

REPORT AND RECOMMENDATIONS

Governor's Task Force On Highways For Economic Vitality

February 1981

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INTRODUCTION

"A major element in the organization of economic activity is the cost of overcoming distance. In any economy the costs of transport profoundly influence the uses to which land can be put, the location of economic activity, the scope of the market, and the degree of integration or parcelization in the economic, political, and social structure. The provision of access to markets makes unproductive land valuable; the location of land rich in native fertility but distant from markets renders it a little value. In this setting it is appropriate to regard transportation arteries as creators of value, whether they are rail, highway, water or air.

On the one hand, the existence of centers of industrial or commercial activity, or the availability of agricultural lands of high fertility, create a "demand" for transport services. On the other hand, the availability or the expansion of transport services create the setting in which future growth in land utilization and economic activity can occur. There is, accordingly, an unavoidable mutual interdependence involved in the study of the economic impact of highway development. It is both the product of a given economic environment and a powerful creative force shaping that environment."1

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[&]quot;The Economic Impact of Highway Development Upon Land Use and Value", University of Minnesota, September, 1958.

GOVERNOR'S TASK FORCE ON HIGHWAYS FOR ECONOMIC VITALITY

Agriculture

- . *Earl Gnan, Norwood, Carver County Commissioner, Transportation Advisory Board
- . Glen Tasa, Trail, Pennington County Commissioner, Minnesota Association of Counties

Labor

- . Robert F. Pueringer, Anoka, Associated General Contractors, International Union of Operating Engineers (Local 49), Minnesota Good Roads.
- . Paul Bailey, Minneapolis, Teamsters Local 221, President

Recreation

- . M. K. "Dutch" Cragun, Brainerd, Resort Owner
- . Ruth Ericson, Silver Bay, Northeast Minnesota Environmental Economic Council

Manufacturing/Business

- **Carl L. Wyczawski, New Ulm, Retail Clothing Store President, Mayor, member and former Chairman of Region 9 RDC
- . James R. Heltzer, St. Louis Park, Dayton-Hudson Executive, former Commissioner, Department of Economic Development

Citizens

- . Bernard L. Lieder, Crookston, Polk County Engineer, Northwest RDC Transportation Committee
- . Richard A. Trachy, Rochester, Director of Plans and Controls at IBM

Legislators

- . Lyle G. Mehrkens, House, IR, District 25B, Red Wing, (Appropriations, Judiciary, Transportation)
- . David D. Schaaf, Senate, DFL, District 46, Fridley, (Government Operations, Elections Finance, Transportation)
- . Steve Engler, Senate, IR, District 25, Randolph, (Agriculture, National Resources, Local Government, Transportation)
- . Shirley A. Hokanson, House, DFL, District 37A, Richfield,

(Appropriations, Health/Welfare, Transportation)

* Chairman ** Vice Chairman

CHARGE TO THE TASK FORCE

The Responsibility of the Task Force was to provide the Governor and the Legislature of the State of Minnesota, the following information:

- Recommendations regarding long range (6-10 years) highway needs to assure economic vitality of the State's economy.
 - An estimate of the funding necessary to satisfy the identified needs.
 - A prioritization of highway objectives (i.e., safety, maintenance, capacity, response to economic development, etc.)

Recommendation for improved resource (people and dollars) utilization.

Recommend alternative funding sources.

A strategy for implementation.

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TASK FORCE ACTIVITIES

The Governor's Task Force on Highways traveled by bus on three trips in the state and conducted public meetings in --

St. Paul	Waseca		
Duluth	Thief River Falls		
Grand Rapids	Ada		
Princeton	Alexandria		
Marshall	Bloomington		

Approximately 300 citizens attended these meetings, providing both verbal and written testimony on various transportation issues. The one concern expressed throughout the state was that Minnesota's transportation system is important to its citizens and that the system must be properly maintained and improved. Many comments were also received questioning the process for priorization and selection of highway construction projects.

The Task Force also queried staff of the Department of Economic Development and Transportation. Questions that were raised were pursued and data was furnished to measure issues. The Task Force listened, studied, saw, experienced, queried, deliberated, and discussed economic and highway issues to arrive at this report and recommendations.

This report contains the Task Force recommendations on a suggested response to the State's transportation funding problems following consideration of the public testimony received.

TRANSPORTATION AND MINNESOTA'S ECONOMY

Minnesota's transportation system, as a component of the national transportation network, is responsible for the movement of people and goods into, out of, and throughout Minnesota. This system is a well-balanced mixture of air, land and water networks. Its estimated that 90,000 Minnesota businesses employing 2.2 million persons and over 100,000 Minnesota farms are dependent upon the state's transportation system.

An efficiently operating transportation system is a basic prerequisite of economic activity and development. Minnesota is currently served by:

- 141 public and 16 private airports
- 9 major river and great lake ports
 5,614 miles of pipelines
- . 6,894 miles of rail lines
- 129,500 miles of public roads

Minnesota has a population of 4 million citizens today. There were 2,725,000 licensed drivers in 1979 and 2,949,000 licensed vehicles. Those drivers and vehicles record approximately 30 billion vehicle miles of travel on Minnesota's public road system annually. Gross State product (market value of all goods and services) exceeded \$40 billion in 1979 with projected real growth of 4%-5% annually through 1985.

Trucking

Trucks are the major user of the highway system for commercial purposes. Much of Minnesota's economy is dependent upon the availability of truck transportation.

TRUCK USE IN MINNESOTA BY PRODUCT CARRIED - 1977

Major Industrial Sector	Truck Miles (Millions)	۶ of Total	Employment (Thousand)	% of Total
Agri-Business	1,329.0	35.1	349.9	26.5
Construction	486.5	12.9	68.7	5.2
Manufacturing	536.4	14.2	153.4	11.6
Forestry	105.5	2.8	39.4	3.0
Retail/Wholesale	748.9	19.8	383.5	29.0
Mining	19.0	0.5	12.9	1.0
Service Industries	463.6	12.3	291.2	22.1
Utilities	94.2	2.8	21.1	1.6
TOTAL	3,783.1	100.0	1,320.1	100.0

Agri-business Trucking

The most important commodity movement in the State in terms of truck miles is that of agriculture and agribusiness. This classification, which is 35% of the total truck miles, is formed by combining these major usage elements:

Elements	(Millions)
Farm Products	973.5
Processed Foods (mfg.)	262.2
Live Animals	93.3

TOTAL AGRICULTURE AND AGRIBUSINESS 1,329.0

This commercial mileage was generated from the production of 104,000 farms throughout the State. Dairy farming occurs in central and southeastern Minnesota, corn and soybeans are raised in the southern and southwestern portion of the state with small grains and cash crops concentrated in the Red River Valley.

Grain Trucking at Duluth and Minneapolis

Two major terminal ports service the intermodal global transportation requirements of grain demand. Trucks are carrying a larger share of the total grain that is moved to Minnesota terminal facilities both in relative and absolute terms. The increased truck usage for growing port shipments is apparent from the table and graph below.

