DEPARTMENT OF TRANSPORTATION

2023 – 2024 Report on the

Revenue Options to Address the Highway User Tax Distribution Funding Gap over Fiscal Years 2025 to 2034

November 1, 2024

Prepared by:

The Minnesota Department of Transportation
395 John Ireland Blvd.
St. Paul, Minnesota 55155-1899

Phone: 651-296-3000
Toll-Free: 1-800-657-3774
TTY, Voice or ASCII: 1-800-627-3529

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DEPARTMENT OF TRANSPORTATION

January 15, 2025

The Honorable Frank Hornstein, Chair
House Transportation Finance & Policy Committee
5th Floor, Centennial Office Building
658 Cedar Street
Saint Paul, Minnesota 55155

The Honorable Scott Dibble, Chair
Senate Transportation Committee
3107 Minnesota Senate Building
Saint Paul, Minnesota 55155

The Honorable Erin Koegel, Chair
House Sustainable Infrastructure Policy Committee
5th Floor, Centennial Office Building
658 Cedar Street
Saint Paul, Minnesota 55155

The Honorable John Petersburg, Republican Lead
House Transportation Finance & Policy Committee
2nd Floor, Centennial Office Building
658 Cedar Street
Saint Paul, Minnesota 55155

The Honorable John Jasinski, Ranking Minority Member
Senate Transportation Committee
2227 Minnesota Senate Building
Saint Paul, Minnesota 55155

The Honorable Mary Franson, Republican Lead
House Sustainable Infrastructure Policy Committee
2nd Floor, Centennial Office Building
658 Cedar Street
Saint Paul, Minnesota 55155

Re: 2024 Report on Revenue Options to Address the Highway User Tax Distribution Funding Gap over Fiscal Years 2025 to 2034

Dear Legislators:

I am pleased to provide you with the report on Revenue Options to Address the HUTDF Funding Gap over Fiscal Years 2025 to 2034, as required by 2023 Laws of Minn., Ch. 68, Art. 4., Sec. 127.

Minnesota must address ongoing challenges to generate sufficient funding for transportation infrastructure construction and maintenance, because Inflationary pressures will continue to increase the cost of road and bridge construction and maintenance. This report explores some possible ways to address the shortfall in revenue generation for transportation infrastructure.

Please contact me if you have questions or comments about this report at nancy.daubenberger@state.mn.us, or you may contact Josh Knatterud-Hubinger at josh.knatterud-hubinger@state.mn.us, or 612 499-8115.

Sincerely,

Nancy Daubenberger

Nancy Daubenberger, P.E.
Commissioner

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Legislative Requirement

2023 Laws of Minn., Ch. 68, Art. 4., Sec. 127

Sec. 127. LEGISLATIVE REPORT; ROAD FUNDING GAP.

(a) By November 1, 2024, the commissioners of transportation and management and budget must submit a report on road funding to the chairs and ranking minority members of the legislative committees with jurisdiction over transportation finance and policy.

At a minimum, the report must:

1) Analyze revenue options to address the funding gap over fiscal years 2025 to 2034 between: (i) projected revenue to the highway user tax distribution fund, and (ii) revenue required to meet performance targets or a metric for system maintenance, on each of the highway systems for which funding is provided from the highway users tax distribution fund; and
2) Develop recommendations, including proposed legislative changes, following from the analysis under clause 1).

In developing the report, the commissioners must evaluate a range of options that:

1) Analyze impacts across individuals and motor vehicles, accounting for factors that include but are not limited to vehicle class, power train, fuel or power type, vehicle age, vehicle weight and annual miles traveled; and
2) Consider financial stability, social equity, user convenience, administrative efficiency, transparency and other appropriate finance and policy principles.

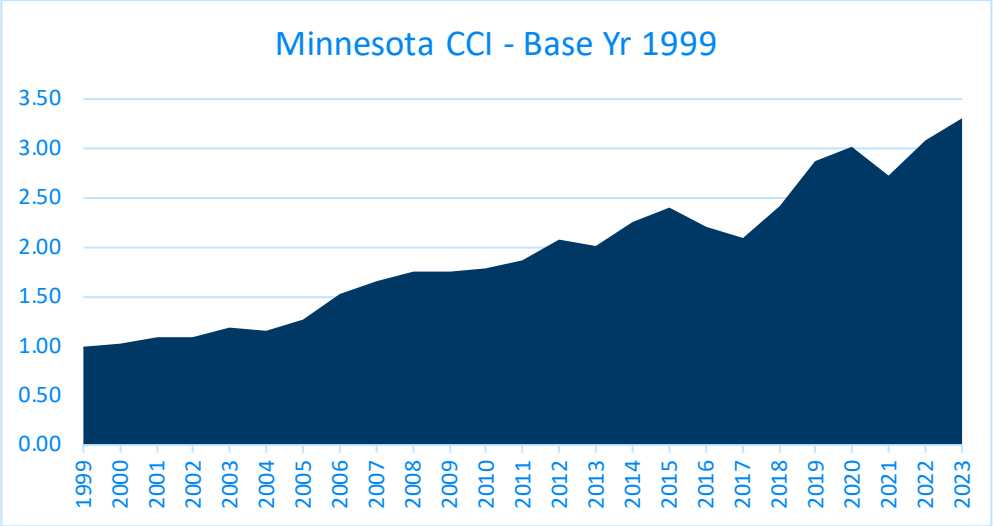
The cost of preparing this report is $5,000.

Introduction: The Big Picture

To remain competitive in the national and world economy and continue to provide a high quality of life for its citizens, Minnesota must address ongoing challenges to generate sufficient funding for transportation infrastructure construction and maintenance. This 'funding gap' is the result of some key factors:

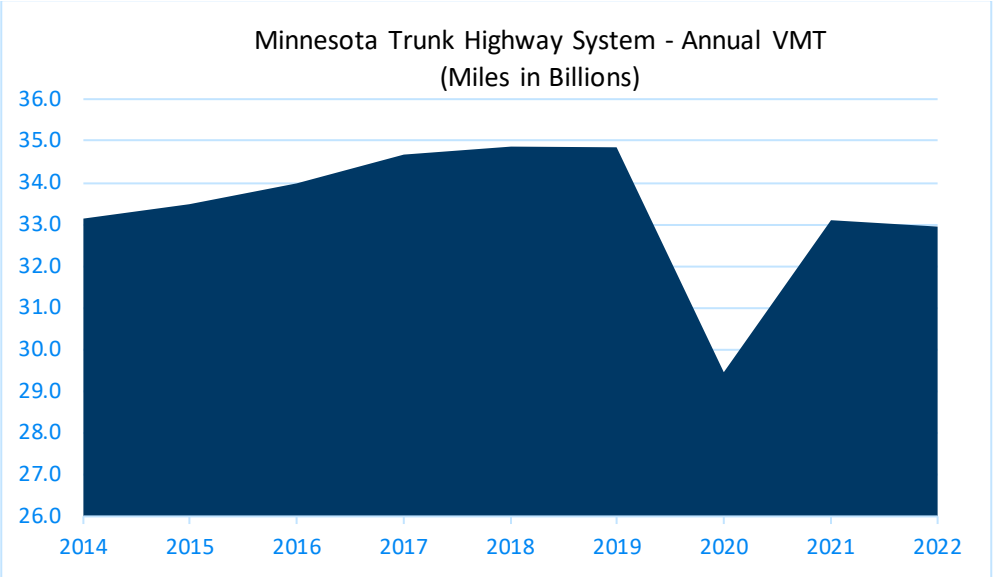
- Inflationary pressures will continue to increase the cost of road and bridge construction and maintenance. The chart below illustrates the growth in the construction costs index (CCI) since 1999, which has increased by 231%. Current forecasts project continued CCI growth over the next decade, at levels that continue to exceed projected growth in revenues.

Figure 1: Growth in the construction costs index (CCI) since 1999



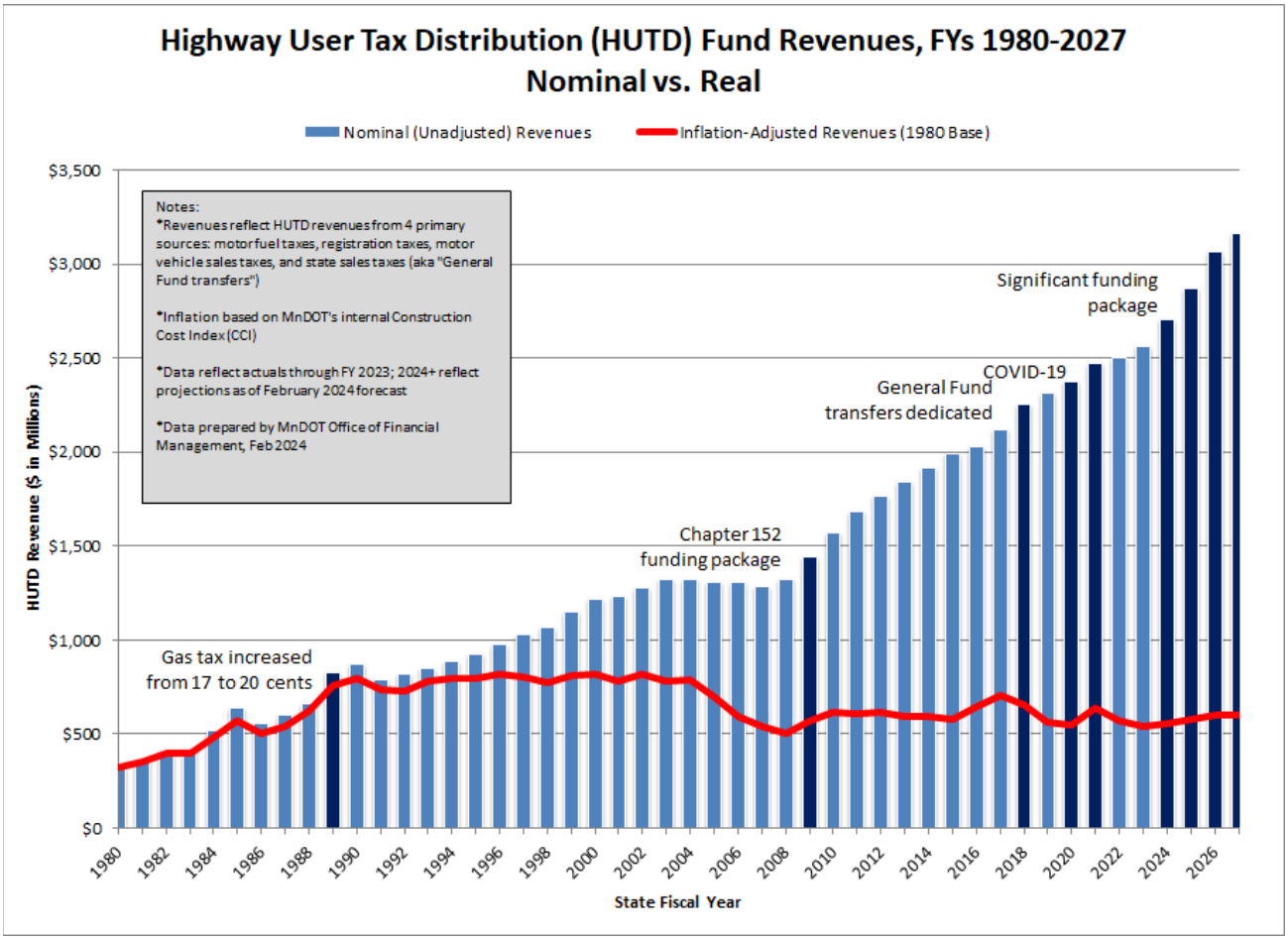
- System usage as reflected in statewide annual vehicle miles traveled (VMT) is returning to pre-pandemic levels and once again on the rise. However, as part of MnDOT's Greenhouse Gas (GHG) reduction goals a target has been set to reduce VMT by 20% per capita by 2050, and achieving this goal would affect revenue generation.

