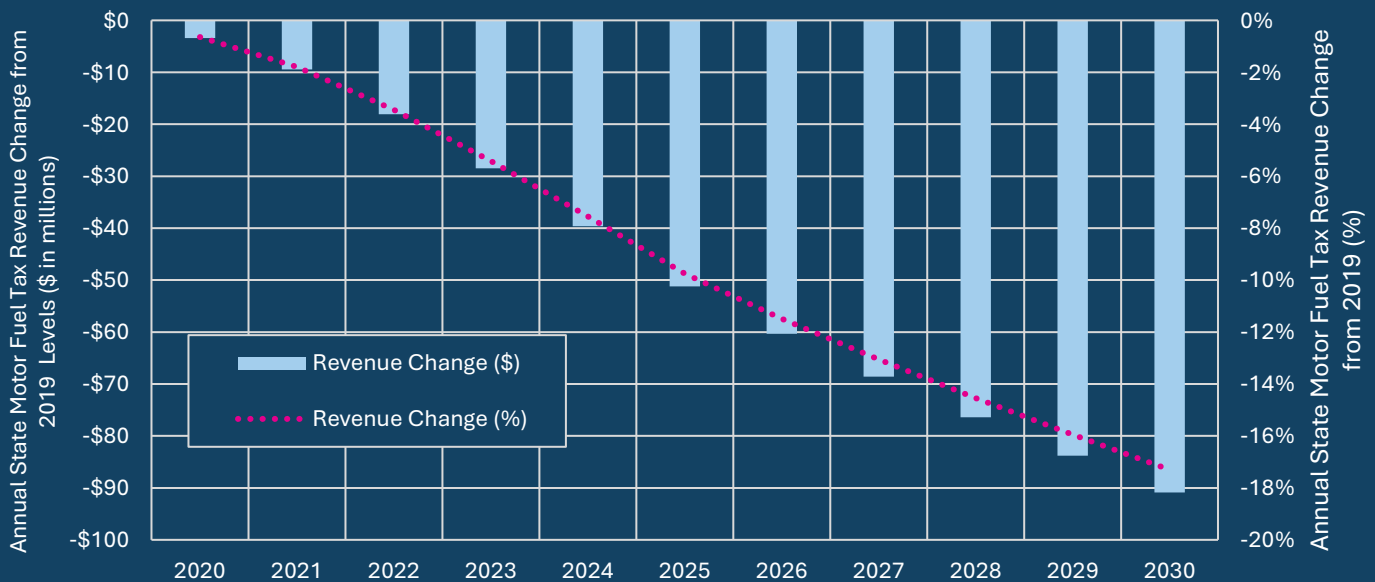
Key Findings

- Cumulative motor fuel tax revenue losses of **\$91 million from 2019 through 2030**.
- The revenue losses are driven by significant improvements to fuel economy, and not offset by increases in vehicle miles traveled (VMT), and changes to fleets.
- The growth in EVs contributes **almost nothing** to revenue losses.
- Minnesota has an opportunity to implement **structural fixes to how it raises revenue** to meet the state's growing transportation needs.

Revenue Changes by 2030 (millions)**



Step Decline to Come for Motor Fuel Tax Revenue in Minnesota



** The interaction effects of fuel economy, VMT, and gasoline vehicle stock on motor fuel revenue the results of these factors all changing at the same time.

18 Percent Drop in Gasoline Tax Revenue Through 2030

Minnesota relies on motor fuel excise taxes to build and maintain state highways, roads, and bridges. This funding mechanism is increasingly inadequate to maintain the quality of its roadways. Absent change, Minnesota could experience an absolute decline of 18 percent in state motor fuel tax revenue on a nominal basis totaling \$91 million from 2019 levels through 2030.¹ These losses are mostly spurred by significant increases in vehicle fuel economy that are not offset by modest increases in vehicle travel and the number of vehicles on the road.