Grain Received at Duluth-Superior

Terminal facilities 1975-1979

(thousand metric tons)

	Total	Truck	Percent	<u>Rail</u>	Percent
1979	8,831.3	4,345.0	(49.2)	4,486.3	(50.8)
1978	9,685.2	4,125.9	(42.6)	5,559.3	(57.4)
1977	5,695.7	2.289.7	(40.2)	3,405.0	(59.8)
1976	5,029.8	1,921.4	(38.3)	2,108.4	(61.7)
1975	5,976.9	1,595.8	(26.7)	4,381.1	(73.3)

Movement of Grain to Duluth-Superior Terminal, 1975-79 Percent of Shipments by Major Mode



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Grain Received at Minneapolis-St. Paul

Terminal Facilities 1975-1979

(thousand metric tons)

	Total	Truck	Percent	Rail	Percent
1979	11,678.4	8,898.9	(76.2)	2,779.5	(23.8)
1978	9,022.4	6,324.7	(70.1)	2,697.7	(29.9)
1977	7,862.6	4,285.1	(54.5)	3,577.5	(45.5)
1976	8,044.8	3,966.1	(49.3)	4,078.7	(50.7)
1975	7.799.6	2,704.8	(47.5)	4,094.8	(52.5)

Movement of Grain to Minneapolis-St. Paul Terminal, 1975-79 Percent of Shipments by Major Mode



This analysis does not consider the movement of Minnesota grain directly to gulf ports or to the west coast by unit train. It only addresses the question of how the transport of grain has changed in a five year period to two major grain handling facilities within the state.

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The problem therefore, as the graphs illustrate, is not that the railroads are moving substantially less grain than they were five years ago, but rather that there is much more grain being moved. Trucks are carrying the increased volume and making up for any reduction on the part of rail. In 1979, trucks carried almost as much grain as the total 1975 movement to the two terminals.

Manufacturing Truck Use

Manufacturing industries make up another set of commercial highway users in Minnesota. The U.S. Department of Commerce lists 6054 manufacturing establishments distributed across the state.

The processing of agricultural and forestry products accounts for much of the non-durable goods manufacturing in non-metropolitan Minnesota, including vegetable canning and freezing in south-central and southeastern Minnesota, meat-packing across southern Minnesota, sugar and potato processing in the Red River Valley and paper production in north-central and northeast Minnesota. The seven county Twin City metropolitan area accounted for 57 percent of non-durable goods manufacturing in Minnesota and 69% of the durable goods manufactured.

To view the dependence of these manufacturing firms on Minnesota's highway system the following table is useful:

MANUFACTURING TRUCK USE BY PRODUCTS CARRIED, 1977

Industrial Sector	Truck Miles
Product Carried	(Millions)
Manufacturing-	98.7
Petroleum	98.7
Transportation Equipment, etc.	98.4
Fabricated Metals	96.9
Electronic Machinery	92.0
Machinery, (except Elect.)	89.5
Chemicals	58.2
Primary Metals	2.7
TOTAL	536.4

Forest Product Trucking

Another very large user of Minnesota's highway system is the forest products segment of the state's economy. The movement of logs and forest products as well as manufactured paper products generated 105,500,000 truck miles in 1977. The value of forest products harvested in Minnesota in 1977 came to \$659 million. The value of secondary manufacture of those products was \$804 million, for a total of nearly \$1.5 billion. Most forest products move by truck. The highway system in Northern Minnesota, the primary forest producing area was built in the 1930's based on design standards of the time. Consequently, many of these local highways are unable to sustain 80,000 pound weights. This puts Minnesota's forest product industry at a competitive disadvantage compared to Wisconsin and Ontario where weight limits are 80,000 and 135,000 pounds respectively.

Additional demand for highway services are being generated by new construction starts in the forest products industry at Bemidji, Cloquet, Cook, Grand Rapids and Sartell during the past year. Each of these plants will put additional stress on the existing road system.

Retail, Wholesale, and Service Trucking

The state's retail/wholesale establishments, generate the second highest number of truck miles for products carried (748.9 million). This illustrates the intrastate and regional reliance on the public road system. Retail goods, most of which are shipped by truck, must be distributed statewide to 46,400 establishments that employ 383,500.

Geographically alligned to statewide economic activity is the service sector, 21,349 establishments, in the fastest growing segment of the Minnesota economy. It currently registers another 463.6 million truck miles. This mileage supported 291,200 service jobs statewide.

Tourist-Travel Industry

Included in the retail and service sectors are establishments such as hotels, restaurants and gas stations which are part of the tourist-travel industry. Of all vehicle trips over 200 miles, more than half or 4.3 million were commercial. This commercial traffic divides itself into two major categories; 1) business and convention and, 2) tourist-travel. Both types contribute a substantial amount to Minnesota's nearly \$2 billion year-round travel industry. Approximately 88 percent of the 8 million annual travelers use the automobile as their major mode of transportation. The following graph illustrates the correspondence between highway travel and lodging receipts:



Relationship Between Average Daily Traffic Counts and Minnesota Lodging Receipts, 1979

*Average Daily Traffic Totals at 24 Selected Recreation Resort Sensitive Traffic Stations 1978/79

Commercial Trucking

Within the broad economic sectors that make up the Minnesota economy are individual industries that depend on highway transportation for their survival. One way to establish this dependence is to examine the purchases that these other industries make from Minnesota's trucking industry. Based on unpublished research data from the University of Minnesota, the table below lists those economic units that purchased over \$5.2 million in services from the trucking industry.

MINNESOTA INDUSTRY SEGMENTS WHICH PURCHASE TRANSPORTATION

SERVICE IN EXCESS OF \$5.2 MILLION ANNUALLY

	Transport Service
Industry Segment	(In thousands of dollars)
Industry begment	(In chousands of dollars)
Dairy Farms	\$34,307
Meat; Animals	11,370
Feed; Grains	14,418
Iron Ores	6,738
Construction, New Residential	20,965
Construction, Non Residential	18,552
Construction, Highway	6,326
Construction, Other	13,637
Maintenance & Repair	24,038
Meatpacking	15,394
Canned Fruit & Vegetables	21,560
Frozen Fruit & Vegetables	12,066
Flour/Other Grain	5,253
Paper Mills	6,528
Misc. Printing & Publishing	6,122
Plastic Products	5,996
Concrete Block; Brick	24,043
Misc. Stone & Clay	6,441
Railroad Transportation	7,592
Air Transportation	8,535
Wholesale Trade	68,738
Retail Trade	11,359
Misc. Business Service	10,141
Eating & Drinking Establishmer	its 20,613
Hospitals	6,368
Post Office	\$ 6,861

Other Travel

These statistics do not include the Minnesota economy's reliance on automobiles to move employees to and from their jobs as well as the statewide business travel of salesmen, agents, representatives and service personnel.

One major classification not covered here is "Finance, Insurance and Real Estate." Such businesses do not normally rely on truck transport. However, they do represent a good portion of business passenger mileage.

Economic Conclusions

Several relationships are worth noting in this data

- The heavy reliance of resource based commerce on highway, i.e. agriculture and forest products.
- The importance of trucking to intermodal movement, and
- The statewide nature of the industries dependent on trucking.

The development and maintenance of the state's commercial roadway system is one of the most critical issues facing Minnesota. An adequate highway system is essential to the implementation of any economic development strategy on a statewide, regional or local basis. Minnesota's highways are increasingly important links to growing worldwide markets. The accessibility to highways is also a major element of dispersing industry throughout the state and connecting local economics to district suppliers and customers.

MINNESOTA PUBLIC ROAD SYSTEM

Minnesota is served by 129,500 miles of streets and highways. The ownership is divided among approximately 2,750 separate govermental units. Roadway ownership and average travel can be summarized:

		Mileage	Travel
Jurisdiction	System	Miles (%)	Vehicles/day(%)
State	Trunk Highway	12,100 (9%)	3,820(58%)
County	State Aid Highway	29 , 900(23%)	530(20%)
City	State Aid Street	1,700(1%)	3,250(7%)
	Sub-Total	43,700(33%)	N/A (85%)
County	County Roads	15,200(12%)	120(2%)
City	City Street	12,800(10%)	650(10%)
Township	Township Road	53,600(41%)	40(1%)
Other	Agency Road	4,200(2%)	150(2%)

The first three listings represent 1/3 of the public mileage but support 85% of all travel. The trunk highway system is defined by the constitution for 70 routes and legislation for 335 other routes.