Figure 2: Statewide annual vehicle miles traveled (VMT)



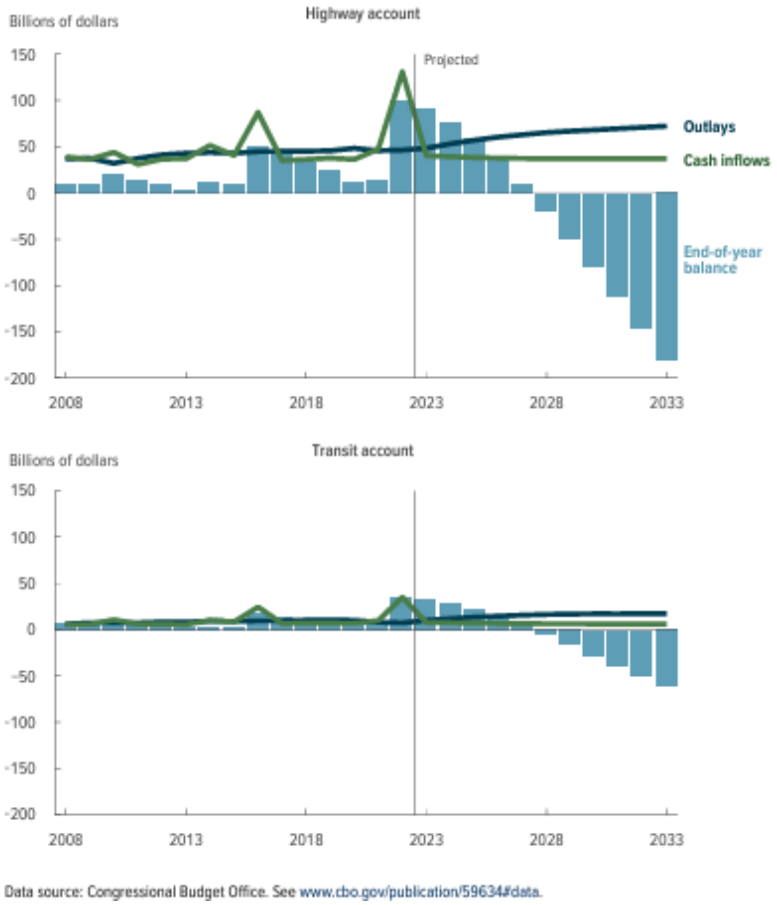
- MnDOT currently relies on dedicated funding in the Highway User Tax Distribution (HUTD) fund for road and bridge improvements on the state and local system; but, despite increases to many of these sources, revenues have not kept up with system costs over the past few decades due to factors such as demographic changes, economic factors and advancing technology.

Figure 3: HUTD fund revenues nominal vs. real FYs 1980-2027



- The overall level and source of support from the federal government is also unknown. The Federal Highway Trust Fund has been in shortfall every year since 2008, and Congress has filled the funding gap with General Fund revenues, which are derived primarily from the federal income tax, and (unlike the gas tax) are not tied to the use of transportation infrastructure. The Trust Fund was made solvent by the funding made available through the Infrastructure Investment and Jobs Act of 2021 (IIJA), but that solvency will end in Federal FY 2028 without further Congressional action. IIJA provided significant increases in both formula funding and discretionary grant programs over five years, but the level and source of funding for the next reauthorization bill starting in federal fiscal year 2027 is uncertain at best.

Figure 4: Federal Highway Trust Fund Balance 2008-2033



- Without sufficient resources, costs for maintenance and upkeep will continue to rise. Long-term repair costs increase significantly when road and bridge maintenance is deferred as road and bridge deterioration accelerate later in the service life of a transportation facility and require more costly repairs.

This report provides an estimate of the difference between transportation system needs and projected revenues, defined as the "funding gap", and offers an initial assessment of the potential revenue mechanisms that could be used to narrow the transportation infrastructure construction and maintenance funding gap. This report contains in-depth reviews of some potential options to mitigate the gap, but by no means is it comprehensive as there are innumerable potential solutions. Options are organized into three categories:

- systemwide state funding options
- local government funding options
- project/program level funding options

State Transportation Funding Overview

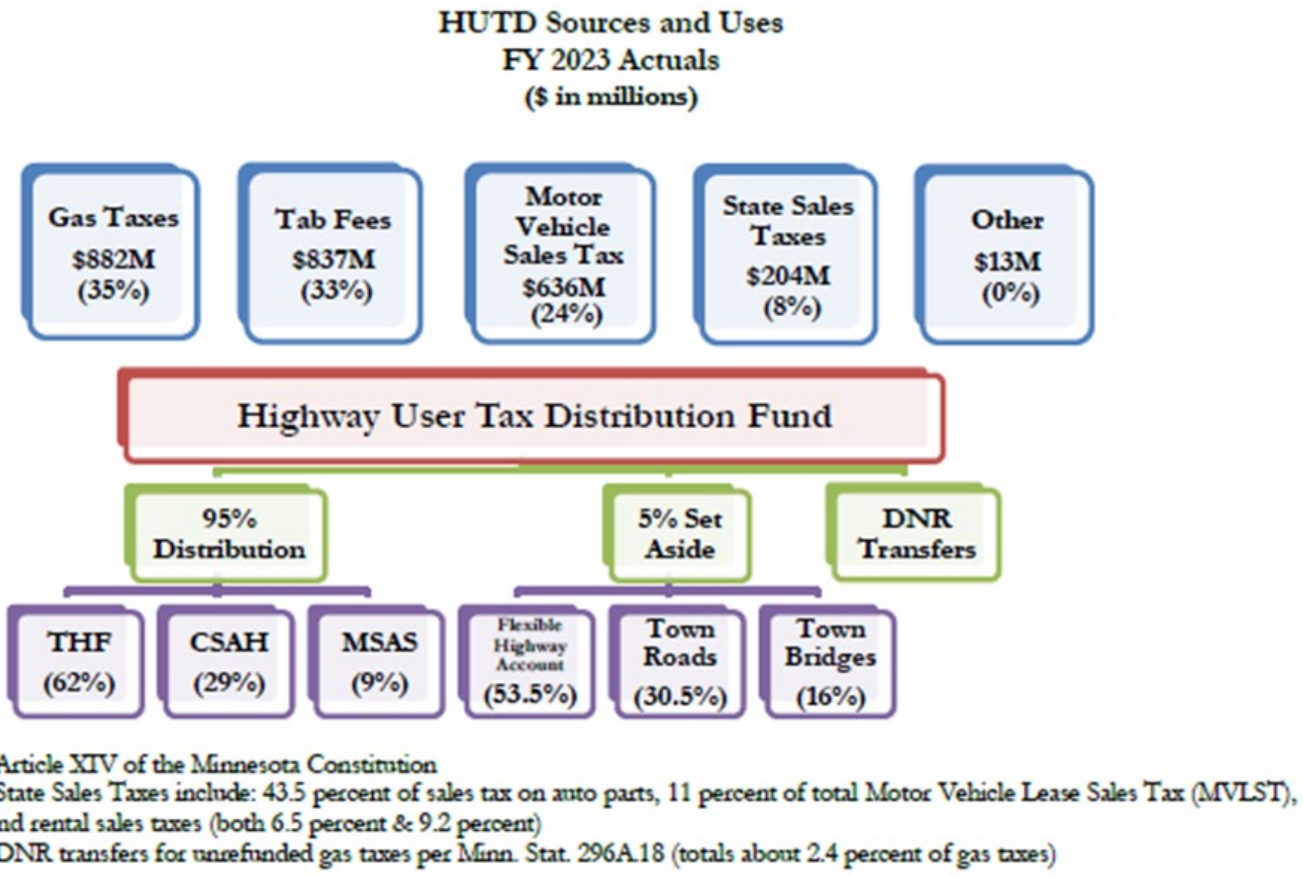
Article 14 of the State Constitution established the state public highway system and its primary funding source, the Highway User Tax Distribution Fund (HUTD). Today, the fund collects revenue from three primary state sources:

- gas taxes
- vehicle registration taxes ('tab fees')
- 60 percent of motor vehicle sales taxes (MVST)

In addition, a variety of state sales taxes have been statutorily dedicated to the HUTD fund over the past few years (a portion of sales taxes on auto parts, motor vehicle lease sales taxes, and motor vehicle rental taxes). In turn, the fund disperses resources using various formulas for the state highway system through the Trunk Highway Fund (THF), to the county system through the County State Aid Highway Fund (CSAH), to cities through the Municipal State Aid Streets Fund (MSAS), and town road and bridge funds also through the CSAH Fund.

The figure below was published on page 3 of 33 on MnDOT's Transportation Funds Forecast February 2024. This simple graphic shows the most recent summary of all revenues that flowed through the HUTD fund in 2023 and how they were distributed.

Figure 5: HUTD Sources and Uses



-Article XIV of the Minnesota Constitution
-State Sales Taxes include: 43.5 percent of sales tax on auto parts, 11 percent of total Motor Vehicle Lease Sales Tax (MVLST), and rental sales taxes (both 6.5 percent & 9.2 percent)
-DNR transfers for unrefunded gas taxes per Minn. Stat. 296A.18 (totals about 2.4 percent of gas taxes)

Current Law on the Funding Gap for Trunk Highways: 2025-2034 Projection

As required by the 2023 Session Law, this report analyzes revenue options to address the state and local system maintenance funding gap over the next decade (fiscal years 2025 to 2034). The gap is defined as the difference between:

1. The total estimated Highway User Tax Distribution fund (HUTD) revenue provided through the Trunk Highway fund (TH), the County State Aid Highway fund (CSAH), and the Municipal State Aid Streets fund (MSAS), and
2. The anticipated needs related specifically to state and local system construction and maintenance.

Minnesota State Highway Investment Plan (MnSHIP) is the long-range planning document which communicates MnDOT's capital investment priorities for the state Trunk Highway system for the next 20 years. Key to that process is deriving an estimate of the projected costs of state Trunk Highway system over that 20-year period. This estimate is derived by analyzing future costs that are required for the highway system to meet performance targets and system maintenance goals.
The mandate for this report is to examine:

> *"…the funding gap over fiscal years 2025 to 2034 between: (i) projected revenue to the highway user tax distribution fund, and (ii) revenue required to meet performance targets or a metric for system maintenance, on each of the highway systems for which funding is provided from the highway users tax distribution fund…"*

To achieve this, MnDOT analyzed current cost and revenue estimates from the 20-year MnSHIP plan, published in February 2024 and summarized below in Figure 6:

Figure 6: Cost and Revenue Estimates from MnSHIP

INVESTMENT CATEGORY	20-YEAR NEEDS	20-YEAR EXPENDITURES	UNMET NEEDS	UNDERFUNDED IMPROVEMENTS
Pavement Condition	$14.7 billion	$13.5 billion	$1.8 billion	Other NHS and Non-NHS pavement condition
Bridge Condition	$6.6 billion	$6.0 billion	$600 million	Non-NHS bridge condition
Roadside Infrastructure	$5.1 billion	$2.8 billion	$2.3 billion	All roadside assets including culverts, signage, lighting, noise walls
Rest Areas	$300 million	$150 million	$150 million	Rest area condition
Climate Resilience	$1.2 billion	$550 million	$600 million	Most climate resilience upgrades and snow trap locations are not addressed
Transportation Safety	$2.4 billion	$1.3 billion	$1.2 billion	Some sustained crash locations are not addressed
Advancing Technology	$150 million	$100 million	$50 million	Fiber network expansion
Highway Mobility	$6.6 billion*	$1.2 billion	$5.4 billion	Managed lanes, strategic capacity and spot mobility improvements
Freight	$1.3 billion	$700 million	$600 million	Freight bottlenecks
Pedestrian and Bicycle	$4.6 billion	$1.2 billion	$3.4 billion	Sidewalk system completion, implementing district bike plans
Local Partnerships	$1.2 billion	$1 billion	$200 million	Jurisdictional transfer
Main Streets/Urban Pavements	$1.7 billion	$900 million	$900 million	Some urban pavement locations with ADA and/ or local community needs are not addressed
Small Programs	$100 million	$100 million	-	Not applicable
Project Delivery	$11.5 billion	$7.3 billion	$4.2 billion	Cost to deliver capital projects based on analysis of historic expenditure patterns
INVESTMENT CATEGORY TOTAL	TOTAL=$52-57 BILLION	TOTAL=$36.7 BILLION	TOTAL=$15-20 BILLION	

Quoting directly from the MnSHIP: "Over the next 20 years, MnDOT estimates there will be $36.7 billion in available revenues to address $52-57 billion in identified transportation needs, resulting in a funding gap of approximately $15-20 billion. Recent increases in revenue have substantially reduced the unmet need for MnSHIP. However, over the planning period, revenues are not expected to keep pace with forecasted inflation for the construction-related sector. Additional capital improvements are needed to maintain aging infrastructure and meet Minnesotans' growing transportation needs."[1]

For the purposes of this report, the identified 20-year funding gap for the Trunk Highway system = $54.5B in needs (midpoint of stated range of $52-$57B) - $36.7B in available revenues = $17.8B funding gap.

