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MINNESOTA CONSTITUTIONAL STUDY COMMISSION

TRANSPORTATION COMMITTEE REPORT

This report constitutes committee recommendations to the Constitutional Study Commission. See the Final Report for the Commission's action which in some cases differed from the committee recommendations.

November, 1972

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COMMITTEE

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The Commission accepted the Minority Report on Highway Provisions, which would eliminate the dedicated highway funds of Article XVI. See pages 56-58.

I. INTRODUCTION

A state transportation policy must consider all avaialable modes - highway, air, rail and water. In metropolitan areas various modes of transportation must be combined to achieve optimal mobility for people and commerce. Presently the State Constitution contains provisions on air travel (Article XIX) highways (Article XVI and IX) railroad taxation (Article IV) and local government incentive for rail construction (Article IX). No provisions refer directly to water or mass transit.

The first and most basic issue facing the committee was whether a constitution ought to be a general document outling legislative authority or a detailed document specifying, among other matters, bond and interest limits and highway routes.

After reviewing each constitutional provision pertaining to transportation, the committee decided to study all aspects of transportation, except water, to determine whether the basis for the present policies is valid in today's society. Ten public hearings were held in St. Paul, Minneapolis, Duluth, Rochester, St. Cloud, Moorhead, and Marshall to obtain public testimony on our existing policy and related problems. During the course of the hearings, 119 persons testified in person and well over 100 additional organizations and individuals submitted letters or written testimony. A substantial amount of independent research was also conducted. From both the research and testimony, the committee concluded that Minnesota lacks a comprehensive transportation policy which balances all modes.

II. AERONAUTICS PROVISIONS (Article XIX)

A. Background

During World War II, the accelerating importance of air travel as a practical means of transportation resulted in increased pressure on state and local units of government to finance the construction and maintenance of airports in all parts of Minnesota. Before the war's end, it became the goal of every forward-looking municipality in the state to possess its own airport. The eager units of local government naturally looked to state government for assistance in financing such enterprises.

A potential obstacle to the State in financing the construction and maintenance of airports was the prohibition in Article IX, Sec.5 of the Minnesota Constitution against the state being "a party in carrying on works of internal improvement." Although there had not been a judicial determination that financing the construction or maintenance of airports was such a prohibited "internal improvement," supporters of state financing for airports were taking no chances. As a result, the 1943 Legislature proposed and, in 1944, the people overwhelmingly approved a constitutional amendment to specifically authorize state financing of airport construction and maintenance, notwithstanding the potential prohibition against such financing in Article IX, Sec.5.

B. Present Language

The 1944 amendment took the form of a new article to the Minnesota Constitution (Article XIX), with five sections:

Section 1 authorizes the State to construct, improve, maintain and operate airports and other air navigation facilities and to assist local units of government in similar undertakings. Using the authority granted by this section, the Legislature has created a Department of Aeronautics, which has done a most effective job of carying out the constitutional mandate in the 28 years since the adoption of the Aeronautics Amendment.

Section 2 authorizes the Legislature to appropriate funds, incur debts, and issue and negotiate bonds to finance the activities authorized in Section 1. Section 2 also specifically exempts construction and maintenance of airports from the internal improvements prohibition of Article IX, Sec.5, and declares that the purposes authorized in the first section are "public purposes" as defined in Article IX, Sec.1, for which the credit of the State may be loaned or given.

Under this section, the Department of Aeronautics was also to fund its initial operations and major airport construction projects which could not be covered by available appropriations. The authorized bonds and certificates of indebtedness were then paid off by tax dollars raised through the authority granted in Sections 3 and 4. While bonds and certificates of indebtedness have not been used to finance airport construction and maintenance since the early 1960's, Aeronautics Commissioner Lawrence McCabe recommended to this committee that the authority to issue such bonds and certificates be retained to provide for future contingencies requiring long-term financing of airport construction.

Section 3 authorizes the imposition of a tax on airplane fuel. It should be noted that the receipts from this tax are not constitutionally dedicated to any specific purpose and may be spent as the Legislature sees fit. Traditionally, however, the receipts have been spent for the purposes authorized in Section 1 of the article.

Section 4 authorizes the imposition of a tax in lieu of a general personal property tax on aircraft using the State's airspace. It specifically authorizes the Legislature to tax aircraft owned by companies paying gross earnings taxes even though use of the aircraft contributes to the earnings taxed on such a basis. Finally, this section authorizes the Legislature to exempt from taxation aircraft owned by nonresidents of the State and used only transiently or temporarily.

Using the authority granted by this section, the Legislature has established two types of taxes on aircraft.

1. Aircraft registration tax. This tax is not paid by commercial air carriers, but is paid by all other aircraft owners in lieu of personal property taxes.

2. Airline flight property tax. This tax is assessed by the State Department of Taxation against commercial air carriers such as Northwest, United, North Central, etc., on the aircraft which they use in Minnesota. The tax is based on a variable formula established by the Legislature.