County and City state aid routes are limited in total mileage and individual route segments are regulated by eligibility criteria. This system of state-aided streets and highways are the most important routes for state travel.

The Trunk Highway System basically provides the longer trip service on the intra and interstate levels. The County State-Aid Highway provides a secondary level of intra and intercounty movements. County roads provide a basic minor collector and land access service. The Township system provides the rural land access function. Municipal State-Aid Streets provide the secondary arterial function in urban areas while the other local streets furnish the essential access function.

VEHICLE REGISTRATIONS IN MINNESOTA

Vehicle registration in Minnesota total more than 3.8 million, an increase of 58 percent over 1969. The largest increases in registrations occurred in the General Category which includes trailers, motorcycles, buses and recreational vehicles, while the second largest increase occurred in the truck category. Tax reciepts from vehicle registrations increased by 102 percent over the period between 1969 and 1980.

MOTOR VEHICLE REGISTRATIONS

	1969	1980	<pre>% Change</pre>
Passenger Car	1,707,182	2,301,463	+ 34.8%
Trucks (Y & P.R.)	292,726	638,680(1)	+118.2%
Farms Trucks(T)	105,853	125,283(2)	+ 18.4%
Urban Trucks(U)	4,354	7,894	+ 81.3%
sub-total	2,110,115	3,073,320	+ 45.6%
* General	314,406	760,843(3)	+142.0%
TOTAL VEHICLES	2,424,521	3,834,163	+ 58.1%
License Fees	\$61,023,724	\$123,525,771	+102.4%

*General includes buses, trailers, motorcycles, etc. Vehicles registered for 9000 pounds gross weight or less (Pickups or Vans):

	(1)	511,050
	(2)	66,382
	(3)	23,966
TOTAL		601,398

ROAD SYSTEM FUNDING

The network of financing transportation, from many sources to many expenditure purposes through several levels of government, is probably as complicated as any system in the public sector.

Four different levels of government (State, County, Cities and Townships) make direct expenditures for roadways in Minnesota. For all four levels of government, the source of these come from an enormous array of tax bases.

Sources of Funds

Roughly 41% of the funds raised in 1978 came from sources dedicated to highways, roads and streets; i.e., Federal and State user charges. The remainder comes from State and Local non-highway user tax sources. Figure 1 shows that altogether, Cities, Counties, Townships, the State of Minnesota, and the Federal Government raised roughly \$1,106,700,000 in 1978 for highways, roads, and streets in Minnesota. This total does not include the balance forward from the 1977 accounting period of Including this amount results in the \$228.0 million. availability of \$1,334,700,000 for expenditure during 1978 for highways, roads, and streets in Minnesota. The funds raised by Cities, Counties, and Townships are all used for highways, roads, and streets under their jurisdiction. In addition, sources of funds for highways, roads, and streets in Minnesota have been reported in Figure 1 by the level of government which collects the money, not the level which may spend it.



Figure 1



SOURCE	AMOUNT (millions of \$)	PERCENT OF SOURCE	PERCENT OF TOTAL
STATE			
a. Fuel Tax	200.3	43%	
b. Motor Vehicle Registration	103.8	22%	
c. Other Miscellaneous	27.9	6%	
d. Local Government Aid	76.9	16%	
e. Bonds	<u> 56.0</u>	<u>13%</u>	
SUBTOTAL	464.9	100%	42%
FEDERAL	155.8		14%
CITIES	368.4		33%
COUNTIES	94.6		8%
TOWNSHIPS	23.0		3%
GRAND TOTAL	1,106.7**		100%

*CY 1978 or the nearest 12 month period for which data was available

**Does not include roughly \$228.0 million balance from 1977

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Use of Funds

Figure 2 shows that 40% of the funds raised for transportation in 1978 were spent on capital improvements. 24% of the funds were spent on operations while 27% was spent on the maintenance and upkeep of the System. (Federal law prohibits Federal-Aid from being used for routine maintenance purposes. As such, the monies spent on maintenance-related activities do not include the expenditure of Federal funds.) In addition, 9% of the funds available in 1978 were used in the retirement of debt.

The specific meaning of each of the categories listed on Figure 2 are as follows:

Maintenance

The physical upkeep of highways includes repairing road surface failures, sealing joints, maintaining shoulders, and the repair and improvement of drainage structures. Maintenance also includes many traffic services such as sanding, removal of ice and snow on the roads, cleaning up after floods, washouts, etc., and the upkeep of traffic aids, such as pavement markings, signs, and traffic control devices. This includes prevention of erosion, weed control, and the mowing of grass on the right of way. It should be noted that highway maintenance generally does not result in a better facility than was produced by original construction or subsequent reconstruction. Rather, highway maintenance consists of correcting deficiencies in the highway which have resulted from age, damage, weather, disaster, etc., or of taking steps necessary to prevent the development of deficiencies, sometimes referred to as preventive maintenance.

Operations

Highway operations includes the administrative overhead required for the functioning of the agency or level of government. As such, it also includes the technical support services required to coordinate and monitor construction projects. This includes the cost to prepare environmental documents, prepare plans and specifications and supervise construction. Additionally, operations includes the manpower necessary to develop the capital investment program; including planning, programming, and research.

Capital Outlay

Capital outlay for highways includes the modification and improvements to roads and streets in Minnesota. Specific tasks that typically fall into this category include trunk highway construction projects, improvements to county, township, and city roads and streets; including resurfacing, reconstruction, bridge repairs, noise walls, right of way purchases, etc. Figure 2

USE OF FUNDS FOR HIGHWAYS, ROADS & STREETS FOR ALL LEVELS OF GOVERNMENT – 1978*

Expenditures in millions of dollars/percentages of the total**



*CY 1978 or the nearest 12 month period for which data was available.

**Total expenditure of \$1,073.2 million does not include a fund balance at the end of 1978 amounting to \$261.2 million.

Highway User Tax Distribution Fund (HUTDF)

The Highway User Tax Distribution Fund was established through a 1956 Constitutional Amendment and 1957 Legislation. The Fund may only be used for highway purposes. The Fund consists of the proceeds of the taxes on motor vehicles and motor fuels. The HUTDF helps finance the construction, operations, improvement and maintenance of the 44,700 mile network of roadways. This network includes the 12,200 miles of the State Trunk Highway System, the 30,000 miles of County State Aid Highways (CSAH), and the 2,500 miles of the Municipal State Aid Streets (MSAS) System.

95% of the net proceeds, after refunds and collection costs, are apportioned as follows:

- 62% to the State Trunk Highway fund
- 29% to the County State Aid Highway Fund
- 9% to the Municipal State Aid Street Fund

Five percent of the net proceeds may be set aside and apportioned by law for public road use. Apportionments may not change more frequently than six years. The current apportionment is:

- 60% to the State Trunk Highway Fund
- 21% to the County Turnback Account
- 10% to the Town Bridge Account
- 9% to the Municipal Turnback Account

The Turnback Accounts were established to finance improvements to the State Trunk Highway System which are to be turned back to other units of government. The Town Bridge Account provides for the replacement of Township bridges.

Figure 3 indicates the flow of highway user taxes for the 1978 State Fiscal Year. About 64% of the user fees are raised through motor fuel taxes and 36% of the user fees are raised through motor vehicle registration taxes.