[1] 20-YEAR STATE HIGHWAY INVESTMENT PLAN, p. 126

MnSHIP Projected 10-Year Needs

The Minnesota State Highway Investment Plan (MnSHIP) estimates the funding gap for the Trunk Highway system over the next 20 years at $17.8B. Estimates from MnSHIP were developed in 2021 and 2022. Since that time, MnDOT staff have continued to evaluate needs and planned spending for the Pavement Condition and Bridge Condition Investment Categories. These two categories represent the majority of MnDOT state highway construction spending. This evaluation work was also completed to be consistent with the recent legislative requirements in Minn. Stat. 174.03, subd. 12(4), which states that MnDOT must "estimate the funding necessary to make optimal life cycle investments" in each MnDOT District. Identifying this optimal life cycle investment was done by identifying the funds needed to meet statewide performance targets in each district, which results in a higher need number than the MnSHIP needs analysis.

To keep things simple and remain consistent with the MnSHIP, the assumed gap over the next 10 years is half of that 20-year gap, or $8.9B. Further work was done since MnSHIP's completion identifying an additional funding gap of $2.1B, for a total estimated funding gap of $11.0B over the next ten years.

There is no comparable published long-range estimate for counties and cities like the MnSHIP so for the purposes of this report it is assumed the needs and corresponding funding gap is proportional to the gap for the Trunk Highway system. Applying this logic, the 10-year needs for the state Trunk Highway system represents 58.9% of total needs; the County State Aid Highway (CSAH) system represents 32.55% of total needs; and the Municipal State Aid (MSA) system represents 8.55% of total system needs.

Comparing total needs to anticipated revenues required to meet performance targets on the state and local highway systems that receive Highway User Tax Distribution Fund (HUTDF) funding results in a total 10-year gap of an estimated $18.7 billion, as summarized below:

Table 1: Gap for Each Fund

Fund	% of Total	20-Year Gap	10-Year Gap	Annual Gap
Trunk Highway	58.90%	$17.8B	$11.0 B	$1.1 B
County State Aid Highway	32.55%		$6.1 B	$0.6 B
Municipal State Aid Streets	8.55%		$1.6 B	$0.2 B
HUTD			**$18.7 B**	**$1.9 B**

Narrowing the Gap: Funding Options

MnDOT has identified a variety of potential expanded and new funding options that could narrow the future transportation construction and maintenance funding gap. These options have been organized into three categories:

1. system-wide state options;
2. local government options; and
3. program/project specific options.

Note: the funding options presented here do not include federal funds, any federal or state discretionary grant funds, or new state bond financing. These resources are critical components in providing funds for needed transportation improvements on the state and local systems, but do not represent ongoing, sustainable, reliable sources of state and local funding.

In the sections that follow, each potential revenue source includes a discussion covering:

- A brief '**Background/History**' of the funding source. This discussion contextualizes the current law provisions governing the revenue source or tax.
- An analysis of the '**Revenue Raising Capacity**' under hypothetical tax increase scenarios.
- An analysis of the **'Tax Incidence'**. Since each revenue or tax option affects a tax base that is a function of system usage, vehicle type, fuel source and other factors, this section discusses who bears the burden of a tax.

An assessment (using a simple high/medium/low matrix) is also included of how each revenue source provided aligns with the critical objectives from legislation:

- **Efficiency** - High proportion of revenue collected goes to transportation projects.
- **Ease of Administration** - Simplicity of implementation and administration
- **User Equity** - proportionate share of cost for construction and maintenance charged to those who use it most.
- **Social Equity** - The burdens of the tax are fair and just for Minnesotans across social, economic, and geographical areas.
- **Transparency** - Minnesotans know the tax exists and understand why and how it is charged to them.

System-wide State Funding Options

Increase the per-gallon excise tax rate on motor-fuels

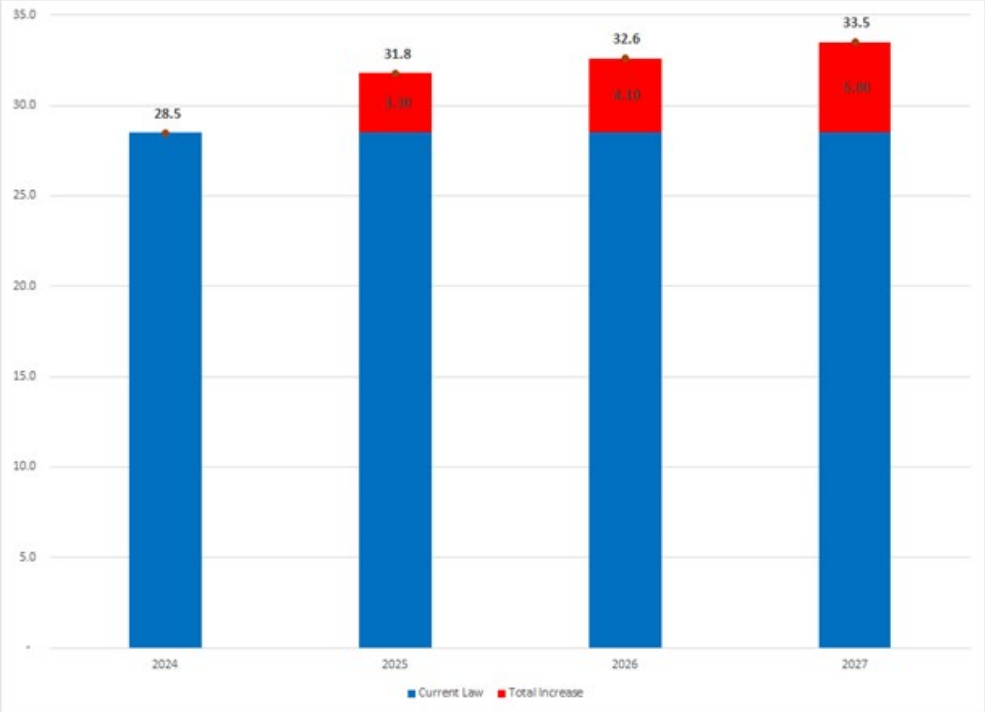
Background/History

The current gas tax rate in Minnesota is 28.5 cents per gallon – 25 cents plus a 3.5 cent debt service surcharge on petroleum and other fuels (Minnesota Statutes 296A). The debt service surcharge is intended to partially cover the debt obligations for capital projects on the trunk highway system from $1.8 billion in trunk highway bonding authorized in 2008.

In 2023, the Legislature approved an annual inflation indexing factor that is determined by August 1 each year for a possible rate change that takes effect the following January 1. The inflation rate applied is the Minnesota Highway Construction Cost Index (MN CCI). Beginning with the August 1, 2025 calculation, the percentage change in the calculation must not exceed three percent. The change is anticipated to adjust the motor fuel tax by approximately 3 cents in FY 2025 and grow to a total increase of approximately 5 cents in FY 2027.

The following figure below shows those estimated changes over the next four years:

Figure 7: New Inflation Rate Indexed to MN CCI for Motor Fuel Estimates



Revenue Raising Capacity

Of the three primary revenue sources dedicated for state trunk highway purposes (gas taxes, tab fees, and motor vehicle sales taxes), the gas tax is often regarded as the most efficient, due to its low administration costs (well under one percent), and direct means of generating additional revenue. The provision passed in 2023 indexing the gas tax rate to the Minnesota Highway Construction Cost Index will help maintain the purchasing power of revenues as costs increase but falls short of narrowing the funding gap in the long run as other factors, besides inflation, change. These factors include changes such as, demographics, economic factors and advancing technology.

The capacity of the gas tax to reduce the funding gap is limited as the fleet transitions to more fuel-efficient vehicles, including electric vehicles, and VMT reduction goals are achieved.

The analysis below provides an estimate of the total tax revenue to the HUTDF for each additional cent increase of the existing 28.5 cent gas tax.

Table 2: Estimated Tax Revenue for Each Additional Cent Increase

Estimate of additional state and local aid revenue for each 1-cent gas tax increase	
Tax rate increase (1-cent)	$0.01
Total Revenue from 1-cent	**$31.1 million**

Estimate of total revenue and distribution to other funds	
To TH Fund (62% of 95%)	$18.3 million
To CSAH (29% of 95% + 5%)	$10.1 million
To MSAS (9% of 95%)	$2.7 million

Tax Incidence

The state gas tax is a flat, per gallon rate, so the tax incidence is determined by a vehicle's fuel efficiency and miles traveled. Drivers who drive more and/or drive less fuel-efficient vehicles pay more than drivers who drive less and/or have more fuel-efficient vehicles. However, the tax is regressive, since – assuming similar vehicles and similar miles traveled – a lower income household will pay a greater percentage of household income than a higher income household. In general, lower income households are also more likely to drive older, and less fuel-efficient vehicles. The regressivity of the tax increases as the rate increases.

Guiding Principles- Increase the per-gallon excise tax rate on motor-fuels

Efficiency- High proportion of revenue collected goes to transportation projects	High
Ease of Admin- Simplicity of implementation and administration	High
User Equity- Proportionate share of cost for construction and maintenance charged to those who use it most	High
Social Equity- The burdens of the tax are fair and just for Minnesotans across social, economic, and geographical areas	Low
Transparency- Minnesotans know the tax exists and understand why and how it is charged to them	High

Increase motor vehicle registration taxes ("tab fees")

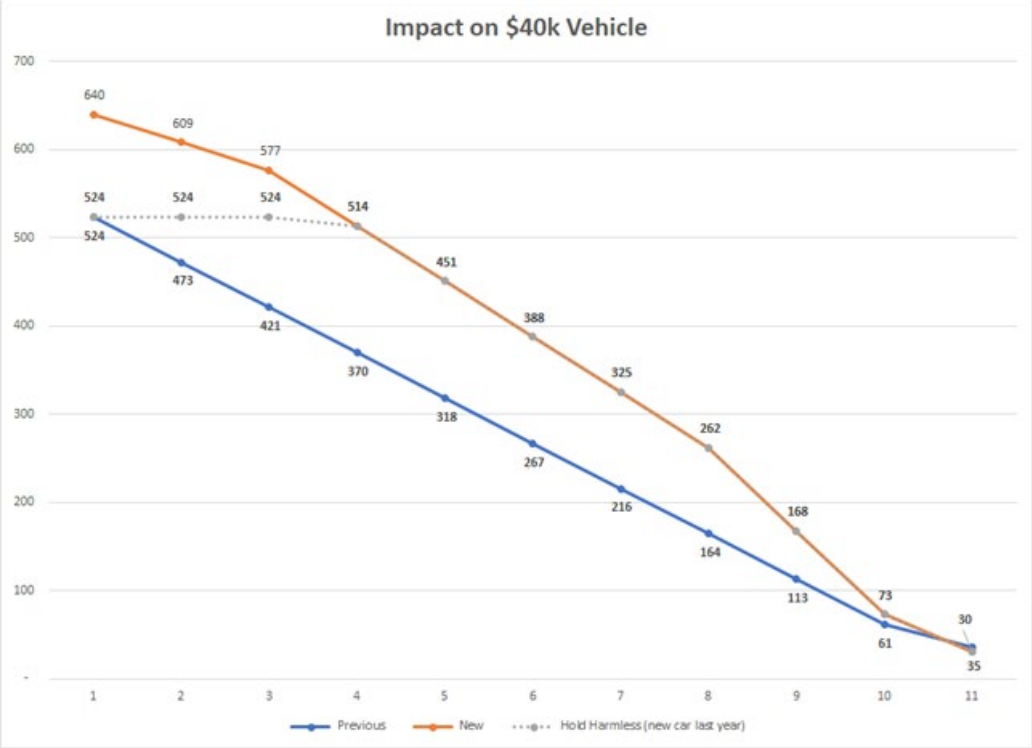
Background/History

Vehicle registration taxes, commonly known as 'tab fees', for passenger class vehicles (cars, vans and pickup trucks rated at less than one-ton, and one-ton passenger vans) are determined by the vehicle's manufacturer's suggested retail price (MSRP) and age. In general, a vehicle's registration tax is calculated by applying a base rate percentage to the MSRP, and then discounting that amount based on the age of the vehicle plus $10. Revenue collected on passenger vehicles comprises roughly 90 percent of the total revenue from vehicle registration fees.