Again, it should be noted that the funds raised through the taxes authorized by this section are not dedicated constitutionally to any specific purpose. However, like the flight fuel tax, receipts from the aircraft registration and airline flight property taxes have been traditionally used only for the construction and maintenance of airports.

Section 5 is a general repeal of provisions in the Constitution which are inconsistent with the authorization granted by

Article XIX. The effect of this section is to establish the "supremacy" of the article over conflicting provisions mentioned above.

C. Committee Consideration and Recommendation

The committee is in general agreement with the drafters of Article XIX in their determination that the building and maintenance of airports merits the expenditure of state funds, notwithstanding the prohibition against "internal improvements" in Article IX, Sec.5. With the continuing emphasis on air transport as a method of moving people and goods, the committee believes that the strong role the State has taken in encouraging and financing airport construction should be continued.

The committee also believes that the taxes authorized in Article XIX on flight fuel and aircraft are appropriate and should be continued. The committee takes careful note of the fact that tax receipts authorized are not dedicated to a particular purpose and that their expenditure is left entirely to the judgment of the Legislature. In its judgment the Legislature has consistently expended these funds for the purposes authorized by Article XIX.

In general, the committee believes that the authorization of power in Article XIX has been used wisely to develop a system of local and regional airports in Minnesota of which our State may be justly proud. The present provision has worked well in the past and accordingly <u>the committee recommends no change in the aeronautics provisions of the Minnesota Constitution as detailed in Article XIX</u>.

III. HIGHWAY PROVISIONS (Article XVI)

A. Background and Problems

Modern constitutions have abandoned the kind of detail found in highway provisions of the Minnesota Constitution in favor of the establishment of general guidelines which allow the legislature to establish policy. Only 20 states have constitutional provisions requiring all or a portion of moneys raised from vehicle registration and motor vehicle taxes to be used exclusively for highway purposes. Since 1945, nine states have adopted completely new constitutions.[2] Of these, only Michigan and Montana have retained dedicated funds. However, unlike Minnesota's provision limiting use of the funds "solely for highway purposes,"[3] Michigan provides that funds be "used exclusively for highway purposes as defined by law."[4] (Emphasis added.) Presumably "as defined by law" would permit use of such funds to pay for all costs of the auto.

The new Montana Constitution also grants greater flexibility to the legislature by undedicating receipts from motor vehicle registration fees and by including highway safety programs, driver education, and tourist promotion among the purposes for which gasoline taxes and gross vehicle weight fees may be used. The Montana provision also allows the legislature to undedicate the latter two taxes by a three-fifths vote of each house.[5] Both Michigan and Montana provisions are found in the finance articles of their constitutions and do not merit separate treatment. Clearly the trend is toward shorter, simplified documents giving the legislature greater flexibility in meeting changing demands.

Testimony and research indicated the following shortcomings of our current policies:

1. Inadequate mobility for the old and young who cannot drive an auto and the poor who cannot afford to own one. Immobility denies them access to jobs, recreation, and shopping alternatives.

2. Scattered development in the metropolitan areas, encouraged by heavy reliance on the auto without regard to existing facilities for water, schools, churches, and public services, which must then be duplicated in the new developments.

3. High environmental costs unmet by the use taxes--death, pollution, energy exhaustion, and loss of tax base in central cites.

4. Unbalanced emphasis on highways as a source of mobility in metropolitan areas caused by the current financial scheme.

5. Lack of meaningful local input in transportation decision-making.

6. Local property tax burdens for construction of local roads and bridges resulting from an apparent imbalance in the formula dividing state funds.

7. Unrealistic bonding and interest limitations.

8. Lack of consideration of comparable costs of rail and truck shipments. The committee decided to evaluate and analyze as best it could with its limited resources all of these factors in arriving at its recommendations.

All of the above problems and their potential solutions are affected by Article XVI.

B. History of Article XVI

The original 1857 Minnesota Constitution had no section or articles dealing with transportation as such. The amendments adopted in the late 1800's dealt primarily with railroads, and it wasn't until 1897 that Article IX, Sec.15 was passed, providing for a state road and bridge fund. In 1906 the so-called "good roads amendment" to Article IX was passed. In 1910 that article was amended to permit the State to assume half the cost of road and bridge projects. In 1912 another amendment to Article IX provided for a one-mill tax for roads and bridges.

It wasn't until 1920, when the farmers "trunk highway amendment" (Article XVI) was passed that our Constitution had a separate article dealing with transportation. This laid out specific highway routes specifying starting and finishing points. Subsequent amendments of 1924 and 1928 established the gasoline tax and provided for its distribution. In 1931, as trucking became more prevalent, a gross earnings tax on motor vehicles was added to Article XVI.

In 1956 Article XVI was substantially changed. A detailed description of highway routes was deleted, shortening the article a great deal.

C. Summary of Article XVI

A brief summary of Article XVI as amended in 1956 is necessary.