HIGHWAY USERS TAX DISTRIBUTION FUND 1978 (in millions of dollars) Motor Vehicle Tax Motor Fuel Tax \$112.0 \$203.6 HUTDF \$315.6 Transfer ♥ to DNR \$1.5 Cost to Collect (\$9.9 95% 5% MSAS \$15.2 Fund Municipal :9% 9% \$289.0 O∢ Turnback \$26.3 10% \$1.4 21% **6**0% 62% 20 0⁴ Town Bridge CSAH Fund Acct. () \$83.8 Trunk \$1.4 County Turnback Highways \$3.2 \$188.3

Figure 3

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State Trunk Highway Fund

Figure 4 outlines the source and use of funds resulting in highway improvements on the State Trunk Highway System during 1978. A total of \$393.4 million was available for expenditure in 1978. Excluding a \$33.1 million balance forward from 1977, \$360.3 million was raised in 1978 for the State Trunk Highway System. Roughly 52% of the total funds raised during Fiscal year 1978 were from State motor fuel and motor vehicle taxes. Federal Aid amounted to 31% of the total funds raised in 1978. In 1978, construction projects onthe 12,200 mile State Trunk Highway System amounted to \$157.6 million or roughly 40% of the total funds available. Approximately 17% of the funds were expended on maintenance activities.

Figure 4

SOURCES, DISTRIBUTION AND USES OF FUNDS FOR HIGHWAYS STATE TRUNK HIGHWAY FUND

1978

(in millions of dollars)



*Does not include collection cost nor DNR transfer (see Figure 3).

Minnesota Cities

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Figure 5 outlines the source and use of funds resulting in improvements to the road and street system within Minnesota municipalities during 1978. A total of \$602.0 million was available for expenditure during 1978. Excluding a \$131.0 million balance forward from 1977, roughly \$471.0 million was raised in 1978 for City roads and streets. Of this amount, State highway user taxes amounted to roughly 5% of the total funds raised. Federal Aid amounted to only 5% of the total By far, the largest source of funds for cities in funds. Minnesota for use on their road and street system originates from property taxes. In 1978, property taxes amounted to roughly 30% of all the funds raised by cities in Minnesota. Construction expenditures amounted to 24% of the total funds available while maintenance claimed 18%. A substantial balance forward at the end of the 1978 accounting period of \$154.2 million amounted to 26% of the total funds available in 1978.

SOURCES, DISTRIBUTION AND USES OF FUNDS FOR HIGHWAYS, ROADS, AND STREETS FOR MINNESOTA CITIES 1978

Figure 5

(in millions of dollars)



Minnesota Counties

Figure 6 outlines the source and use of funds for road and street improvements within the 87 counties in Minnesota. A total of \$296.2 million was available for expenditure in 1978. Of this amount, \$58.9 million was balanced forward from 1977 resulting in the raising of \$237.3 million in revenues in 1978 for counties. Of this amount, roughly 37% orginated from State highway user taxes. Federal Aid amounted to roughly 6% of the total funds raised. One of the largest sources of funds at the County level of government is property taxes. In 1978, 26% of the funds raised for counties came from property taxes. Another important source of funds is from State government. In 1978, 6% of the funds raised came from State government. In 1978, Counties had a total of \$25.8 million in bond proceeds. This level is not typical of the rate at which Counties bond. It is normally much less. The amount shown here reflects funds from the Bridge Bond Program enacted by the State Legislature. Construction expenditures in 1978 amounted to 40% of the total funds available to be spent. Maintenance expenditure amounted to 29% of the total available.

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2003, 2009, 2009, 2009, 2009, 2009, 2009, 2009, 2009, 2009, 2009, 2009, 2009, 2009, 2009, 2009, 2009, 2009, 200

Figure 6

SOURCES, DISTRIBUTION AND USES OF FUNDS FOR HIGHWAYS, ROADS, AND STREETS FOR MINNESOTA COUNTIES 1978



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Minnesota Townships

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Figure 7 outlines the sources and uses of funds by Townships in Minnesota. A total of \$42.7 million was available for expenditure in 1978. Excluding the \$4.4 million balance carried forward from 1977, \$38.2 million was raised in 1978. For Townships, property taxes are a major source of funds for In 1978, 31% of the funds raised were from property Maintenance activities in 1978 claimed the largest porroads. taxes. tion of the funds expended at the Township level. In 1978, 53% of the funds available were spent on maintenance activities while only 17% was expended on construction projects.

Figure 7

SOURCES, DISTRIBUTION AND USES OF FUNDS FOR HIGHWAYS, ROADS, AND STREETS FOR MINNESOTA TOWNSHIPS 1978





ISSUES, PROBLEMS & CONCERNS

The 14 member Governor's Task Force on Highways for Economic Vitality studied the issues and inter relationship of the highway system and the economy of Minnesota. The state has historically provided and maintained the basic highway network and the task force determined, through statewide public meetings, that the citizens of Minnesota expect the state to continue with this responsibility. Citizen input indicated a high level awareness of the correspondence between a developed road system and economic vitality.

Economic Concern

The major element in the organization of economic activity is the cost of overcoming distance. In this respect it is essential that Minnesota maintain its competitive position within the Northcentral region and the nation. Highway mobility increases options for individuals and businesses whereas the deterioration or lack of development of the highway system limits the options and imposes added costs to businesses such as:

- 1) increased freight cost
- 2) uncertain route availability
- 3) uncertain transit time
- 4) decreased safety
- 5) limited accessibility to markets
- 6) limited accessibility to suppliers
- 7) limited response to market conditions
- 8) constrained ability to plan

Testimony before the task force highlighted the key issues involved in providing a public road system that will assure the safe and efficient movement of people, goods and services.

Preserve the Highway System

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The first issue is the continued maintenance and preservation of the existing system. Minnesota has a sizable investment in its state highway network; replacement value is estimated to be \$17.7 billion.

Highway preservation generally does not result in a better facility than was produced by original construction and subsequent reconstruction. Rather, highway preseration consists of correcting deficiencies in the highway which have resulted from age, damage, weather, disaster or of taking steps necessary to prevent the development of imminent deficiencies.

With a growing population, increasing economic activity, and declining importance of rail movement, the need for a healthy highway transportation network is not going to decrease in the future. The state's roads, however, have already begun to deteriorate.

For example, Minnesota's trunk highway system today is a mature system with a median age of approximately 35 years, the effective life cycle of a highway. About 7,850 miles of Minnesota's state trunk highways were built prior to 1955 and designed to serve not only fewer and slower vehicles but also lighter vehicles. By 1990, these 7,850 miles will be over 35 years old and be candidates for rehabilitation. Some of these highways are already long overdue for rehabilitation.

About 3,500 bridges 20 feet or longer are on the state trunk highway system. About 325 of the bridges are over 50 years old. In total, about 500 bridges on the state trunk highway system are deficient in width, load carrying capacity, or clearance. These deficient bridges are all candidates for replacement.

Commercial Trucking

The second issue is the provision of sufficient load carrying capacity on the commercial highway network to handle inter and intra state commerce. Minnesota does not have a completely integrated, consistent network of highways rated to carry commercial tonnage.

1977 legislation permitted a 10-ton axle weight for trucks on a few designated routes. This increased the demand for the state and counties to develop an enlarged system of roadways capable of carrying this weight. Currently 4,400 miles of the highway system are restricted to less than the statewide legal load limit of 9-tons per single axle during the spring. This also created an abrupt economic disadvantage to shippers not located

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on a 10-ton route. Some truckers refused to serve elevators that were not on a 10-ton route.

Traffic Congestion

The third major issue is the provision of sufficient vehicle carrying capacity throughout the system to accommodate traffic volume. With a few exceptions, Minnesota's rural highways are adequate in this respect. Urban areas are faced with increased congestion but less expensive solutions are being realistically applied: ridesharing, system management, transit.

Gaps in Highway Routes and Uncompleted Segments

There are more than a few long planned route improvements that remain incomplete. Years of planning and public expectation are frustrated by project deferrals and cuts. In some cases, segments of a route have been improved leaving old and inadequate highways between newer segments. Or route improvements progress slowly over so many years that their benefits are unrealized.