The primary source of the loss of revenue is a 28 percent rise in the overall vehicle fleet fuel economy by 2030. The average fuel economy for vehicles on the road was approximately 23.3 miles per gallon (MPG) in 2019 and is expected to be 29.7 MPG by 2030. To understand the improvements in fuel economy, take the top-selling truck in the country, Ford's F-150, as an example. The F-150 has improved from 17 miles per gallon (MPG) in 2010 to 22 in 2020.

As a result of similar, fleetwide fuel economy improvements, Minnesota is projected to experience revenue losses of \$115 million through 2030. Inflation will further compound losses. Minnesota is set to lose \$171 million to inflation through 2030.

Any Imposed EV Tax / Fee Will Have a Negligible Impact

EV drivers pay a \$75 fee in Minnesota. A bill to increase the fee to \$229 for EVs was proposed and passed in the Senate Transportation Finance and Policy Committee. Ultimately, the bill was not passed into law in 2021. If passed however, it would have been the highest EV fee in the country. Even though Minnesota will see a 327 percent growth in EV registrations from 2020 to 2030, an increased EV tax will not get close to bridging the gap.² This fee would place a disproportionate burden on EV drivers who would be paying 82 percent more than the average gasoline vehicle driver in 2030.³

Minnesota's road funding predicament will see road revenues decline just as the state grapples with a growing population and aging infrastructure. Governor Tim Walz has [been unsuccessful](#) in his attempts to increase the gas tax to bridge funding gaps. Without structural revenue fixes, the state [may increasingly rely](#) on funding allocated from other services to fund upkeep as per an allocation of \$300 million in 2017 from the general fund (designated for schools, social programs and other services) to pay for road infrastructure.

Any highway funding solution must address the contributions of all vehicles to declining revenue through improved fuel efficiency and the impact of inflation on the purchasing power of the state's transportation budget.

¹ This calculation assumes U.S. Energy Information Administration's 2020 Annual Energy Outlook projections hold for on-road fuel economy of all vehicles, vehicle travel, vehicle stock, and the number of electric and hybrid vehicles on the road. Recently announced Corporate Average Fuel Economy (CAFE) standards will only further erode revenue.

² According to projections from the U.S. Energy Information Administration's 2020 Annual Energy Outlook

³ According to analysis by Atlas Public Policy using the Highway Revenue Assessment Tool (2021)

Additional Resources

For more information on Minnesota, EV registration fees, and road funding, please visit the following resources:

[**AASHTO** | State Transportation Funding Initiatives Since 2013](#)

[**Alliance for Transportation Electrification** | Accelerating Electric Vehicle Adoption](#)

[**Atlas Public Policy** | Highway Revenue Assessment Tool](#)

[**BlueGreen Alliance Foundation** | Visualizing the Clean Economy: The Automotive Sector](#)

[**Census** | New Vintage 2021 Population Estimates Available for the Nation, States and Puerto Rico](#)

[**Consumer Reports** | Rising Trend of Punitive Fees on Electric Vehicles Won't Dent State Highway Funding Shortfalls but Will Hurt Consumers](#)

[**Edmunds** | Most Popular Cars in America](#)

[**Environmental and Energy Policy and the Economy** | Should Electric Vehicle Drivers Pay a Mileage Tax?](#)

[**Fuel Economy** | Compare Side-by-Side](#)

[**MassDOT** | Electric Vehicle: Impacts on Transportation Infrastructure – A Review of Other States](#)

[**Move Minnesota** | VIDEO: MN-Made Electric Buses Charged to Combat Climate Change](#)

[**MPR News** | Long-term funding for roads still elusive at Capitol](#)

[**Pennsylvania Department of Transportation** | Transportation Revenue Options Commission](#)

[**Pew Charitable Trusts** | Population Growth Sputters in Midwestern, Eastern States](#)

[**Plug In America** | Paying for the Roads: Electric Vehicle Road Usage and Registration Fees](#)

[**UC Davis Institute of Transportation Studies** | A Zero-Emission Vehicle Registration Fee is not a Sustainable Funding Source for Maintaining California's Roadways](#)