<u>Section 1, Authority to the State</u>: Allows the State to establish, locate, construct, reconstruct, improve and maintain public highways and assist political subdividions therein.

<u>Section 2, Trunk highway system:</u> Creates a state highway system with routes consistent with the 1920 form of the article. It provides legislative authority to add new routes to the trunk highway system. Trunk highway routes 1 through 70, established by the 1920 amendment and approved by the 1956 amendment, may be changed and relocated,

> But no such change or relocation shall be authorized which would cause a deviation from the starting points or terminal set forth in said route or set any deviation from the villages or cities named therein in which such routes are to pass.

Section 3, County state-aid highway system: Authorizes the Legislature to provide for the establishment of a system of county state-aid highways located, constructed, and maintained by the counties. This system may not exceed 30,000 miles unless increased by law.

Section 4, Municipal state-aid street system: Authorizes the Legislature to provide for the establishment of a system of municipal state-aid streets for cities, villages, and boroughs having a population of 5,000 or more. This system is established and maintained by these local units. It is limited to 1,200 miles unless increased by law. The 1969 Legislature increased the limit to 2,000 miles.

Section 5, Highway-user tax distribution fund: Provides that this fund is to be used solely for highway purposes as defined in Article XVI. Taxes authorized by Sections 9 and 10 shall be paid into this fund. After deduction of collection costs, the proceeds are allocated as follows: 62% to the trunk highway fund, 29% to the county-state aid highway fund, and 9% to the municipal state-aid fund. Section 5 also provided that after 1963 the Legislature might set aside 5% of the net proceeds to be apportioned as it sees fit, the balance of the fund to be transferred to the trunk highway fund, the county-state highway fund, and the municipal state-aid fund in accordance with the percentages stated in Section 5.

Section 6, Trunk highway fund: Limits this fund to purposes specified in Section 2 and to payment of principal and interest of any bonds issued by authority of Section 12 and any bonds issued for trunk highway purposes under construction prior to July 1, 1957.

Funds are also to be used for carrying on work undertaken and for the discharge of obligations payable out of or chargeable to the trunk highway fund or trunk highway sinking fund as established by the Constitution prior to July 1, 1957. All moneys in said fund on the effective date of Article XVI were transferred to the fund created by Article XVI.

Section 7, County state-aid highway fund: Creates a county state-aid highway fund. In addition to its share of the highway user tax, this fund receives all money accrued from the income derived from investments in the internal improvement land fund. The fund is apportioned among the counties as provided by law, to be used for establishment and maintenance of county state-aid highways. Funds may also be used for establishment and maintenance of other county and township roads, including trunk highways and municipal state-aid streets.

Section 8, Municipal state-aid street fund: Creates a fund to be apportioned by law among cities having a population of more than 5,000. Funds apportioned to it are to be used in the establishment and maintenance of municipal state-aid streets and, with legislative authorization, may also be used for other miscellaneous streets, including trunk highways and county state-aid highways.

Section 9, Taxation of vehicles: Authorizes the Legislature to provide for the taxation of motor vehicles using public streets and highways "on a more onerous basis than other personal property." This tax is in lieu of other taxes thereon except wheelage taxes imposed by political subdivisions solely for highway purposes, and except that the Legislature may impose such tax upon motor vehicles of companies paying taxes on their gross earnings. It also permits the Legislature to exempt from taxation any motor vehicle owned by a non-resident of the state but properly licensed in another state and transiently using Minnesota highways.

Section 10, Taxation of motor fuel: Provides that the State may tax any substance, or the business of selling or producing any substance, used in producing or generating power for propelling motor or other vehicles used on public highways. The proceeds of the tax are to be paid into the highway user distribution fund.

Section 11, Participation of political subdivisions in trunk highway work: Empowers the Legislature to authorize any political subdivision to aid in the establishment or improvement of trunk highways.

Section 12, Bonds: Authorizes the Legislature to provide for the issuance and sale of bonds to carry out the provisions of Section 2, not to exceed a par value of $150,000,000. Proceeds shall be paid into the trunk highway fund. Such bonds must mature within 20 years and shall be sold for not less than par and accrued interest shall not exceed 5% per annum. If the trunk highway fund is not sufficient to meet payment on these bonds, the Legislature may provide for the taxation of all taxable property in an amount to meet the deficiency, or it may appropriate from the general fund.

Section 13, Supersedure: Repeals prior inconsistent provisions.