In 2023, the Legislature modified the vehicle registration fee, resulting in a significant increase of the cost of registering a vehicle in the state. Effective on January 1, 2024 the fee is derived by increasing the base rate from 1.285% to 1.575% of MSRP. The depreciation schedule was also modified slightly starting with 100% in the first year, declining in years two to nine as follows: 95%, 90%, 80%, 70%, 60%, 50%, 40%, and 25%. Vehicles in the eleventh and subsequent years are charged $30, reduced from $35. (Minnesota Statutes 168.013, Subd 1a). The statute also limits the tax for previously registered vehicles to no more than the amount paid the previous year, which results in a phase in of the revenues over three to four years.

A summary of the impact to a vehicle with an MSRP of $40,000 is shown in Figure 8:

Figure 8: Tab Fees Impact on $40k Vehicle



Revenue Raising Capacity

An additional increase in registration fee revenue beyond what was adopted in 2023 could be achieved by adjusting either or both of the multipliers used to calculate annual vehicle registration fees. The minimum fee could also be increased but that would not likely contribute significant additional revenue. Note that the recent changes will result in an estimated 30% increase in tab fee revenues once fully phased-in in FY 2027 and will also mean that tab fees will be the single largest revenue source in the HUTD fund going forward.

Tax Incidence

The tax is paid by the owner of any passenger class vehicle: cars, vans and pickups rated at less than one-ton, and one-ton passenger vans. As outlined above, the tax is determined by MSRP of the vehicle, to which a depreciation schedule – the same for all vehicles – is applied, resulting in a decrease in the tax as the vehicle ages. As a result, owners of higher value vehicles, and owners of newer cars pay a greater share of the total taxes collected.

Guiding Principles- Increase motor vehicle registration taxes ("tab fees")

Efficiency- High proportion of revenue collected goes to transportation projects	High
Ease of Admin- Simplicity of implementation and administration	High
User Equity- proportionate share of cost for construction and maintenance charged to those who use it most	Medium
Social Equity- The burdens of the tax are fair and just for Minnesotans across social, economic, and geographical areas	Medium
Transparency- Minnesotans know the tax exists and understand why and how it is charged to them	Medium

Increase the Motor Vehicle Sales Tax (MVST)

Background/History

Minnesota's 6.875% motor vehicle sales tax (MVST) is constitutionally dedicated for transportation purposes. Revenues from the MVST are distributed as follows:

- 60% in the HUTD fund;
- 34.3% in the metropolitan area transit account (managed by the Metropolitan Council);
- and 5.7% in the greater Minnesota transit account (managed by MnDOT).

The MVST is based on the total purchase price of the vehicle. However, when a vehicle is acquired for nominal or no monetary consideration, tax to be paid is based on the average value of similar vehicles.

In 2023, the legislature increased the MVST rate from 6.5% to 6.875% for all vehicles purchased after July 1, 2023.

Revenue Raising Capacity

MVST revenue can be increased by increasing the tax rate, as the legislature did in 2023. Increasing the MVST by 0.5 percent (increase to 7.375%) would raise an estimated $82 million per year, with about $49M (60%) going to the HUTD fund and the remaining $33 million going to transit.

The MVST rate increase passed last year resulted in the rate matching the general sales tax rate. Parity in the general sales tax rate and the MVST rate has been historically consistent, so an increase in the MVST alone without an increase in the general sales tax rate would be unprecedented.

Tax Incidence

The MVST is a flat 6.875% rate applied at the time of purchase against the purchase price of the vehicle. The tax is borne by anyone purchasing a new or used vehicle from a private seller.

Guiding Principles- Increase the Motor Vehicle Sales Tax (MVST)

Efficiency- High proportion of revenue collected goes to transportation projects	High
Ease of Admin- Simplicity of implementation and administration	High
User Equity- proportionate share of cost for construction and maintenance charged to those who use it most	Medium
Social Equity- The burdens of the tax are fair and just for Minnesotans across social, economic, and geographical areas	Medium
Transparency- Minnesotans know the tax exists and understand why and how it is charged to them	High

Expand the general sales tax base or increase the rate and dedicate a portion to the HUTD Fund

Background/History

Minnesota enacted its sales tax in 1967 at an initial rate of 3%. Since then, the legislature has both broadened the sales tax base by including certain items as taxable tangible personal property and services sold or used in Minnesota while also narrowing the sales tax base by exempting other goods and services.

In 1994, the Legislature increased the state general sales tax rate from 6% to 6.5% and in 2008 a Constitutional amendment was adopted to increase the tax rate by 0.375% to 6.875%, with the proceeds dedicated to four funds: the Outdoor Heritage Fund, Clean Water Fund, Parks and Trails Fund, and the Arts and Cultural Heritage Fund.

Revenue Raising Capacity

Along with the state income tax, the sales tax is a funding source that is, in general, dedicated to the General Fund. The sales tax base is very broad, generating over $7 billion in 2023. It has the capacity to generate significant revenue, but any effort to transfer general sales tax revenue from the General Fund to the dedicated HUTD Fund may be met with resistance unless a clear nexus with transportation is identified. Non-dedicated, one-time transfers would not offer consistent funding and would make it difficult to plan and forecast funding. Also, any statutory dedication of additional sales taxes to the HUTD Fund could be reduced or eliminated by future legislatures.

Tax Incidence

This tax is imposed on the sale of most goods and services purchased or used in Minnesota. Under current law, major exemptions include materials used in agricultural or industrial production, residential heating fuels and water services, certain capital equipment, farm machinery, clothing, drugs and medicines, and food products (not including prepared meals and drinks, candy, gum, and soft drinks.)

The sales tax is a regressive tax, and not based on the ability to pay. Exemptions for food, clothing, home heating and other necessities of life tempers the regressivity, but because the tax is a flat tax on consumption of goods and services and not based on ability to pay, an increase in the sales tax rate or expanding the sales tax base would be regressive.

Guiding Principles-Expand the general sales tax base or rate and dedicate a portion to the HUTD Fund -

Efficiency- High proportion of revenue collected goes to transportation projects	High
Ease of Admin- Simplicity of implementation and administration	High
User Equity- proportionate share of cost for construction and maintenance charged to those who use it most	Low
Social Equity- The burdens of the tax are fair and just for Minnesotans across social, economic, and geographical areas	Low
Transparency- Minnesotans know the tax exists and understand why and how it is charged to them	High

Expand/Extend the General Fund transfer to the HUTD Fund for other goods and services

Background/History

Over 90% of state General Fund revenue comes from state individual income taxes, sales and use taxes, and corporate income taxes. In certain circumstances, the legislature has appropriated funds from the General Fund to the dedicated HUTD fund.

As an example, prior to legislation enacted in 2017, sales tax revenue from the sale of auto parts was treated like all other sales and use tax revenue and deposited in the state General Fund. Law changes in 2017 were enacted to dedicate a flat amount of sales tax revenue from auto parts into the HUTD fund ($145.6 million beginning in 2020). Then in 2023, the legislature expanded the dedication of the sales tax on auto parts to support spending for transportation by designating that 43.5% of the revenue would be distributed to the HUTD fund, and the remainder would be gradually dedicated to the newly created Transportation Advancement Account (TAA) over ten years. This transfer of revenue from the General Fund to the HUTD fund and TAA was regarded as appropriate due to the nexus between the buyers of auto parts who bear the burden of the tax and the use of the revenue for road and bridge construction and maintenance.

Accelerating the phase-in of the auto part sales tax transfer to the TAA could provide additional revenue in the near term. Future legislative action could consider other taxes currently dedicated for the state General Fund and determine a nexus to road and bridge construction and maintenance and enact a similar transfer from the General Fund to the dedicated HUTD fund.

Revenue Raising Capacity

The revenue generated from the transfer of General Fund revenue to the HUTD Fund and TAA for the sales tax on auto parts generates a total of just over $300 million per year. Any new transfer of revenue from the General Fund to the HUTD Fund is not likely to generate that level of revenue since opportunities to identify other products and services with similar nexus is limited. The contribution from all General Fund transfers to the HUTD Fund under current law is less than 10 percent of total HUTD funding, suggesting that any expansion to the transfer would result in limited additional revenue.

Tax Incidence

The tax revenue from any General Fund transfer would likely come from the traditional General Fund sales and use tax base (as was the case with auto parts) and so the tax incidence would be borne by purchasers of whatever good or service was the target of the new or expanded transfer. Because sales taxes are based on consumption as opposed to income, the expansion of the General Fund transfer would likely be regressive.

Guiding Principles- Expand/Extend the General Fund transfer to the HUTD Fund for other goods and services

Efficiency- High proportion of revenue collected goes to transportation projects	High
Ease of Admin- Simplicity of implementation and administration	High
User Equity- proportionate share of cost for construction and maintenance charged to those who use it most	Low
Social Equity- The burdens of the tax are fair and just for Minnesotans across social, economic, and geographical areas	Low
Transparency- Minnesotans know the tax exists and understand why and how it is charged to them	Low

Increase dedicated tax rates on leased vehicles

Background/History

Transportation funding legislation passed in 2017 dedicated tax revenue imposed on rental vehicles in the state to the HUTD fund. This law affected three classes of rental vehicles:

- The entire general sales tax revenue from short-term vehicle rentals, defined as those vehicles rented for 29 days or less, which are taxed at the regular sales and use tax rate (6.5% when the law was enacted, 6.875% today).
- All revenue from a separate (and additive) motor vehicle rental tax, which is imposed on short-term rentals at a 9.2% percent rate; and
- All revenue from the Motor Vehicle Lease Sales Tax (MVLST) which is set at the same rate as the general sales and use tax of 6.875%. (This is not a separate tax over and above the ordinary sales and use tax, but the name of the tax imposed on longer term leases of passenger vehicles and smaller trucks.) Under current law, revenue from the MVLST is distributed as follows:

    - 38% to the County State-Aid Highway fund;
    - 38% to the Greater Minnesota Transit Account;
    - 13% to the Minnesota State Transportation Fund;
    - and 11% to the Highway User Tax Distribution fund.

Revenue Raising Capacity

Each of the taxes imposed on rental and leased vehicles raises millions of dollars in revenue, but fairly insignificant amounts in terms of contributions to the overall HUTD fund. In the case of the short-term rental tax and the MVLST (both at 6.875%), an increase in those tax rates would break from their historical rate pegged to general sales and use tax rate. An increase of 1% on the 6.875% regular sales tax on short-term vehicle rental rate would raise approximately $1.6 million. An increase of 1% on the separate motor vehicle rental tax from 9.2% to 10.2% would raise an estimated $3 million. An increase of 1% to the MVLST from 6.875% to 7.875% would raise approximately $5 million (with 11% or ~$600,000 to the HUTD fund).

Tax Incidence

All three dedicated taxes from leased/rental vehicles are borne by those who rent or lease vehicles. Due to the nature of those who often tend to rent vehicles, this tax is sometimes regarded as a way to 'export' the tax burden to non-state residents (although substantial revenue does come from Minnesotans renting or leasing vehicles in the state.)