Interstate Completion

Time is also running out for completion of Minnesota's portion of the national interstate freeway system. Interstates have been constructed with 90 percent federal dollars and 10 percent state funds. The federal government has mandated that the uncompleted segments must be under construction by September 30, 1986 in order to qualify for federal funds. \$1.2 billion is needed to complete the remaining segments of Interstate Highways. The dedication to this program, although essential, has detracted from other highway needs for the past 25 years.

The Highway Funding Problems

Inflation

Inflation has hampered the ability of State, Local, and Federal governments to preserve the inplace roadway network.

Over the past twelve years, per mile costs for highway construction in Minnesota have risen much faster than revenues. During the time period from 1967 through 1979, the costs of highway construction have increased roughly 168%. As such, inflation has clearly hampered the ability of Local, State, and Federal governments to preserve the Minnesota roadway network.

Figure 8 shows the impact which this inflation has had in recent years. The solid line represents Mn/DOT's recent construction programs, while the dashed line represents equivalent spending in constant 1967 dollars. The difference between the two lines is the loss in buying power due to inflation. Figure 8 shows that even though the level of expenditure for highway construction has been growing, in reality it has been steadily decreasing in terms of constant dollars. Every year Minnesotans have been spending more and getting less. For example, Mn/DOT had a total construction program expenditure of \$193.0 million in Fiscal Year 1979.

However, in terms of the value of a dollar in Fiscal Year 1967, this program was actually only purchasing roughly \$63.0 million in equivalent work. The loss of buying power since 1967 compared to the total expenditure in 1979 amounted to \$130 million.

Figure 8

EFFECT OF INFLATION ON "CONSTANT DOLLARS" Mn/DOT HIGHWAY CONSTRUCTION PROGRAM, 1967-1981



Fuel Conservation

Inflation is not the only factor at work. Another important aspect is the substantial slow-down in the rate of gasoline consumption in recent years. This, of course, has a direct effect on the rate at which fuel tax revenues grow. Figure 9 shows that in the past, fuel consumption has grown at an annual However, in Fiscal Year 1980, fuel consumption rate of 4%. dropped 7.6% from those levels in Fiscal Year 1979. Future trends are expected to be much the same in terms of continual decreases in consumption. Recent State estimates suggest that fuel consumption will drop an additional 6.7% in Fiscal Year 1981, an additional 2.6% drop in Fiscal year 1982, and another 2.6% drop in Fiscal year 1983. While there are a number of causes for this trend, the most important by far is the increasing efficiency of the automobile fleet. Since the fuel tax is the foundation of State highway financing, contributing about 55.0% of the funds which are spend on the State Trunk Highway System, the anticipated stagnation of this source of funds hits the State of Minnesota particularly hard. The Counties, Townships, and Cities are also affected by this slowdown in consumption.

HISTORICAL AND PROJECTED FUEL CONSUMPTION RATES, 1970-1983 (in billions of gallons)

Figure 9



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Vehicle Registrations

Another crucial source of revenues for highways, roads and streets in Minnesota are motor vehicle registration fees. This source provides roughly 36.0% of the receipts deposited in the Highway User Tax Distribution Fund. Figure 10 shows that in the past (Fiscal Year 1976-80) motor vehicle registration fees have grown at an average annual rate of 8.7%. However, in the future (Fiscal year 1981-83) receipts are expected to grow at only an average annual rate of 4.8%.



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Faced with shrinking revenues as a result of inflation, energy shortages and price hikes, and a trend toward more fuel efficient automobiles, it is readily apparent that something must be done to preserve and protect the already substantial public investment in Minnesota's highway transportation system.

Property Tax Burden

City and County state aid roads depend on funds from state user fees. Without adequate user fees, local units of government have to raise property taxes in order to maintain and preserve their most important highways. In addition, counties are constrained by 6% annual levy limitations.

Highway Program Cuts

As a result of the increasing costs and declining revenues, the Minnesota Department of Transportation was forced to cancel \$122 million (61 projects) in trunk highway projects in August of 1979.

The last session of the Minnesota Legislature failed to pass a bonding bill which would have meant an additional \$41 million in revenues. During May, 1980, the Department announced a further reduction in the highway construction program of \$130 million. The Federal government, at approximately the same time, notified the State that there would be a reduction of \$37.5 million in the funds available to the State during the Federal Fiscal year ending September 30, 1980.

Highway Priorities

As a result of the current financial situation and the uncertainty of future funding levels, the Department of Transportation has had to drastically alter the philosophy it has been operating under for many years. Historically, the State has matched as much Federal Aid as possible. Since capital maintenance cannot be funded with Federal funds, this work has always been funded with 100% State funds and thus has been a second priority. Now, with the decline of financial resources, the priorities have had to shift to preservation of the inplace state aided highway investment.

RECOMMENDATIONS

In order to meet the demands that are currently being placed on the State's public road system and the increased demands which are projected for the future, the public road system must not only be preserved but improvements to that system which will facilitate economic growth must also be made. Only then can Minnesota remain economically viable and competitive with other states.

New Perspective for Highway Improvement

The on-going revitalization of Minnesota's highways is a major factor in maintaining and strengthening state and local economic vitality. There has been demonstrated support for user financing of the highway network. All citizens of Minnesota, whether or not they own or operate a motor vehicle, depend on highways and, in this respect, can be considered highway users. Commensurate with this, all citizens have the obligation and responsibility to support the infrastructure. Current users, those who own vehicles and drive on the system, should bear the current costs of maintaining and preserving the in-place system. This goal can be accomplished through the mechanism of the dedicated fund.

Long range financing of improvements should be handled in the same manner as capital improvements to the State. Recognizing that the Legislature has the ultimate responsibility to decide on what improvements the State can afford, bonding, subject to legislative approval, should be utilized to finance any capital improvements. Constitutional constraints should be relieved so that the Legislature, with input from Mn/DOT, is accountable to the electorate for the highway system.

Preservation Needs

Although there are 129,500 miles of public roads in Minnesota, 85% of the travel occurs on 43,700 miles of State, County and City roads supported by highway user revenues. This state-aided system of roads is of significant importance to the States economy.

The types of roadways on this sytem range from multi-lane freeways to gravel roads. Each is important as it functions within the system. Each type of road also requires administration, maintenance, regular work and eventually, when it is worn out or out dated, reconstruction. The amount and frequency of administration, maintenance, reconditioning and reconstruction varies with roadway type, use, and function. However, an analysis can be made by aggregating these regularly predictable costs just to keep the various roadway segments in operating condition without service level improvements: State Trunk Highway System (12,100 miles) Repair, Resurface & Reconstruct 675 miles per year \$81 million/yr. \$34 million/yr. Repair or replace 90 bridges per year County State Aid Highway System (29,900 miles) Repair, Resurface & Reconstruct 2430 miles \$149 million/yr. per vear 10 million/yr. Repair or replace 77 bridges per year Municipal State Aid Street System (1,700 miles) Repair, Resurface & Reconstruct 130 miles \$29 million/yr. per year \$ 5 million/yr. Repair or replace 8 bridges per year

There are other costs attributable to preservation of the roadway system (administration, maintenance, safety, etc.) and other sources of revenue other than state highway user taxes (federal funds, property taxes, etc.) For example, Mn/DOT relied on the state user revenues for 52% of its income in 1978. Federal aid amounted to 31%. Maintenance and administration (operations) accounted for 26% of the expenditures which are not included above.

Cities relied on state user revenues for 5% of their total revenue in 1978. Local Revenue accounted for 61%. City responsibilities go well beyond the State-aid Street System. 26% was expended for maintenance and administration (operations).