D. Highway Funding in Minnesota

1. General Review of Funding

Two basic taxes provide the highway fund revenues--the motor vehicle license tax and the motor fuel taxes. In 1970 before deduction of collection costs, the motor vehicle license tax generated $63,824,123 and the gas tax $124,578,110, totalling $188,402,233. Funds for each of the road categories are proportioned by law. Municipal state-aid funds (9% of total) are apportioned on two factors. First, 50% of available funds is distributed on the basis of the ratio that each municipality's money needs bear to the total money needs of all eligible municipalities in the state. The remaining

50% is distributed on the basis of the percentage that each urban municipality's population bears to the total population of all urban municipalities. "Urban" in this context refers to those communities having a population in excess of 5,000.[7]

County state-aid highway funds (29% of the total) are apportioned on the basis of several factors. An initial 10% of the total available funds is divided equally among all the counties. An additional 10% of available funds is distributed on the ratio between motor vehicle registrations of a particular county and the state-wide total. Another 30% of available funds is distributed to individual counties according to the ratio that its total miles of approved county state-aid highways bear to the total miles of approved county state-aid highways. The final factor, affecting 50% of available county aid funds, is apportioned among the counties so that each county receives that proportion of funds which its needs bear to the total needs of all counties.[8]

State trunk highway funds (62% of the total) are allocated and spent by the State Highway Department.[9]

The committee studied demographic changes which have occurred since the 1954 apportionment study and the adoption of Article XVI. The committee feels the need for a thorough restudy of the highway needs and of the funds necessary to provide an integrated highway system. Such a study should be undertaken even if Article XVI is repealed.

Testimony by the League of Minnesota Municipalities illustrated some of the reasons for our recommendations. In 1957, 58 communities with over 5,000 population qualified for state-aid street funds. Today, 89 qualify. In 1950 those communities constituted 42% of the state total population, today they constitute 59%. In 1958 revenues totaled $83,866,545 (after collection costs were deducted); the state trunk highway system received $52 million, $24 million went to the county state-aid system and $7.5 million to the municipal state-aid street fund. Respective amounts in 1970 were approximately $105 million, $49 million and $15 million. More local communities now share in the same percentage of funds, a factor not true of state and county.[10]

Mileage limitations may be obsolete. Presently only 2,000 miles of municipal state-aid streets are eligible for aid, an increase from 1,200 in 1957.[11] Since the number of eligible communities has increased 66% and their population has increased to 59% from 42% of the state total population[12], a study seems warranted.

Several county engineers testified that state-aid funds are insufficient to maintain their present systems. These witnesses also stated that, in comparison, the state trunk highway systems in their counties were in excellent condition.

Any inquiry into the validity of the present constitutional distribution formula should also consider whether the three basic classifications are valid or whether additional categories might be added.

Bonding and interest limitations have been restrictive at times. Testimony indicated that, in recent years, the 5% interest limit has made it very difficult to sell highway bonds. Since this has occurred during periods of high inflation, it may have represented a sound check on government spending. However, said checks are better left to the Legislature. Since 1957, three factors have changed which call for re-evaluation of the bonding limitation of $150 million. Those factors are the general increase in property values, a rise in personal income both individually and in the aggregate, and the great increase in population. The Legislature ought to have authority to establish bonding limits and should determine whether the current limitation needs change.

1. The Metropolitan Share in Highway Revenues and Expenditures*

There is a great deal of interest in the share each city, county, or region has in both the taxes collected for the statewide program and the disbursements made. The following summary of the share of the Twin Cities Metropolitan Area for 1959-1970 is based upon the "Inventory of Transportation Expenditures in the Metropolitan Area," of the Transportation Planning Program and the Metropolitan Council.

Tables 1 through 4 present, respectively, the statewide totals for highway revenues at all levels of government, the meto area resumes for the same levels, the statewide expenditures and the metro expenditures, all for the fiscal years 1959 through 1970. (See note to the tables for a description of the fiscal years of each level of government and how they are combined.) The detailed notes which follow the tables state the sources as the further available breakdowns, e.g., all Minnesota counties or all cities.

Several general points shown by Tables 1 through 4 point out the economic rather than the accounting orientation of the analysis:

(1) Borrowing is not included as a revenue, since it would be double counting to include both the proceeds from a bond and the taxes raised to pay off the bond. Transfers from other funds, which are considered to be borrowing, and transfers from other levels of government are also not included in revenues to avoid double counting.

(2) No revenue data are available by county for cities and villages. Therefore municipal expenditures are used as a proxy. One example of the problems faced in obtaining revenue figures is that the Minneapolis Department of Public Works uses over a dozen accounts to keep track of

* We wish to acknowledge the research and analysis presented by the staff of the Metropolitan Council.

Public Works uses over a dozen accounts to keep track of its street and street-related programs, with transfers back and forth between the accounts. Municipal state-aid (MSAS) allotments are known, so they are subtracted from the revenue proxy to give a residual. The residual can be considered to be property tax revenue; it is financed by general fund revenues, special assessments, and borrowings which are paid off with property tax.

(3) Municipal figures include expenditures on such street-related projects as sidewalks, curbs, gutters and lighting. However, a rough estimate for Minneapolis shows these street-related expenditures account for only 13% of the total street expenditures.