Guiding Principles- Increase dedicated tax rates on leased vehicles

Efficiency- High proportion of revenue collected goes to transportation projects	High
Ease of Admin- Simplicity of implementation and administration	High
User Equity- proportionate share of cost for construction and maintenance charged to those who use it most	Medium
Social Equity- The burdens of the tax are fair and just for Minnesotans across social, economic, and geographical areas	Medium
Transparency- Minnesotans know the tax exists and understand why and how it is charged to them	High

Impose size and weight fees

Background/History

Minnesota's vehicle registration tax (tab fee) is not based on vehicle size and weight, but such fees have been implemented in many states. Washington D.C. raised its annual registration fee in 2022 from $155 to $500 for vehicles weighing over 6,000 pounds to address road maintenance, environmental, and safety concerns related to heavy vehicles. Consideration of a vehicle's size and weight could be a new revenue option that would address both vehicle externalities and declining revenue from the gas tax.

According to the "Transportation Governance and Finance: A 50-State Review of State Legislatures and Departments of Transportation" (published in 2022, available here), 18 states incorporate weights into the registration taxes levied including neighboring states Iowa, North Dakota, and South Dakota. Minnesota also reviewed weight fees as part of its of 2019 Vehicle Registration Task Force, but due to data limitations, weight fees were not included in any of the Task Force's recommendations.

Revenue Raising Capacity

This funding option would be new, and as such could be designed to generate any amount of additional revenue deemed appropriate/sufficient by the legislature.

Tax Incidence

The idea supporting this revenue option is that a size and weight-based fee would shift the tax burden away from lighter vehicles and onto heavier vehicles whose use of the roadway is more costly in terms of regular maintenance. The fee for a smaller light-duty vehicle might be set lower than the fee for a light-duty vehicle of greater size and weight. Inversely this might cause commercial vehicles to pay a greater portion of the tax.

Guiding Principles- Impose size and weight fees

Efficiency- High proportion of revenue collected goes to transportation projects	High
Ease of Admin- Simplicity of implementation and administration	Medium
User Equity- proportionate share of cost for construction and maintenance charged to those who use it most	High
Social Equity- The burdens of the tax are fair and just for Minnesotans across social, economic, and geographical areas	Low
Transparency- Minnesotans know the tax exists and understand why and how it is charged to them	Medium

Increase the annual EV registration fee

Background/History

Thirty-four states currently impose an electric vehicle (EV) registration fee, including Minnesota. Owners of electric and plug-in hybrid vehicles can be subject to the fee, which is intended to raise revenue from drivers whose vehicles are powered in part or entirely by electricity. EVs do not pay a tax on the energy used to power their vehicles, and these additional registration fees are viewed as a method to collect on wear and tear that driving these vehicles does to the road like the gas tax for combustion engines. Minnesota's current EV registration fee is $75 and applies to all-electric vehicles.

Revenue Raising Capacity

The current estimate of the number of electric vehicles operating in Minnesota is roughly 42,000, roughly 0.8% of the total passenger vehicle fleet. The state's current EV tax rate of $75 annually raises about $3.1 million. Given current market conditions, if the tax rate were doubled – from $75 to $150 – for example, the tax would raise an additional $3.1 million. As the number of electric vehicles grows due both to consumer preferences and government mandates on EV production by the major automakers, the revenue outlook improves. However, the potential revenue raising capacity from EV fees is limited in the short run as a significant source of dedicated revenue.

Tax Incidence

Fixed fees are generally viewed as regressive as flat fees imposes greater burden on those whose total mileage or vehicle weight is less than the average. A person who purchases a vehicle for the convenience of a weekly trips for life's essentials (grocery store runs, doctor visits, etc.) is charged as much as the person who drives to multiple destinations daily, such as commuting to work and school. Additionally, the average electric vehicle generally costs more than a comparable gasoline powered vehicle, which results in higher tab fees and sales taxes. When one includes the total tax burden of an EV to a comparable gas-powered vehicle, the additional revenue from the MVST and tab fees on electric vehicles is typically sufficient to offset the savings EV owners enjoy by not paying the gas tax. These outcomes can change if the price of EVs continues to decline and more closely match the price of comparable gas-powered vehicles.

Guiding Principles- Increase the annual EV registration fee

Efficiency- High proportion of revenue collected goes to transportation projects	High
Ease of Admin- Simplicity of implementation and administration	High
User Equity- proportionate share of cost for construction and maintenance charged to those who use it most	Low
Social Equity- The burdens of the tax are fair and just for Minnesotans across social, economic, and geographical areas	Low
Transparency- Minnesotans know the tax exists and understand why and how it is charged to them	High

Enact 'usage-based' electricity tax for home and public charging

Background/History

An alternative to a flat, annual registration fee to generate revenue from electric vehicles is some form of tax that varies with highway use. These revenue sources generally involve a mileage-based system or a weight and size-based system as a proxy for the wear and tear a vehicle contributes to highway maintenance and repair costs.

Taxes on commercial public chargers have already been implemented in several states with collection methods like the gas tax in that it is collected at the "pump". For in home charging, utility companies are exploring the potential of using a smart home-meter paired with EV chargers to track power used for vehicle charging, which could then be taxed. However, there are still several issues that need to be addressed before this technology would be ready for implementation.

Revenue Raising Capacity

Both in-home and public charging revenue raising capacity will be directly tied to EV adoption rates moving forward. With the relative low number of EV's currently in Minnesota's fleet, near term revenue potential remains relatively low. The revenue raising capacity for public chargers is limited by the fact that up to 80% of vehicle charging takes place at home. If in home charging tracking technology is implemented, revenue generating capacity of the tax would depend on electricity usage and the associated tax rate set by the legislature, much in the same way as the current fuel tax revenue is dependent on miles traveled and the fuel tax rate.

Tax Incidence

Like the gas tax, applying a usage-based tax can be considered regressive as a lower income household will pay a greater percentage of household income that a higher income household.

Guiding Principles- Enact 'usage-based' electricity tax for home and public charging

Efficiency- High proportion of revenue collected goes to transportation projects	Low
Ease of Admin- Simplicity of implementation and administration	Low
User Equity- proportionate share of cost for construction and maintenance charged to those who use it most	Medium
Social Equity- The burdens of the tax are fair and just for Minnesotans across social, economic, and geographical areas	Low
Transparency- Minnesotans know the tax exists and understand why and how it is charged to them	Medium

Implement or expand Road Usage Charges (RUC)

Background/History

Road User Charges (RUC) is a broad term given to a revenue system in which drivers are charged based on the distance they travel on public roads. Monitoring of mileage can be done manually, electronically, or through the vehicle itself. Road User Charges have been implemented in Hawaii, Oregon, Virginia, and Utah; in addition, 16 states, including Minnesota, have launched pilot programs to study RUC implementation. A federal pilot program was approved as part of the IIJA bill, and an advisory board is currently being selected so work can begin on it. Two regional coalitions, RUC America and the Eastern Transportation Coalition Board, have also performed studies on RUC and have promoted it as an option to supplement the gas tax for revenue collection. RUC is nationally considered as one of the most promising options to supplement the gas tax in future years as electric vehicles and more fuel-efficient vehicles enter the fleet, reducing the efficacy of the gas tax to pay for future construction and maintenance.

Minnesota has completed three pilot projects, starting in 2009, that have explored public perception and acceptance of RUC, collection methods, and feasibility. Minnesota is in the process of beginning a new pilot to explore the potential of new collection methodologies as well as administration costs for a RUC. Minnesota also partnered with the Kansas DOT on a pilot project that was recently completed. Minnesota is now exploring more options to partner with states, including Wisconsin and Michigan, as a regional approach could be beneficial for implementation.

Revenue Raising Capacity

In 2023, total vehicle miles traveled on all state and local Minnesota roadways was approximately 60 billion miles. Any RUC system that would be implemented in Minnesota would be phased in over time, therefore

estimating the available revenue raising capacity is highly dependent on the per-mileage rate and the manner and timing in which it is implemented. There are several different collection methods that have been piloted or implemented, each with its own specific pros and cons and costs of collection.

Depending on the collection method implementation of a RUC system, it could require developing and maintaining the infrastructure (IT infrastructure, app development etc.) needed to collect fees as well as human capital. These costs would reduce the net revenue available for transportation construction and maintenance projects in the near term but could provide a consistent source of funding in future years as more vehicles enroll in the program and administration costs are reduced as the program progresses. RUC would also be an effective revenue collection method for any new potential vehicle power sources, such as hydrogen, in the future as revenue would be collected based on the usage of the vehicle not the vehicle power source.

Tax Incidence

In a fully implemented RUC system, all drivers would pay according to their miles driven. Like the gas tax, RUC may be considered a regressive tax as lower-income drivers may be disproportionately affected by the charge, especially if they live in areas with limited transportation alternatives. Some research has been done to mitigate equity concerns, but these would depend on what collection method and implementation are selected.

Guiding Principles- Implement or expand Road Usage Charges (RUC)

Efficiency- High proportion of revenue collected goes to transportation projects	Low/Medium (Dependent on collection method)
Ease of Admin- Simplicity of implementation and administration	Low
User Equity- proportionate share of cost for construction and maintenance charged to those who use it most	Medium
Social Equity- The burdens of the tax are fair and just for Minnesotans across social, economic, and geographical areas	Medium
Transparency- Minnesotans know the tax exists and understand why and how it is charged to them	High

Modify delivery fee

Background/History

During the 2023 legislative session, Minnesota passed legislation establishing a retail delivery fee. Effective July 1, 2024 a retail delivery fee of $.50 is imposed on transactions over $100 on clothing or other tangible personal property that is subject to sales tax. The proceeds from the delivery fee are deposited into the Transportation Advancement Account (TAA) (https://www.revisor.mn.gov/statutes/cite/168E). There are many exemptions to the delivery fee including food, prescription drugs, baby products, etc. Businesses with retail sales of less than $1 million during the prior year are also exempt from the delivery fee.

Revenue Raising Capacity

The current delivery fee establishes a number of exceptions that limit the number of transactions that are subject to the delivery fee. Modifying the exceptions to include food, include small businesses, or lower the dollar threshold from $100 to $75 all present opportunities to increase the revenue collected. Additionally, the legislature could choose to raise the fee from $.50 to any higher amount of their choosing, but modifying a rate so close to its initial implementation is rare. Once MnDOT reports revenue collected through the current fee, order of magnitude for the revenue raising capacity can be established. Currently, once phased-in the fee is projected to generate about $70 million/year.

Tax Incidence

The fee is imposed on those utilizing delivery services, so tax incidence is determined by frequency of delivery service use. The tax can be considered regressive as lower income individuals will pay a higher portion of their income then higher income. Individuals who may be unable to leave their homes to go to store due to disabilities or lack of transportation will also face a higher burden then those that can choose to go to the store to avoid the fee.

Guiding Principles – Modify delivery fee

Efficiency- High proportion of revenue collected goes to transportation projects	Medium
Ease of Admin- Simplicity of implementation and administration	Medium
User Equity- proportionate share of cost for construction and maintenance charged to those who use it most	Medium
Social Equity- The burdens of the tax are fair and just for Minnesotans across social, economic, and geographical areas	Low
Transparency- Minnesotans know the tax exists and understand why and how it is charged to them	Medium

Local Government Funding Options

Minnesota's local units of government – counties, cities, and townships – also rely on funding from the Highway User Tax Distribution fund. Overall, the County State Aid Highway (CSAH) fund receives 27.55 percent of HUTD fund revenues. Cities over 5,000 in population receive 8.55% of HUTD fund revenues through the Municipal State Aid (MSAS) fund. Townships also receive funding from the 5% HUTD fund 'set-aside'. As a result, any new expansion of revenue to the HUTD fund resulting from increased revenue options from the dedicated fuel tax, vehicle registration fee, or the Motor Vehicle Sales Tax highlighted above would have a proportional impact that would benefit Minnesota local governments.

The following local government funding options do not affect HUTD fund revenues, but still represent potential tools available to local governments to narrow their own transportation construction and maintenance funding needs. Under Minnesota state law, certain local governments are authorized to adopt local option taxes applied within their borders. These options are included in this analysis and could be expanded or modified to address local government funding needs.