Counties received 37% of 1978 revenues from state highway user taxes. 40% was derived from local revenue. Maintenance and administration accounted for 26% of the expenditures.

The Task force recommends that road user taxes be increased to provide for the preservation of the state aided highway system. Preservation of the in-place road system benefits current users of the system.

Preservation costs can be generally predictable as an annual cost. An such, preservation should be financed by annual user fees. The complexity of the jurisdictional systems involved and diversity of revenue sources obscures understanding of all the issues. Analysis of Mn/DOT, which has greater reliance on state highway user revenues and less alternatives, may clarify some of the factors.

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Mn/DOT	BUDGET	FOR	F.Y.	1982-1983
(Millior	ns of	Doll	ars)

Revenue (from existing sources) Driver License Fees Investment Income Other Highway Revenue Federal Aid Motor Vehicle Tax Motor Fuel Tax	\$ 9.0 14.3 49.4 57.6 147.5 272.7 \$550.5	
Expenditures Administration (Operations) Maintenance Debt Service Other Departments	207.5 202.0 20.4 73.5 503.5	
Preservation Needs Resurfacing Reconditioning Reconstruction Safety Improvement Bridge Repair	\$ 67 62 143 38 <u>19</u> \$ <u>319</u>	\$822.5
Total Needs (F.Y. 82-83) Revenue Available Federal Aid Available	\$822.5 (550.5) (45.0)	

Additional Revenue Needed

\$227.0

If highway user revenue sources are to be used, 62% is allocated to Mn/DOT so that \$227.0 divided by 62% or \$366.0 is the state increase in highway user revenues for the next biennium. This amount is needed to just carry on a regular program of trunk highway preservation so that the states highway system does not deteriorate.

A \$183.0 million, annual increase would be added to the expected revenues from current state user fees of \$338.8 million per year for a total availability of \$521.8 million per year.

Counties would receive 29% or \$151.3 million. 40% could go towards maintenance of the county state aid system and \$90.8 million could be allocated to preservation needs of \$150.0 million annually.

Cities would receive 9% or \$47.0 million. 25% could go towards maintenance of the municipal state aid street system and \$35.2

million could be allocated to preservation needs of \$35.0 annually thus allowing for some improvements and less reliance on the property tax.

Preservation of the System: Funding

Highway User Increases

Expenditures for preservation of the existing road system directly benefit the current users of the system. The funds necessary to accomplish the preservation level of effort should, therefore, be provided by user fees. The two sources of user fees are motor fuel taxes and motor vehicle registration fees.

Motor Fuel Increases

The Task Force recommends an increase in the motor fuel tax of 2 cents a year for the next five years.

This increase would generate an additional \$118.0 million for distribution through the HUTDF in 1982 and 1983.

	1982	<u>1983</u>	TOTAL
State	24.8	48.3	73.1
Counties	11.4	22.3	33.7
Cities	3.6	7.0	10.6
Townships	0.2	0.4	0.6
TOTAL	40.0	78.0	118.0

Although there is public frustration over the escalating, uncontrolled rise in motor fuel costs this past decade, the cents per gallon road user tax must continue to be an essential element of highway revenues. Reduced consumptions of gas and the further recommended regular license fee increases will shift the highway user revenue burden towards license fees. Of all the different techniques used to tax fuels, i.e., variable taxes, indexing, the committee recommends continuing the traditional cents per gallon method.

The highway needs are so extensive that the issue of an appropriate gas tax increase has become an annual legislative issue and will likely continue. The legislature should seriously debate this issue during the next session and make a 5 year decision: a single law that increases the motor fuel tax 2 cents per gallon each year for the next five years. This may sound like an excessive increase, but it still will not meet the projected needs to just preserve the state aided highway system. More than this is needed to just maintain and preserve the major City, County and State highways.

Vehicle License Increases

The current motor vehicle licensing schedule results in automobiles generating about two-thirds of the revenue and trucks producing one-third of the available revenue. As these funds are to be used to preserve the in-place system, and since the heavier truck traveling the roads causes more damage to that road than the much lighter automobile, this basic system of licensing should be adjusted. The total vehicle miles traveled for five axle semi trucks has increased 45% between 1975 and 1979 and now constitutes almost one-half of all truck miles traveled. The vehicle miles traveled for automobiles has increased only 12% over the same time period.

The Task Force recommends that the revenue from vehicle registrations be substantially increased.

In F.Y. 1982, it is anticipated that roughly \$120.1 million net available revenues will be obtained from the presently structured Motor Vehicle Registration Fee System. The 1983 companion number amounts to \$129.5 million. A doubling of these numbers would result in approximately \$249.6 million. The distribution of this money according to current schemes would result in the following revenue increases:

	1982	1983	TOTAL
State	74.4	80.2	155.1
Counties	34.3	37.0	71.3
Cities	10.8	11.7	22.5
Townships	0.6	0.6	1.2
TOTAL	120.1	129.5	249.6

It is suggested that increased reliance be placed on license fees as a highway user revenue source with regular recommendations by Mn/DOT for legislative review and adjustments.

Trucking License Changes

Truck licensing in Minnesota is complex with many variables and has not been adjusted since 1974 - during a period of high inflation, increased truck use, and demands for heavier trucks.

The Task Force recommends that the truck licensing system be simplified, adjusted for equity and substantially increased.

Pickup trucks, vans and other light trucks should be comparable to automobiles in their fee schedule.

There are over 500,000 vehicles in this class with fees significantly lower than auto's. Yet much of their use is for personal transportation. A new pickup or van can be licensed for \$28 while a new auto of comparable value would likely pay \$78. The auto license currently decreases annually (for 10 years) while the pickup would decrease 40% after the sixth year.

The minimum fee for light trucks must also be increased to prevent pickups and vans from registering at a higher gross weight (over their physical capacity) in order to pay a lesser annual fee.

If pickups and vans are adjusted to an "ad-valorum" basis like autos, and the truck weight base schedule is not adjusted at a competitive minimum, it may be advantageous for a new pickup owner to register the vehicle as an 18,000# gross weight truck in order to page a lower annual fee. After a few years it may be advantageous to the pickup owner to change the registration to an automobile. This would not simplify the system or be equitable.

Truck license fees should not be reduced with age.

Currently truck license fees drop 40% after 6 years. Truck fees should be based only on gross weight as this factor relates most directly with road structure costs and deterioration. An "old" truck requires as good a road and does as much damage as a "new" truck. Minnesota is one of very few states that has a significant fee reduction for older trucks. As such, older trucks are attracted to Minnesota to take advantage of the reduced license fees. This measure would also simplify the system and remove an equity issue.

The significantly reduced license rates for trucks limited to operate only in cities should be eliminated.

Currently trucks can register as "urban" trucks and be limited to operations only in city corporate limits. In the metropolitan area with so many cities, urban trucks are allowed to operate within the 7 county area. Fees for urban trucks are only 30% of other trucks.

Some arguments can be raised over unique operations of trucks limited to a specific area, but road use has traditionally been related to gross weight. Current urban trucks range from local cartage carriers that probably infrequently utilize their full gross weight to garbage haulers and ready-mix trucks that regularly use their full gross weight. In the interest of simplicity and equity it is recommended that the urban truck category with its privileges and limitations be eliminated. Few other states offer such advantages for urban trucks.

Small farm trucks (including pickups) should continue to receive a truck license advantage because of their seasonal use. Semi-trucks (over 45,000# G.V.W.) should not be allowed a farm advantage in the license fee structure.

Currently farm trucks are licensed at 30% of other trucks. This policy recognized the diversity of seasonal equipment necessary to operate a family farm. Farm trucks are needed infrequently thus have less road use and deserve a licensing advantage. However, farms having semi-trucks are competing with commercial trucking and cause more roadway damages. Thus the current farm truck advantage should be limited to 2 and 3 axle, single unit trucks.