(4) The expenditure figures are on a "work done" basis, where the expenditure is recorded for the unit which did the work rather than the unit where, in the case of a transfer, the revenue originated.

a. The Metropolitan Area Share of State Highway Programs

The metro area share of statewide totals is shown in Table 5. Sums for 1965-69 are used because the nature of highway projects, which require several years for planning and construction, is such that data for a single year can be misleading. Table 5 shows that the metro area in 65-69 paid in an estimated 41% of the highway user taxes, and received 13% of the County State-aid (CSAS) grants, 66% of the MSAS grants, and 48% of the trunk highway (TH) maintenance and construction expenditures. This latter figure includes federally financed interstate highway construction. Between 1967 and 1970, the fraction that the interstate program is of the total state highway program, and the metro share of the total state highway program, both have been falling.

Figure 1 shows graphically the metro share of the State Highway Program for 1965-70. Comparison with the metro share of population, autos, motor vehicles, etc., shows no clear pattern of discrimination in favor of or against the metro area. But the question of what is the proper allocation of state-controlled funds is quite complex. Maintenance funds are spent where there are existing facilities depending upon degree of use, weather conditions, etc. Construction funds are allocated depending upon long-range plans based upon travel forecasts, new development, congestion, etc. Comparisons using total highway outlays per capita, or per mile of existing roadway, are too simple and each state program should be separately evaluated with respect to its goal.

The metro share of 1965-1970 state user taxes (which finance the CSAH, MSAS, and part of the TH programs) is shown in Figure 1 as 42%. This estimate uses (1) the metro share of motor vehicle registrations to compute the metro share of the motor vehicle registration tax and (2) an estimate of the metro share of vehicle miles traveled as the metro share of the gas tax. An alternative estimate, using the metro share of motor vehicle registrations for both taxes puts the metro share of total state user taxes at 45%.

b. Relative Importance of Revenues and Expenditures

Table 6 shows how important each type of revenue and expenditure is to each level of government, for both the metro and the non-metro area. For example, CSAH funds make up 57.2% of highway revenues for non-metro counties, but only 28.4% of revenues for metro counties.

On the expenditure side, at each level of government, the metro area has a higher percentage of its revenues going for construction. This can be partially explained by the fact that almost 90% of Minnesota's population growth occurred in the seven-county metro area.

c. Highway and Street Mileage

The statewide and metro area totals for each highway system are given in Table 7. Unfortunately corresponding data on relative use are not easily available.

3. The Metropolitan Share of a Twenty-year State Highway Program

The "backbone" report of the Minnesota Highway Department estimates the funds to be available for non-interstate highway improvements over the next twenty years, and presents a plan to use those funds. The present level of state user tax revenues and present construction costs are assumed. Revenues and costs are sure to increase, but the "backbone" report assumes they will cancel out, so that revenues will meet costs for the proposed construction. We will also assume that the percent of this construction plan which is built in the metro area will not be affected by the growth in revenues and costs.

To these improvements expenditures, we add an estimate of maintenance and other expenditures, CSAH grants, MSAS grants and interstate construction expenditures. In order to arrive at a total state highway program estimate, and the metro share thereof, all the estimates of levels of state expenditures are based on current revenues and costs. However, growth is allowed to affect the distribution of the expenditures between the metro and non-metro areas, as explained below.

a. Trunk Highways: Major Capitol Improvements

The "backbone" system presents a plan designed to meet the following goals:

(1) Promote outstate economic development

(2) Improve accessibility to the major recreation areas

(3) Serve the greatest number of highway users.

Priority 1 plan requires the estimated $800 million which will be available over the next twenty years, based upon an average of $40 million each year. Priority 2 plan will be built later or if additional funds become available. The distribution of the planned expenditures, as presented in the "backbone" report, is as follows:

(Costs are in millions of dollars)

	Outstate	Metro	State Total	Metro Total
Priority 1	511	302	813	37.1%
Priority 2	257	153	410	37.3%
Total	768	455	1223	37.2%

The total of Priority 1 and Priority 2 expenditures is used here as an estimate of major capital improvement expenditures, shown in Table 8. The "backbone" Priority 1 plan does not include the interstate program (see section f below), but it assumes that the state's interstate system will be completed by 1980, and that $10 million federal assistance will be available each year after 1980 for major trunk highway improvements. This is very conservative, especially when compared to the average of around $70 million we have been receiving each year under the interstate program. Therefore, we have included Priority 2 expenditures in Table 8.

b. Trunk Highways: Non-Capital Improvements

The "backbone" system excludes such non-capital improvements as resurfacing, bridge repairs, spot safety improvements, etc. which are done to keep present roads in minimum tolerable condition. Funding needs are estimated to rise from $15 million in the early 1970's to $25 million by the middle 1980's.