Approve a local transit sales tax

Background/History

In 2008, the legislature authorized Minnesota counties to adopt a local transit sales tax, as an addition to the existing statewide general sales tax rate. Initially, the law allowed the seven counties in the Twin Cities metropolitan area to impose a quarter-cent local sales tax for transit purposes and counties in greater Minnesota to impose a half-cent local sales tax for transportation purposes.

The current law contained in Minnesota Statutes 297A.993 specifies that all 87 counties are now authorized to adopt a local option sales tax up to 0.5%. The uses of the new revenue must be dedicated for the following purposes: 1) payment of the capital cost of a specific transportation project or improvement; 2) payment of the capital or operating costs of specific transit project or improvement; 3) payment of the capital costs of the Safe Routes to School program; 4) payment of transit operating costs; and 5) payment of the capital cost of constructing buildings and other facilities for maintaining transportation or transit projects or improvements.

Revenue from the tax may be used for more than one project or improvement provided that the newly added project is given a public hearing. The law also allows counties to use local sales tax revenue to finance bonds issued for transportation purposes.

Revenue Raising Capacity

According to data from the Minnesota Department of Revenue, in 2025, 58 counties had enacted a local option transit sales tax. The list below shows 10 representative counties and their 2021 estimated revenues from the locally approved local option sales tax.

County	2021 Tax	2021 Estimated Revenue
Anoka	0.25%	$13,471,971
Beltrami	0.50%	$4,303,862
Carver	0.50%	$9,433,169
Dakota	0.25%	$19,090,306
McLeod	0.50%	$2,664,809

County	2021 Tax	2021 Estimated Revenue
Olmsted	0.50%	$15,027,612
Ramsey	0.50%	$41,675,687
Stearns	0.25%	$7,110,643
St. Louis	0.50%	$17,214,692
Winona	0.50%	$3,446,021

Tax Incidence

The incidence of the general state sales tax is borne by taxpayers across the entire state. In the case of a local option sales tax, only taxable purchases made within those counties would bear the burden of the tax. This feature allows counties to 'export' some of the tax burden to taxpayers who reside outside of the county but who use the county transportation system to access shopping for taxable goods.

The sales tax is a regressive tax, that is not based on one's ability to pay. Exemptions for food, clothing, home heating and other necessities of life temper the tax's regressivity, but because the tax is a flat tax on consumption of goods and services and not based on ability to pay, an increase in the sales tax rate or expanding the sales tax base would be regressive.

Guiding Principles- Approve a Local Option Sales Tax

Efficiency- High proportion of revenue collected goes to transportation projects	High
Ease of Admin- Simplicity of implementation and administration	High
User Equity- proportionate share of cost for construction and maintenance charged to those who use it most	Low
Social Equity- The burdens of the tax are fair and just for Minnesotans across social, economic, and geographical areas	Low
Transparency- Minnesotans know the tax exists and understand why and how it is charged to them	Medium

Approve a local option vehicle excise tax

Background/History

In addition to granting counties the authority to impose a dedicated local sales tax up to a half-cent, the 2008 legislation also granted counties taxing authority to impose a $20 excise tax, beyond the regular state motor vehicle sales tax, on commercial sales of motor vehicles. The $20 excise tax is imposed on the purchase or acquisition of any motor vehicle, from any person engaged in the business of selling motor vehicles at retail, occurring within the jurisdiction of the taxing authority.

Revenue Raising Capacity

According to Minnesota Department of Revenue data, in 2021 thirteen counties had enacted the $20 excise tax. Revenue collected from the tax for each county is presented below.

County	2021 Revenue
Anoka	$1,000,968
Beltrami	$81,100
Carlton	$34,400
Carver	$51,540
Dakota	$1,424,620
Goodhue	$124,320
Hennepin	$2,613,260

County	2021 Revenue
Kandiyohi	$75,020
Otter Tail	$104,760
Ramsey	$1,222,680
Scott	$317,260
St. Louis	$418,220
Washington	$400,560

Tax Incidence

This tax is only imposed in counties that have adopted the $20 local option vehicle excise tax, so only new owners of vehicles sold within those counties would bear the burden of the tax.

Guiding Principles- Approve a Local Option Vehicle Excise Tax

Efficiency- High proportion of revenue collected goes to transportation projects	High
Ease of Admin- Simplicity of implementation and administration	High
User Equity- proportionate share of cost for construction and maintenance charged to those who use it most	Medium
Social Equity- The burdens of the tax are fair and just for Minnesotans across social, economic, and geographical areas	Medium
Transparency- Minnesotans know the tax exists and understand why and how it is charged to them	Medium

Expand the county wheelage tax

Background/History

Current law contained in Minnesota Statutes, section 163.051 authorizes counties to impose a local option wheelage tax of $10, $15, or $20 levied by the county board of commissioners on vehicles kept in the county and that are subject to annual registration and taxation. The wheelage tax was first authorized by the legislature in 1972 for counties in the Twin Cities metropolitan area at a rate of $5 per vehicle. The authority to use this tax was not initially widely embraced because the law required a reduction in the general property tax levy equivalent to the revenue generated by the wheelage tax, a provision that has since been repealed.

Today all 87 counties have authority to adopt their own wheelage tax at a rate of up to $20 per vehicle. Tax revenue must be deposited in the county wheelage tax account and must be used for highway purposes within the meaning of Article 14 of the Minnesota Constitution.

Revenue Raising Capacity

According to the Minnesota Department of Public Safety, 54 of Minnesota's 87 counties have enacted a wheelage tax effective in 2024 at $10, $15, or $20. The list below shows 10 representative counties and their 2022 revenues from their locally approved wheelage tax. Revenue raised would be limited to counties who currently have not implemented a local option sales tax or counties who are currently charging under the .50% maximum allowed by statute.

County	2020 Taxable Vehicle Counts	Current Tax	2022 Estimated Revenue
Chisago	55,861	$10	$558,610
Hennepin	997,871	$20	$19,957,420
Fillmore	22,099	$20	$441,980
Freeborn	29,644	$15	$444,660
Goodhue	48,707	$10	$487,070
Rice	55,804	$20	$1,116,080
Sherburne	89,439	$10	$894,390
Sibley	16,154	$10	$161,540
Steele	35,163	$20	$703,260
Watonwan	11,639	$15	$174,585

Tax Incidence

Vehicle types subject to the wheelage tax include the following: passenger vehicles, pick-up trucks, one-ton trucks, buses, class 2 city buses, school buses, farm trucks, concrete pump/sweepers, prorate trucks, commercial zone trucks, van pools, commercial trucks and prorate foreign trucks. The following vehicles are exempt from the wheelage tax: motorcycles, vertical motorcycles, recreational vehicles, prorate (MN trailer), mopeds, contract trailers, semi-trailers, farm trailers, state owned tax-exempt and other tax-exempt vehicles, utility trailers, street rods, pioneers, classics, collector, and classic motorcycles.

Guiding Principles- Expand the County Wheelage Tax

Efficiency- High proportion of revenue collected goes to transportation projects	High
Ease of Admin- Simplicity of implementation and administration	High
User Equity- proportionate share of cost for construction and maintenance charged to those who use it most	High
Social Equity- The burdens of the tax are fair and just for Minnesotans across social, economic, and geographical areas	Medium
Transparency- Minnesotans know the tax exists and understand why and how it is charged to them	Medium

Increase or modify the allocation of the Metro Area Transportation Sales and Use Tax

Background/History

The state legislature recently passed a new dedicated sales tax within the borders of the 7-county metro area (Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington counties.) The tax went into effect on October 1, 2023, at a rate of 0.75% and is administered by the Minnesota Department of Revenue. Revenues will fund the projects identified in Minnesota Statutes 297A.9915.

Proceeds of the regional transportation sales tax are allocated as follows:

- 83 percent to the Metropolitan Council for the purposes specified under section 473.4465; targeting transit and active transportation infrastructure.
- 17 percent to metropolitan counties, as defined in section 174.49, subdivision 1, targeting active transportation and transportation corridor improvements and safety studies; repair, preservation, and rehabilitation of transportation systems; transit purposes, and complete streets design improvements.

Revenue Raising Capacity

As indicated above most of the revenue generated from Metro Area Transportation Sales and Use Tax is dedicated for transit and active transportation purposes within the 7-county metropolitan area. These revenues do little to narrow the Highway User Tax Distribution fund gap, which is the focus of this report.

Tax Incidence

As currently constituted, the tax is borne by anyone purchasing any taxable good or service in the seven-county metropolitan area. This allows for some of the burden to be shifted to visitors who reside outside of the metro area but who use the metro transportation system to access shopping and entertainment.

Guiding Principles- Increase the Metro Area Transportation Sales and Use Tax-

Efficiency- High proportion of revenue collected goes to transportation projects	High
Ease of Admin- Simplicity of implementation and administration	High
User Equity- proportionate share of cost for construction and maintenance charged to those who use it most	Low
Social Equity- The burdens of the tax are fair and just for Minnesotans across social, economic, and geographical areas	Low
Transparency- Minnesotans know the tax exists and understand why and how it is charged to them	Medium

Expand the Small Cities Assistance Program

Background/History

Small cities under 5,000 in population do not receive HUTD fund revenues through the Municipal State Aid formula. A Small Cities Assistance Program financed through the state General Fund was created by the state legislature that provides aid to these small cities. The fund has received periodic one-time transfers from the General Fund, totaling $57.9 million since 2016 (five years received funding from 2016 to 2025) and most recently receiving $11.35 million in fiscal year 2025.

In addition, beginning in FY 2024, small cities receive 27 percent of the newly created Transportation Advancement Account (TAA). This translates to a $3M transfer in the first year but grows significantly to an estimated $87M in FY 2033. The TAA will be funded with revenues collected from the retail delivery fee on orders over $100 and through a ten-year phase in of the sales tax collected on motor vehicles.

Smaller cities are also indirectly supported through state aid to counties. A share of state funds for the County State Aid Highway CSAH) system must be allocated to a municipal account for use on portions of county state aid highways located within smaller cities.

Revenue Raising Capacity

All funding appropriations prior to the creation of the TAA were made from the State's General Fund. The legislature can approve any level of funding. This would result in less money being available for other state priorities as this does not increase revenue, just allow the legislature to use existing revenue in an alternative way.

Tax Incidence

If funding is provided by another transfer from the state's General Fund, the tax burden resulting from an additional appropriation would be distributed proportionally according to the existing incidence of the General Fund. The Minnesota Department of Revenue's Tax Incidence Report applies a statistical analysis known as the Suits Index and has found that Minnesota's overall tax system is just 0.013 percent below proportional, and ranks among the top 5 progressive state tax systems in the nation. Also notable, if income taxes are separated from business taxes, the system becomes even more progressive.

Guiding Principles- Expand the Small Cities Assistance Program

Efficiency- High proportion of revenue collected goes to transportation projects	High
Ease of Admin- Simplicity of implementation and administration	High
User Equity- proportionate share of cost for construction and maintenance charged to those who use it most	Low
Social Equity- The burdens of the tax are fair and just for Minnesotans across social, economic, and geographical areas	Medium
Transparency- Minnesotans know the tax exists and understand why and how it is charged to them	Low

Adopt/Expand the Aggregate Materials Tax

Background/History

The aggregate material tax or "gravel tax" (Minnesota Statutes 298.75) is a production tax on the removal of aggregate material (sand, silica sand, gravel, crushed rock, granite, and limestone) weighed and measured after extraction. Aggregate material also includes borrow (particles of gravel, sand, crushed quarry, gravel, or stone) that is transported on a public road, street, or highway. The tax is collected and administered at the county level, and its proceeds (net of collection costs) must be used for transportation purposes and restoration of mine sites. The Department of Revenue reports that 36 counties and one township (Solway Township in St. Louis County) collected the tax in 2023, the most recent year available. Special laws also authorize a few towns in St. Louis and Ottertail counties to impose aggregate taxes, provided that their host county does not impose the tax.

State law sets the rate of the tax at 21.5 cents per cubic yard or 15 cents per ton. Counties do not have discretion to set a lower rate.