The hauling of special products should not receive any licensing advantage.

Currently, a truck owner claiming to haul raw agricultural products 60% of the time enjoys a 10% licensing advantage. Although there is empathy for the transportation problems and costs relating to farming this form of special privilege could easily be extended to other commodities or interests. Such provisions are almost impossible to enforce and likely don't provide a substantial advantage. In the interest of simplicity and equity, special commodity advantages should be eliminated and discouraged.

Recreational vehicles should be licensed comparable to trucks.

Truck license fees should be significantly increased.

After the simplicity and equity adjustments, there still is a need to increase all truck license fees, especially those of heavier trucks.

A significant investment has been made in the public road system. A major portion of this investment in pavement design and bridges accommodates heavy trucks. Heavy trucks also cause more roadway damage. Although there can be much discussion as to "fair" shares between cars and trucks -- and among the various weight categories of trucks -- it is logical to conclude that a greater share of the roadway costs must be allocated to trucks. There hasn't been any adjustments to truck fees in Minnesota since 1974; and then the adjustments were designed to correct some classification inequities without increasing total revenues.

Studies are under way by the Federal Highway Administration to assess the appropriate share each class of vehicles should pay. This study will not be completed for at least a year and then more time is required for application to Minnesota. It is expected that such study results will support the trends of the Task Force recommendations. Several years of debate and discussion will occur among the various special interest groups before the study results will likely be applied as public policy in a licensing structure. In the meantime, much needed revenue is raised and a much simplified system is inplace by following these recommendations.

Auto License Adjustments

Auto license fees should be reviewed for increases. Minimum auto fees should be substantially increased.

Under the current "ad valorum" system; auto license fees are based on value of the car and age. A new car is licensed at 1.25% of its base sticker price (plus \$10). Each year the fee decreases an established percentage (orginally established by resale value trends) for 10 years. The average fee for the entire auto fleet is about \$34 and it ranges from \$130 to \$12. Although there are many advantages to the present system, the minimum fee appears substantially too low for the advantage of having a 129,500 mile public road system available for use. The minimum fee should be raised and the over-all auto schedule should be reviewed for a general increase.

Motorcycles

Their are approximately 160,000 motorcycles and mopeds currently registered at \$5 each annually. This license fee makes 129,500 miles of the states public roads available for use. It appears reasonable that annual fees should be at least doubled.

The task Force recommends increases in motorcycle fees.

One possible method of adjusting license fees is portrayed in the following example:

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Collection Costs

One irratating element of the current license system is the visibility of the deputy registrar fee. Although the need and convience of deputy registrars is understood, the visibility of their cost appears as another government fee changed to collect a highway user fee.

The Task Force strongly recommends that all collection costs be included in the license fee. This would remove the irratating appearance of a fee charged to collect a fee.

Summary

In summary, annual costs to operate, maintain and preserve the existing highway system should be financed with traditional highway user taxes: motor fuel taxes and motor vehicle license fees. Increases are needed during the next two years to achieve preservation of the City, County and State highway system. The Task Force recommends:

- increasing the motor fuel tax 2 cents per gallon each year for five years
- substantially increase the revenues from motor vehicle licenses by simplifying the system, making equity adjustments and general increases. One method of changing vehicle license fees is shown as an example.

A combination of these two traditional highway revenue sources must add \$360 million dollars over the next two years just to preserve the existing system.

The combination of a 2-cent per gallon per year fuel tax increase and a doubling of current Motor Vehicle Registration Fees will result in the following total revenue increases during the 1982-1983 time frame:

	1982	1983	TOTAL
State	99.2	128.5	227.7
Counties	45.7	59.3	105.0
Cities	14.4	18.7	33.1
Townships	0.8	1.0	1.8
TOTAL	160.1	207.5	367.6

Improvements to the System: Needs

Improvements to state aided highways are currently for some social or economic purpose, i.e.; to reduce congestion in urban areas, provide for heavier trucks in rural areas. Highway widening or increased load capacity can be justified by an areas community development plans. Improvements will continue to be needed for economic growth and transporattion efficiencies. Highway improvement decisions are different than highway preservation decisions.

City and County highway improvement decisions are best left to the appropriate local elected officials. Judgements can be made as to benefits of each project, which projects should be constructed first and the variety of funding sources that may be available or used. State aid funds can be used for all or a portion of eligible costs on the city or county state aid system.

The Department of Transportation, however, has limited access to different funding sources. Only federal aid is available for a portion of eligible improvement costs.

Major improvements to the state trunk highway system should be viewed as capital improvements to serve the states economic development strategy. Substantial public investments are needed to construct four lane expressways, community by pass or increase the load carrying capacity of a route. Such capital improvements will increase highway service to the economic advantage of the state.

For the next biennium, Mn/DOT could match \$518 million of federal-aid with an additional \$243 million of state funds for major capital improvements. The following program could benefit the states economy.

F.Y. 1982-83 (millions of dollars)

	State Funds	Federal Funds	Total
Construct Interstate Roads	\$ 52	\$466	\$518
Bridge Replacements	56	42	98
Major Construction	135	10	145
	\$243	\$518	\$761

The Task Force recommends that Mn/DOT biennually report to the Legislature the capital improvement needs for the next ten years. The legislature can then decide the amount of funding to be authorized for the next two years and take appropriate actions towards future program levels. The scheduling and listing of capital highway projects must be based on a rational process and cooperative planning effort with regions and local units of governments. The listing of future capital highway projects with priority recommendations will provide better information for legislative action. In addition, significant local involvement will discourage undue legislative descretion in project selection and priorities.

Improvements to the Trunk Highway System: Funding

The cost of completing major construction projects is much greater than that involved in preservation projects. The actual implementation process requires a considerably longer period of time as well. A process of funding these projects should assure that proper projects will be built, that the funds required will be available and that the Legislature has approved such projects in a fashion similar to other capital improvements made on state property. The benefits from system improvements do not accure to current users. It is, therefore, unfair to expect them to assume the full cost burden for the improvements.

The Task Force recommends that capital projects which will result in an improvement to the existing system, should be funded with general obligation or highway bonds in the event that sufficient state dollars are not currently available.

This designated revenue source will add commitment to major projects and discourage postponements and deferrals. User revenues (motor fuel taxes and license fees) will then preserve and maintain the highway when it is available to the highway user.

Bonding forces a different decision process and removes the confusion of dealing with both highway improvements and highway preservation at the same time.

Highway Bonds (repaid with highway user revenues) are currently limited to 5% interest and \$150 million total issuance. These constitutional constraints failed to be removed in the 1980 statewide election.

The Task Force recommends that a reworded constitutional amendment be resubmitted to the voters to remove the interest and issue limits on Trunk Highway bonds.

Legislative action would still be required to authorize the sale of highway bonds.

General obligation bonds (amortized from the states general revenues) are the only near term source of bond revenue for highway programs. The current general fund deficit could be an obstacle. The desire for the state to limit total bonded indeptedness in order to maintain a high bond rating (and lower interest rates) may be another obstacle. A third obstacle may be the fear that such bond repayments may increase the states income taxes. However, bonding forces a unique legislative decision. And the sales tax on the transfer of vehicles could be increased to cover bond repayments. Bonding appears to be the most appropriate source of funding for major capital investment for at least the next few years.

The Task Forces recommends the authorization of \$240 million in bonding for the 1982-83 biennium to be used for Interstate, Bridge and Major Projects on the trunk highway system.

The Task Force recommends that the repayment of general obligation bonds for highways be accomplished by additional sales tax on the transfer of motor vehicles.