Twenty years of an average annual expenditure of $20 million results in a state total of $400 million for "non-capital" improvements, as shown in Table 8. The metro share is assumed here to be 30%, which is the present metro share of maintenance and betterments on the state trunk highway system.

c. Trunk Highways: Maintenance and Other

Certainly maintenance costs will be rising, and there is a very good chance that maintenance costs will rise faster than user tax revenues. The "backbone" report deals only with funds available for improvements, i.e., those available after maintenance and administration expenditures have been made. Since we are keeping revenues at current levels, we will use the 1970 state trunk highway maintenance level ($36 million) as the annual level of maintenance over the twenty-year period, for a total of $720 million. However, we will arbitrarily boost the metro share from the "inventory report" estimate of 30% (for 1970) to 35% for our estimate, since the heavily used and complex roads in the metro area will require proportionally greater maintenance.

Following the inventory report, 40% of the annual "other" expenditures (administration, safety, etc.) will be assigned to the metro area. A total of $720 million for maintenance and $420 million for other expenditures, or $1140 million, and the metro/non-metro distribution are shown in Table 8.

d. Grants: County State-Aid Highways

Changes in a county's number of motor vehicles registered relative to the state total will result in an automatic adjustment in the county's CSAH distributions factor, and then in the CSAH allotment which goes to that county. The county's CSAH "needs" and CSAH mileage also affect the distribution factor. In a detailed study ("Highway Revenue and Expenditure Estimates for the Period

1970-1990: Technical Notes, "staff memo, August 14, 1972), using reasonable assumptions of the growth of motor vehicles registered, CSAH "needs" and CSAH mileage, we found the metro share of CSAH allotments fall from 13.7% in 1970 to 12.4% in 1980. Using 12.4% as the average annual metro share over the twenty-year period, and the 1970 level of the CSAH program ($51 million) as the annual state total we desire the twenty-year estimate of $126 million for the metro area (see Table 8).

e. Grants: MSAS Minnesota State Aid Streets

The metro area is expected to grow faster than the total of the state's urban areas over the next twenty years, so its relative share of population and MSAS money needs will increase. The memo mentioned above estimates the metro share of the MSAS program will rise from 67.3% in 1970 to 71.3% in 1980. Using 71.3% as the average annual metro share over the twenty years, and the 1970 level of the MSAS program ($16.5 million) as the annual statewide total, a twenty year estimate of $235 for the metro area is obtained (see Table 8).

f. Interstate Highways

The "backbone" plan does not include the interstate financing, but it assumes that by 1980 the state's interstate system will be completed. The Minnesota Narrative Report for the 1972 National Transportation Needs Study gave $600 million as the cost of completing the interstate system, $400 million being necessary in the metropolitan area. The August 1, 1972 update of the interstate "costs to complete" estimates $429 million for the metro area out of $571 million statewide. These latter figures are shown in Table 8.

The location of the interstate expenditures is essentially already set, so neither these amounts, nor even the (approximately) 10% state share, are subject to the same kind of state discretionary control as the trunk highway fund and grants program.

g. Total State Highway Program

The metro share of the total state highway program is estimated here to be 33% or 38% if the interstate roads are included. This is a decline from the 1965-1970 average of 42% shown in Figure 1, even though the metro share of the state's population (and thus motor vehicles) is expected to increase. The projections memo mentioned above used Metropolitan Council and Minnesota Bureaus of Vital Statistics to forecast a metro share of 53.4% of the state's population by 1980.

h. Metro Share Evaluated

The metro share of expenditures in specific programs can be related to the specific goals which the program is intended to meet. Yet how does one determine the funding <u>between</u> programs? Even if the metro share of each highway expenditure program is "correct" in some sense, it may be true that metro needs are not being met because of relatively lower funding to those programs which address metro needs. It was shown in Table 6, for example, that the seven metropolitan counties had to use property taxes to support 70% of their road and budget expenditures, while non-metro counties had to use property taxes for only 41% of their road and bridge expenditures.

It appears then that there is a growing difference between the metro share of total expenditures and the metro share of total input. It is felt that metro needs will be relatively under satisfied, although it is difficult to add and compare needs.

Three tentative suggestions of how to redress a potential imbalance might be:

(1) Shifting resources to the MSAS program, which favors the metropolitan area.

(2) Shifting some heavily-used metro area county roads from the CSAH to the trunk highway program.

(3) Thinking of transportation needs more broadly, the state could justify aid to the transit system in the urbanized areas.

Without some changes, it appears that the metro area, with over half the 1980 statewide population, will receive about one-third of the 1980 state user-tax financed highway expenditures.

The tables on pages 25 through 34 were prepared by the staff of the Metropolitan Council.