The taxes are deposited into the county treasury and must be spent as follows:

- 42.5 percent must be added to the county road and bridge fund and is dedicated for expenditure in maintenance, construction, and reconstruction of roads, highways, and bridges.
- 42.5 percent must be deposited in the general fund of the city or town in which the mine is located, or to the county if the mine is in an unorganized township, and is dedicated for maintenance, construction, and reconstruction of roads, highways, and bridges.
- 15 percent must be put into a special reserve fund that is established for expenditures made related to the restoration of abandoned pits, quarries, or deposits located within the county.
- The county auditor may retain up to 5 percent of the total revenue as an administrative fee for administering the tax.

Revenue Raising Capacity

The aggregate material tax is a production tax on the removal of aggregate material and so only counties with substantial mining operations stand to benefit from this funding option. Virtually all the eligible counties already levy the tax so potential new revenue from the tax is limited.

Tax Incidence

The tax is borne by companies involved in the removal of aggregate materials in the effected counties.

Guiding Principles- Adopt/Expand the Aggregate Materials Tax

Efficiency- High proportion of revenue collected goes to transportation projects	High
Ease of Admin- Simplicity of implementation and administration	High
User Equity- proportionate share of cost for construction and maintenance charged to those who use it most	High
Social Equity- The burdens of the tax are fair and just for Minnesotans across social, economic, and geographical areas	High
Transparency- Minnesotans know the tax exists and understand why and how it is charged to them	Medium

Project/Program Specific Funding Options

Expand E-ZPass system

Background/History

Minnesota's High Occupancy Toll (HOT) lanes are known as E-ZPass lanes. These lanes differ from traditional toll lanes used in other states since typically only one lane of a roadway is metered during peak travel time for single occupant vehicles. During peak travel times single occupant vehicles are charged between 25 cents and $8 based on current use to keep the lanes moving at 55 miles per hour. Transit buses, motorcycles, and vehicles with more than 2 people can use the lanes at no cost. During non-peak travel times the lanes operate as general lanes.

Revenue Raising Capacity

Legislation gives MnDOT authority to operate E-ZPass lanes and exempts them from legislation that limits tolling (Minnesota Statutes 160.93). Legislation generally designates revenue from E-ZPass for repayment of the capital cost for their construction and operations costs, and any excess is split between MnDOT and the Metropolitan Council for highway and transit improvements along the E-ZPass corridors. Currently the entire system collects roughly $3 million/year from about 81,000 active customers.

Tax Incidence

E-ZPass lanes are paid by users of the corridor being tolled. All revenue generated from E-ZPass lane use comes from willing subscribers into the system.

Guiding Principles- Expand E-ZPass system

Efficiency- High proportion of revenue collected goes to transportation projects	Low
Ease of Admin- Simplicity of implementation and administration	Medium
User Equity- proportionate share of cost for construction and maintenance charged to those who use it most	High
Social Equity- The burdens of the tax are fair and just for Minnesotans across social, economic, and geographical areas	Medium
Transparency- Minnesotans know the tax exists and understand why and how it is charged to them	High

Provide new toll authority

Background/History

Tolling involves charging fees for the use of a roadway facility. The revenue generated may be used to pay for highway operations and maintenance. Tolling can operate as both a standalone financing option for the tolling facility or as a component of other financing options, such as state trunk highway bonds or a federal TIFIA-style low-interest loan.

Roadway tolls have never been used in the state. However, Minnesota has existing tolling authority, set forth in Minn. Stat. 160.84 through 160.98, to develop "build-transfer-operate" tolled highway facilities.

Although existing law provides sufficient authority to successfully operate the E-ZPass network and allow for the establishment of privately developed toll infrastructure, it does not allow for the conversion of existing general-purpose roadways to toll roads (see Minn Statutes 160.845 and Minn. Stat. 160.98) For MnDOT to pursue tolling

as a funding option in the future, changes in legislation would likely need to be enacted allowing for tolling on existing roadways and the removal of the prohibition of tolling projects in MnDOT six-year work program. (See Minn. Stat. 160.92)

Revenue Raising Capacity

MnDOT conducted a study in 2018 intended to derive estimates of the potential toll revenue that could be generated from converting existing general-purpose lanes to toll lanes for specific state highway corridors. The report, called the Minnesota Tolling Study Report – Modern Tolling Practices and Policy Considerations estimates 30-year revenues for seven corridors, on both the rural and urban highway systems of the state.

Tax Incidence

Tolls are paid by users of the corridor being tolled, and revenues would be dedicated for improvements to that corridor. Tolls are generally considered regressive as a lower income household will pay a greater percentage of household income than a higher income household. Additionally, many of the routes that could possibly be tolled travel directly through areas of lower income.

Guiding Principles- Provide new toll authority

Efficiency- High proportion of revenue collected goes to transportation projects	Medium
Ease of Admin- Simplicity of implementation and administration	Low
User Equity- proportionate share of cost for construction and maintenance charged to those who use it most	High
Social Equity- The burdens of the tax are fair and just for Minnesotans across social, economic, and geographical areas	Low
Transparency- Minnesotans know the tax exists and understand why and how it is charged to them	High

Use new Transportation Infrastructure Finance and Innovation Act (TIFIA) financing

Background/History

The Transportation Infrastructure Finance and Innovation Act (TIFIA) is a federal program providing credit assistance for qualified projects of regional and national significance. Many large-scale, surface transportation projects – highway, transit, railroad, intermodal freight, and port access – are eligible for assistance through the TIFIA program. Projects must demonstrate all of the following:

- be shovel ready with all permits and licensing completed;
- receive an investment grade rating from a nationally recognized bond rating agency, and
- the proposed loan repayment source must be an identified, general obligation pledge, dedicated tax revenue pledge, or government appropriation.

MnDOT used this method to fund the recently completed Highway 14 reconstruct from New Ulm to Nicollet, receiving a loan for $48M (49% of project costs) at 1.84% interest to be repaid over 35 years.

Revenue Raising Capacity

Using the federal TIFIA loan program or any other bonding mechanism does not raise new revenue but allows for future revenue to be used for present day projects at favorable interest rates, which can save money in the long term over traditional financing. It should be noted, however, that any borrowing through a federal bonding mechanism requires substantial time and energy that is not required for more traditional bonding, which

reduces the benefits provided through the favorable interest rates. Additionally, current law only authorized the one pilot project, so expanded statutory changes would be required for new projects.

Tax Incidence

Like most bonding options, the funding applied to repay the principal and interest can come from any number of financing sources. Therefore, the tax incidence is dependent on the funding source dedicated for payment of the bonds.

Guiding Principles- Use new Transportation Infrastructure Finance and Innovation Act (TIFIA) financing

Efficiency- High proportion of revenue collected goes to transportation projects	Medium
Ease of Admin- Simplicity of implementation and administration	Low
User Equity- proportionate share of cost for construction and maintenance charged to those who use it most	N/A (Depends on what is used as TIFIA funding source)
Social Equity- The burdens of the tax are fair and just for Minnesotans across social, economic, and geographical areas	N/A (Depends on what is used as TIFIA funding source)
Transparency- Minnesotans know the tax exists and understand why and how it is charged to them	N/A (Depends on what is used as TIFIA funding source)

Provide legislative authorization for local option Transportation Improvement Districts (TID)

Background/History

A transportation improvement district or transportation development district is a special-purpose district created for the purpose of coordinating and financing transportation infrastructure improvement programs, particularly road construction projects, within or among local governments in a specific area. These sources of revenue – commonly referred to as 'value capture' – typically provide TIDs with authority to levy incremental sales or property taxes or issue municipal bonds to generate revenue for specific transportation infrastructure improvements that most directly benefit transportation users in the immediate area, many times they are as the repayment method for programs such as TIFIA.

Transportation improvements often increase the value of nearby land, benefitting landowners and developers. Value capture techniques harness a portion of the increased property values to pay for the improvement or for future transportation investment. While value capture techniques are often directed to supporting transit projects, they can also be used to fund highway improvements. The most common forms of value capture include right-of-way use agreements, air rights, transportation utility fees, and joint development. MnDOT has begun looking at right-of-way use agreements, but that, along with many of the other forms listed, will require legislative action to implement.

Revenue Raising Capacity

Transportation Improvement Districts have the capacity only to raise revenue for a specific project in a specific geographic area. It cannot reasonably be considered as a sustainable solution to narrowing the transportation funding gap. It is further noted that 'improvement districts' often typically dedicate revenue that would otherwise have been directed to other general fund purposes which means that – without offsetting new tax revenues – other public services may be compromised.

Tax Incidence

New state law would be required to govern the creation of a TID. That law would identify who bears the burden of the tax, what the tax rate and tax base would be, and to what project the tax revenue would be dedicated.

Guiding Principles Provide legislative authorization for local option Transportation Improvement Districts

Efficiency- High proportion of revenue collected goes to transportation projects	Medium
Ease of Admin- Simplicity of implementation and administration	Medium
User Equity- proportionate share of cost for construction and maintenance charged to those who use it most	High
Social Equity- The burdens of the tax are fair and just for Minnesotans across social, economic, and geographical areas	Low
Transparency- Minnesotans know the tax exists and understand why and how it is charged to them	Medium

Expand/Allow public-private partnerships opportunities (P3s)

Background/History

States across the US have implemented several programs under the umbrella of Public-Private Partnerships (P3). These range from smaller programs such as creative use of right of way and asset sponsorship to large projects such as toll ways. Minn. Stat. 160.845 prohibits a road authority or private operator from converting, transferring, or utilizing any portion of a highway to impose tolls for use as a toll facility, except for high-occupancy vehicle/toll (HOV/HOT) lanes and dynamically priced shoulder lanes. Furthermore, Minn. Stat. 160.98 prohibits a road authority from selling, leasing, or executing a development agreement for a build-operate-transfer (BOT) facility or build-transfer-operate (BTO) facility that transfers an existing highway lane, or otherwise relinquishes management of a highway, if the highway is retained or utilized by the buyer, lessor, or operator for highway purposes. MnDOT would more than likely require approving legislation to explore potential P3s.

Revenue Raising Capacity

Minnesota is currently limited in how P3s could function since methods for repayment (e.g. tolls) are not allowed, and current law significantly limits the extent to which a private entity could operate and maintain a facility. There are also no laws expressly allowing other potential P3 partnerships for new innovative P3s that Minnesota may not have looked at before, such as asset sponsorship. Therefore, any P3 project, large or small, would likely require new legislative approval.

Tax Incidence

Not Applicable.

Guiding Principles- Expand/Allow Public-private partnerships opportunities (P3s)

Efficiency- High proportion of revenue collected goes to transportation projects	N/A (Dependent on type of P3)
Ease of Admin- Simplicity of implementation and administration	N/A (Dependent on type of P3)
User Equity- proportionate share of cost for construction and maintenance charged to those who use it most	N/A (Dependent on type of P3)
Social Equity- The burdens of the tax are fair and just for Minnesotans across social, economic, and geographical areas	N/A (Dependent on type of P3)
Transparency- Minnesotans know the tax exists and understand why and how it is charged to them	N/A (Dependent on type of P3)

Recommendations

MnDOT and its county and municipal partners recognize and appreciate the investments in state and local road and bridge construction and maintenance needs made by the 2023 legislature. Lawmakers passed critical new and expanded revenue that has helped to narrow the projected 10-year HUTDF funding gap. The additional dedicated revenue for state and local highway purposes not only supports efforts to compete economically for jobs and talent, but it enhances Minnesotans' quality of life by connecting people to friends and family, jobs, education, healthcare, entertainment, recreation and more.

Impacts resulting from demographic changes, economic factors and advancing technology will continue to increase costs, so the need to address the funding gap will persist. Available funding, even in the best-case scenarios, will always be limited, and any solution to address the state's transportation construction and maintenance funding challenges must be broad-based, offering modal choices that attract the entire spectrum of system users today and in the future.

A requirement of this report is to offer recommendations that would address the estimated $19 billion funding gap. A wide variety of revenue options have been identified and evaluated in this report. No one source is likely to close the revenue gap but, a combination of sources could make progress on closing the gap. Long term, continual funding decisions and updates will be necessary to narrow the gap.