This process of funding capital improvement projects requires that the Legislature be fully informed of the projects which are eligible for such funding and the dollar amounts required.

Interstate Completion

The Task Force supports completion of the interstate system or approved substitute projects.

The cost to complete Minnesota's interstate system is estimated at \$1,215 million. Federal Funds would provide 90% of this cost if the routes are under construction by 1986.

It has become increasingly advantageous for state and local jurisdictions to use the interstate transfer provision to withdraw controversial Interstate projects and accommodate revised plans for providing urban transportation. Federal Funding would provide 85% of the cost of either highway projects or transit projects as compared to the usual 25% for non-interstate highway projects and 20% for non highway transit projects.

I-335 in Minneapolis has been withdrawn and the federal funds have been allocated for substitute highway and transit projects.

I-35 in Duluth from 26th Ave. to the city limits is suggested for withdrawl and substitution by local officials.

I-35E in St. Paul and I-394 west of Minneapolis are controversial segments still under study.

State Economic Strategy

Revitalization of Minnesota's highways is a major factor in maintaining and strengthening state and local economic vitality. For this reason a combined agency effort needs to be designed which will evaluate Minnesota's transportation requirements within an overall, coordinated economic development system.

The Task Force urges the Governor and the Legislature to establish an economic development strategy for the State and a process for creating an economic development plan which can guide governmental agencies as they plan with the citizens of the State.

Transportation decisions should be made with consideration of their economic impact on the State as a whole and on local communities.

Mn/DOT Efficiency

The Department of Transportation was formed by the Minnesota Legislature in 1976. Since that time, Mn/DOT has attempted to improve its operations.

The Task Force commends the Department on its efforts to improve the overall efficiency of its personnel, and recommends that similar efforts continue in the future.

Programming

A major task of the new department was and continues to be the implementation of an effective and efficient project programming selection process. Revisions to the programming process to date have resulted in considerably more public input to the project prioritization and selection process.

The Task Force supports the continued refinement of the programming process by the Department of Transportation with emphasis on effective public involvement.

Project Delays

The planning process for major capital improvements is a lengthy one. The Task Force found that unreasonable delays in the process come from environmental and historical permitting and litigation of project-related issues. The bifurcated funding process recommended by this Task Force should assist in assuring that only those projects resulting in the greatest service for the limited dollars available will actually be built. With limited funds available, it is desirable to limit the number of projects in the preconstruction planning stages, and the time required to begin construction of approved projects.

The Task Force recommends that the Governor and Legislature adopt a process to reduce the lead time for major projects to three years from inception to time of initial investment. The process for obtaining environmental permits from state agencies should be streamlined, an environmental court created and legislative deadlines imposed.

The decision making process involved in the selection of highway projects is not only time consuming, but also complicated. The decision of whether to repair, recondition or reconstruct is a combination of technical analysis, available resources and political judgments, which include potential economic, social and environmental impacts of proposed projects. Only an open process of discussing alternatives, opportunities and constraints can arrive at the best public decision.

Roadway Jurisdiction

The orginial Constitution of the State of Minnesota contained provisions which barred the State from participation in works of internal improvement on the State's road system. Road building, as a consequence, was left to counties and local units of government. The current jurisdictional arrangement was adopted by a 1956 Constitutional amendment and subsequent legislation which established the state aid system and Highway User Fund. As long as roadway funding kept pace with road construction and maintenance needs, the existing jurisdictional arrangements presented few practical problems. By assigning roadway responsibilities to levels of government based upon the roads functional classification, a clarification in the role of the various levels of government in highway programs would result. This would in turn impact upon the effectiveness of the overall planning and decision making process for highways. The result would be improved service to the public at the least possible cost.

The Task Force recognizes that some public roads and bridges by nature of their location, length and the areas they serve are more closely linked to the economy of the State for the transporting of goods and people than are other public roads. Those roadways of local economic significance should be supported with local dollars. The Task Force recommends that a study of the existing jurisdictional arrangements be made with the focus of the study being the function of the particular roads.

Today Minnesota is the only State with a Constitutional structure for financing highways.

Truck Weights

The relationship between the number of trucks, the magnitude of their loads and roadway deterioration is widely recognized. Legal load limits have been established for different conditions of roadways in order to limit the damage caused by trucks. Limits have been established for gross vehicle weight, tandem axle loads and individual axle loads. These load limits are necessary because heavy trucks do more damage to the highways than do passenger automobiles.

Movement of goods by truck is vital to the health of the State's overall economy. In addition, truck hauling is more productive as load size increases and larger loads help offset increasing costs as well as conserve energy. This presents a particularly difficult problem to the efficient movement of goods over the highways. Truckers must continually be concerned with finding a route that will permit them to reach their destination without violating legal load limits.

The Task Force recognizes the need for a basic system of 10-ton routes to support the economic activity of the State. Limited funding prohibits the development of a complete network of 10-ton routes therefore the Task Force recommends that alternatives to the existence of a complete 10-ton system be considered. Alternatives include allowing trucks to legally add an axle.

Seasonal restrictions on roads and bridges should continue to be enforced as a means of preserving the in-place system.

Bridges and Alternatives

Bridges represent one of the most expensive elements in a roadway system. As such the present use of public funds must utilize sophisticated management criteria and processes to gain the most from limited resources. Timely repairs can effectively extend the functional life of bridges. Reconstruction must be utilized for the most deteriorated and most important bridges. Roadway function can guide prudent bridge investment decisions. The movement of heavy loads is impaired by inadequate bridges. Bridges must therefore be improved on heavy load routes to remove barriers to efficient truck transportation. The Task Force recommends that repair and reconstruction continue for necessary bridges. Cost effective alternatives should be considered especially for less necessary bridges. This should include the possibility of abandonmment of a roadway as well as funds being available for roadway construction in lieu of repair and reconstruction of an unnecessary bridge.

Bypass Cost Sharing

Bypass construction reflects not only the complex technical issues involved in a decision to build but also the possible social, economic and environmental impacts to communities. Bypass construction is costly, and the potential economic impact of the bypass is not always easily predicted. A bypass expedites travel for the vehicles passing through an area. That same bypass also results in shifts and increases in the economic activity in the community.

Financing of bypass projects should be based on a cost-benefit analysis to allocate appropriate cost responsibilities to local units of governments.

Rails & Waterways

The State's transportation system is not limited to the public road system. The other modes of transportation are also important to the State's continued economic vitality.

The Task Force believes that Minnesota and the nation must maintain and preserve a basic rail system for the efficient movement of bulk commodities over long distances.

Minnesota must also support its ports and waterways for the efficient movement of goods to and from markets outside of the State and the nation.

Funding Alternatives Discussed

This report responds to a funding situation which is confronting the State today. The funding sources supported in this report are favored by the Task Force partly due to relative ease and quickness with which they could be implemented. The Task Force also recognized that the next bienium is not the time to seek additional funds for highways from the General Fund.

The Task Force recognizes other possible sources of funds which could be used for transportation purposes. At the present time, with the strain on the General Fund, those alternatives which would further deplete that fund were not supported. No new revenue sources were seriously considered in favor of increases within the current taxing system. Indexing was also rejected due to the lack of legislative control and the inability to predict revenue in these uncertain economic times. Alternative funding sources which were discussed and not recommended at this time include:

- Imposition of a ton-mile tax
- sales tax on motor fuel
- transfer of motor vehicle sales tax from the general fund
 transfer transportation-related portion of the general sales tax from the general fund
- increase the general sales tax and dedicate all or part of the increase to the HUTDF
- transfer the funding of the Department of Public Safety to the general fund
- variable gasoline tax

These alternatives were not recommended at this time because of their complexity, confusion, lack of popular support, or negative impacts on the general funds.