FIGURE 1

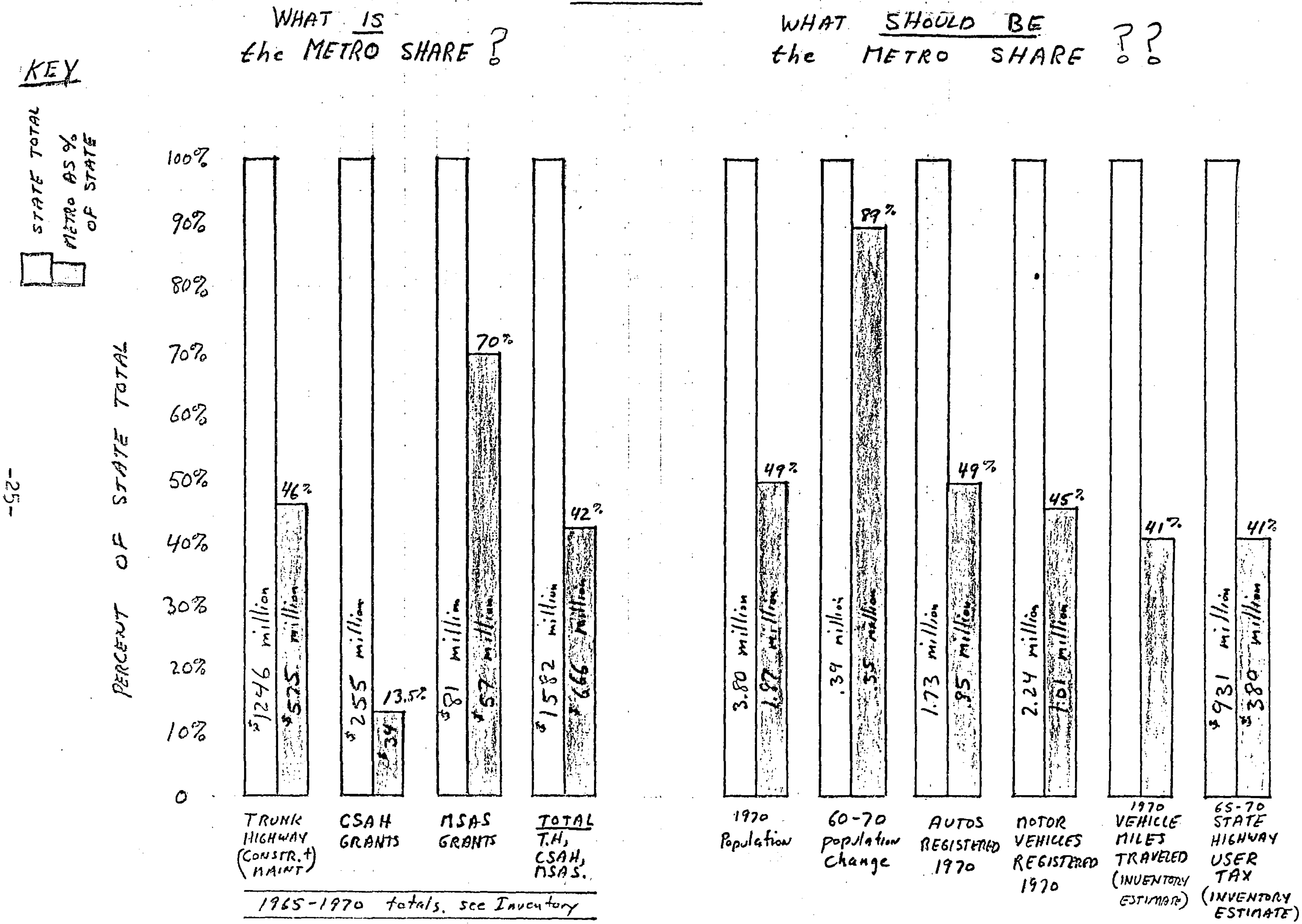
WHAT IS the METRO SHARE ?
WHAT SHOULD BE the METRO SHARE ??
KEY
STATE TOTAL
METRO AS % OF STATE
PERCENT OF STATE TOTAL
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0
$1246 million
$525 million
46%
$255 million
$34
13.5%
$81 million
$57 million
70%
$1582 million
$666 million
42%
3.80 million
1.87 million
49%
.39 million
.35 million
89%
1.73 million
.85 million
49%
2.24 million
1.01 million
45%
41%
$931 million
$380 million
41%
TRUNK HIGHWAY (CONSTR.+ MAINT.)
CSAH GRANTS
MSAS GRANTS
TOTAL T.H, CSAH, MSAS.
1965-1970 totals, see Inventory
1970 Population
60-70 population Change
AUTOS REGISTERED 1970
MOTOR VEHICLES REGISTERED 1970
1970 VEHICLE MILES TRAVELED (INVENTORY ESTIMATE)
65-70 STATE HIGHWAY USER TAX (INVENTORY ESTIMATE)

TABLE 1: MINNESOTA HIGHWAY, STREET, AND STREET-RELATED REVENUES BY LEVEL OF GOVERNMENT
(in thousands of dollars)