The options listed vary in terms of their viability based on their current 'readiness', potential for near-term political acceptance, and their revenue generating capacity. The sources are categorized below into four categories, with selections from any or all the categories presenting options to close or narrow the funding gap.

Current Revenue Sources

To make substantial progress at funding road and bridge construction and maintenance, the legislature has historically turned to the "big 3" funding sources: the gas tax, vehicle registration tax ('tab fees') and the motor vehicle sales tax. The recent history of tax increases among those funding options is detailed in those sections of the report. Historical revenue increases aimed at addressing the projected funding gap have favored the "big 3" tax types in the past because those taxes represent the lion's share of total HUTD fund revenue. In state fiscal year 2023, revenue to the constitutionally dedicated Highway User Tax Distribution fund came from the gas tax (34%), tab fees (33%) and the motor vehicle sales tax (25%).

Similarly, funding from new, or additional, General Fund transfers to the HUTD fund could be enacted and new revenue could be generated by tax rate increases for rental and leased vehicles.

Bonding and Innovative Financing

In the case of MnDOT's ability to leverage non-tax resources, the most used financing tools involve general obligation bonding or other borrowing mechanisms, such as the federal TIFIA loan program recently used in District 7 on improvements to Trunk Highway 14.

Other sources of revenue reviewed in this report that might be considered as 'Tier 2', innovative financing options include expansion of congestion pricing – such as the E-ZPass system – to new corridors and expanded authorization of local transportation improvement districts.

New Funding Options

MnDOT is a forward-thinking department that is actively involved in several regional and national initiatives designed to evaluate the viability of revenue sources not widely utilized today. Perhaps the most viable of these

options in the long run is some form of a road usage charge, which is gaining favor nationally as the reliance on the gas tax wanes and a greater number of electric vehicles comprise a higher percentage of the overall fleet. As cars and trucks become more fuel efficient and electrified, gas taxes are becoming less sustainable as a primary source of funding to support road and bridge construction and maintenance in the state. A well-crafted road usage charge – especially one that is implemented on a national scale – would promote a pricing system based on actual costs imposed on the system and provide consistent funding regardless of the power source of future vehicles. As stated above, the implementation of a road user charge would take time, as vehicles enroll in the program and necessary infrastructure is implemented, making it a more long-term potential solution for closing the gap.

Other new revenue options that could be considered as additional study is undertaken, as new knowledge is gained, and as technology advances. Some that have been evaluated in this report include vehicle size and weight fees, 'usage based' electric vehicle metrics, expanded tolling and public private partnership (P3) authority.

Expansion of local government authority

MnDOT's partnership with the state's local units of government is a top priority within the department. The Department's State Aid for Local Transportation Office's mission statement is to 'actively partner with local governments as they plan, construct, and maintain Minnesota's transportation system'. The department's efforts include supporting all the state's counties, cities, and townships in their efforts to access critical transportation funding through various federal and state programs.

This report identifies and discusses several different local option taxes. In certain cases, the local government has authority to enact the tax after following certain guidelines required by state law, such as conducting a public hearing providing details on the tax, the amount and duration of the tax, and designation of the project or projects that it is established to support. In other cases, the tax cannot be imposed without legislative authority first being granted to the requesting local government.

Appendix A: Comparison Graph

		Guiding Principles				
	Proposals to Increase Revenue ↓	**Efficiency**- High proportion of revenue collected goes to transportation projects	**Ease of Administration**- Simplicity of implementation and administration	**User Equity**- Proportionate share of cost for construction and maintenance charged to those who use it most	**Social Equity**- The burdens of the tax are fair and just for Minnesotans across social, economic, and geographical areas	**Transparency**- Minnesotans know the tax exists and understand why and how it is charged to them
Systemwide State Funding Options	Increase the per-gallon excise tax rate on motor-fuels	High	High	High	Low	High
	Increase motor vehicle registration taxes ("tab fees")	High	High	Medium	Medium	Medium
	Increase the Motor Vehicle Sales Tax (MVST)	High	High	Medium	Medium	High
	Expand the general sales tax base or rate and dedicate a portion to the HUTD Fund	High	High	Low	Low	High
	Expand/Extend the General Fund transfer to the HUTD Fund for other goods and services	High	High	Low	Low	Low
	Increase dedicated tax rates on leased vehicles	High	High	Medium	Medium	High
	Impose size and weight fees	High	Medium	High	Low	Medium
	Increase the annual EV registration fee	High	High	Low	Low	High
	Enact 'usage-based' electricity tax for home and public charging	Low	Low	Medium	Low	Medium
	Implement or expand Road Usage Charges (RUC)	Low/Medium (Dependent on collection method)	Low	Medium	Medium	High
	Modify delivery fee	Medium	Medium	Medium	Low	Medium

		Guiding Principles				
	Proposals to Increase Revenue ↓	**Efficiency**- High proportion of revenue collected goes to transportation projects	**Ease of Administration**- Simplicity of implementation and administration	**User Equity**- Proportionate share of cost for construction and maintenance charged to those who use it	**Social Equity**- The burdens of the tax are fair and just for Minnesotans across social, economic, and geographical areas	**Transparency**- Minnesotans know the tax exists and understand why and how it is charged to them
Local Government Funding Options	Approve a Local Transit Sales Tax	High	High	Low	Low	Medium
	Approve a Local Option Vehicle Excise Tax	High	High	Medium	Medium	Medium
	Expand the County Wheelage Tax	High	High	High	Medium	Medium
	Increase the Metro Area Transportation Sales and Use Tax	High	High	Low	Low	Medium
	Expand the Small Cities Assistance Program	High	High	Low	Medium	Low
	Adopt/Expand the Aggregate Materials Tax	High	High	High	High	Medium
Project/Program Specific Funding Options	Expand E-ZPass system	Low	Medium	High	Medium	High
	Provide new toll authority	Medium	Low	High	Low	High
	Use new Transportation Infrastructure Finance and Innovation Act (TIFIA) financing	Medium	Low	N/A (Depends on what is used as TIFIA funding source)	N/A (Depends on what is used as TIFIA funding source)	N/A (Depends on what is used as TIFIA funding source)
	Provide legislative authorization for local option Transportation Improvement Districts (TID)	Medium	Medium	High	Low	Medium
	Expand/Allow Public-private partnerships opportunities (P3s)	N/A (Dependent on type of P3)	N/A (Dependent on type of P3)	N/A (Dependent on type of P3)	N/A (Dependent on type of P3)	N/A (Dependent on type of P3)

Appendix B: Additional Resources

Legislation

1. Aggregate Tax https://www.revisor.mn.gov/statutes/cite/298.75
2. Gas Tax Legislation Ch. 296A MN Statutes
3. Local Options Sale/ Vehicle Exercise Tax Sec. 297A.993 MN Statutes
4. Metro Area Transportation Sales and Use Tax Sec. 297A.9915 MN Statutes
5. MnPASS Sec. 161.3209 MN Statutes
6. Public Private Partnerships Sec. 174.45 MN Statutes
7. Road Funding Gap Language 2023 Laws of Minn., Ch. 68, Art. 4., Sec. 127
8. Toll Authority Sec. 160.845 MN Statutes, Sec. 160.85 MN Statutes, Sec. 160.86 MN Statutes, Sec. 160.87 MN Statutes, Sec. 160.88 MN Statutes, Sec. 160.89 MN Statutes, Sec. 160.90 MN Statutes, Sec. 160.91 MN Statutes, Sec. 160.92 MN Statutes, Sec. 160.93 MN Statutes, Sec. 160.98 MN Statutes
9. Transportation Advancement Account https://www.revisor.mn.gov/statutes/cite/174.49 https://www.revisor.mn.gov/statutes/cite/168E.09#stat.168E.09.2 , https://www.revisor.mn.gov/statutes/cite/297A.94
10. Vehicle Registration Taxes Sec. 168.013 MN Statutes
11. Wheelage Tax Sec. 163.051 MN Statutes

MnDOT Reports

1. 10 Year Capital Highway Investment Plan https://www.dot.state.mn.us/planning/10yearplan/district-chip.html
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3. 2024 MN Electric Vehicle Infrastructure Plan https://edocs-public.dot.state.mn.us/edocs_public/DMResultSet/download?docId=38683793
4. Construction Cost Index https://edocs-public.dot.state.mn.us/edocs_public/DMResultSet/download?docId=38694006
5. Greenhouse Gas Emissions Impact Mitigation Working Group https://www.dot.state.mn.us/sustainability/greenhouse-gas-emissions-impact-mitigation-working-group.html
6. Minnesota Go Funding Page https://www.minnesotago.org/funding/
7. Minnesota State Highway Investment Plan (MnSHIP) https://www.dot.state.mn.us/planning/mnship/
8. Statewide Multimodal Transportation Report (SMTP) https://minnesotago.org/final-plans/smtp-final-plan-2022
9. Transportation Funds Forecast https://edocs-public.dot.state.mn.us/edocs_public/DMResultSet/download?docId=38570837
10. Transportation Research Synthesis "Electric Vehicle Fee Restructuring" https://mdl.mndot.gov/index.php/_flysystem/fedora/2024-04/TRS2403.pdf
11. VMT By Functional Class for Minnesota https://www.dot.state.mn.us/roadway/data/data-products.html#VMT

Outside Report

1. Arizona Rest Area P3 https://azdot.gov/news/public-private-partnership-manage-states-highway-rest-areas
2. ARTBA: Funding Techniques | Transportation Investment Advocacy Center
3. Build America Bureau TIFIA Program Overview https://www.transportation.gov/buildamerica/financing/tifia
4. Congressional Budget Office "Testimony on the Status of the Highway Trust Fund: 2023 Update https://www.cbo.gov/publication/59634
5. Eastern Transportation Coalition "MBUF Findings/ Reports" https://tetcoalitionmbuf.org/findings-reports/
6. Enos Center for Transportation Study "Running on Empty: The Highway Trust Fund https://enotrans.org/article/running-on-empty-the-highway-trust-fund/
7. Federal Highway Administration "Center for Innovative Finance Support" https://www.fhwa.dot.gov/ipd/

8. Geico Safety Patrol P3 https://living.geico.com/driving/auto/car-safety-insurance/safety-patrol/
9. Michigan DOT "Public Perception of RUC Survey Result" https://www.michigan.gov/mdot/-/media/Project/Websites/MDOT/Travel/Mobility/Mobility-Initiatives/RUC/Michigan-RUC-Study-Public-Perception-Survey-Results.pdf?rev=ab5d46ee000347ccb9089b0b27b51be4&hash=1C00BF8EECBFD3DBCE678EBB1C59A18C
10. Mineta Transportation Institute "What do Americans Think About Federal Tax Options to Support Transportation?" https://scholarworks.sjsu.edu/mti_publications/446/
11. MN Transportation Alliance: Advocates for Highways, Bridges & Transit | Minnesota Transportation Alliance
12. NC: AdvaNCe (advancenctransportation.com)
13. NCHRP "Road Usage Charge Guide" https://crp.trb.org/nchrpwebresource2/
14. Ohio Department of Transportation "Revenue Alternatives Study" https://www.morpc.org/2023/wp-content/uploads/2024/04/ODOT_Revenue-Alternatives-Study_Final-Report_FINAL_reduced.pdf
15. Pennsylvania P3 Projects https://www.penndot.pa.gov/ProjectAndPrograms/p3forpa/Pages/default.aspx
16. Reason Foundation "Contractors and Transportation Public-Private Partnerships" https://a8d50b36.rocketcdn.me/wp-content/uploads/contractors-transportation-public-private-partnerships.pdf
17. Tax Foundation "Expanding User Fees for Transportation: Roads and Beyond" https://taxfoundation.org/research/all/federal/vehicle-miles-traveled-vmt-tax-transportation/
18. UMN Transportation Funding Database: Minnesota Transportation Finance Database | Transportation Policy and Economic Competitiveness Program (umn.edu)
19. University of Minnesota "The Impact of Deferred Maintenance in Minnesota" https://www.cts.umn.edu/publications/report/the-impacts-of-deferred-maintenance-in-minnesota
20. Vehicle Registration Task Force "Vehicle Registration Task Force Report to the Legislature" Vehicle Registration Task Force