FISCAL YEARS (See Appendix A)	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
STATE (Trunk Highway)(a)												
Federal Aid	49,874	57,191	59,861	53,867	59,961	78,251	98,141	99,186	92,701	113,692	90,200	101,029
Highway User	55,863	58,637	60,565	61,633	63,937	73,940	76,549	82,845	86,616	100,657	106,087	114,246
Drivers License	977	2,098	1,717	1,507	1,584	2,125	1,899	1,883	1,920	2,339	2,270	2,189
Patrol Fines	907	512	562	582	635	591	599	669	628	774	846	1,106
Other	2,808	3,337	3,239	3,818	3,158	5,447	6,286	6,755	6,429	9,329	10,084	9,151
Subtotal	110,429	121,775	125,944	121,407	129,275	160,354	183,474	191,338	188,294	226,791	209,487	227,721
COUNTY (Fed. Agency Funds)(b)	8,696	8,049	6,908	5,331	4,222	5,783	5,794	4,248	6,227	6,032	5,001	7,615
COUNTY (Except Fed. Ag. Funds)(c)												
Federal Misc. Funds	416	284	385	236	173	185	498	448	547	222	522	967
Highway User (CSAH)	24,310	26,654	28,567	28,284	29,551	33,503	33,923	38,035	38,224	44,644	49,468	51,258
Property Tax & St. Repl.	25,488	26,680	29,957	32,052	33,330	32,876	34,176	35,173	38,287	41,242	43,359	52,017
Other	556	235	219	293	362	336	290	1,131	767	717	2,027	3,221
Subtotal	50,770	53,853	59,128	60,865	63,416	66,900	68,887	74,787	77,825	86,825	95,376	107,463
TOWNSHIPS (d)												
Federal Misc. Funds	--	--	--	--	--	--	229	162	--	12	315	305
Property Tax & St. Repl.	9,715	10,933	9,829	10,175	10,372	9,801	10,504	9,821	--	10,745	11,884	13,989
Liquor & Cig. Taxes	132	246	19	100	62	93	468	451	--	951	859	1,064
									(est)			
Subtotal	9,847	11,179	9,848	10,275	10,434	9,894	11,201	10,434	11,071	11,708	13,508	15,358
CITIES AND VILLAGES (e)												
Highway User (MSAS)	8,108	8,371	9,186	9,038	9,451	10,967	11,370	11,662	12,443	14,268	15,121	16,491
Residual (Property Tax)	36,154	40,269	42,269	46,964	40,358	39,665	43,640	51,597	63,058	59,404	74,851	79,706
Subtotal	44,262	48,640	51,774	56,002	49,809	50,632	55,010	63,259	75,501	73,672	89,972	96,197
TOTAL	224,004	243,496	253,602	253,880	257,156	293,563	324,366	344,066	358,918	405,028	412,894	454,354
STATE USER TOTAL (f)	88,281	93,662	98,318	98,995	102,939	118,410	121,842	132,542	137,283	159,569	170,676	181,995

(Notes follow tables)

TABLE 2: SELECTED HIGHWAY, STREET, AND STREET-RELATED REVENUES ORIGINATING IN METRO AREA
(in thousands of dollars)

FISCAL YEARS (See Appendix A)	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
HIGHWAY USER TAX (g)												
(Trunk Highway Portion)							30,620	33,387	34,906	41,068	44,132	47,298
COUNTY (h)												
Federal Misc. Funds		12					40	58	7	--	9	--
Highway User (CSAH)		3,477					4,213	5,780	4,257	5,358	6,917	--
Property Tax & St. Repl.		5,997					11,358	11,540	12,977	14,546	14,700	--
Other		4					13	410	315	211	113	--
Subtotal		9,490					15,624	17,788	17,556	20,115	21,739	
TOWNSHIP (i)												
Federal Misc. Funds							10	9			1	
Property Tax & St. Repl.		732					690	722		703	801	
Liquor & Cig. Taxes		46					38	37		35	35	
Subtotal		778					738	768	(est) 778	738	840	
CITIES AND VILLAGES (j)												
Highway User (MSAS)		6,752					6,728	8,260	8,257	9,782	9,658	
Residual		19,591					23,916	27,796	37,379	31,098	43,605	
Subtotal		26,343					30,644	36,056	45,636	40,880	53,263	

TABLE 3: MINNESOTA HIGHWAY, STREET, AND STREET-RELATED EXPENDITURES BY LEVEL OF GOVERNMENT

(in thousands of dollars)

FISCAL YEARS (See Appendix A)	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
STATE (l)												
Construction		84,825					134,873	141,164	148,527	186,468	171,731	175,325
Maintenance		15,665					23,789	25,735	31,855	29,365	34,037	35,765
Other		13,797					16,441	17,769	16,798	18,005	17,020	20,985
Subtotal		114,287					175,103	184,668	197,180	233,838	222,786	232,075
COUNTY (m)												
Capital	23,196	25,829	27,792	30,888	32,842	35,933	32,884	41,832	38,390	47,235	55,424	57,710
Current	23,694	27,365	26,639	28,789	27,988	27,981	32,991	34,837	37,260	31,529	43,496	48,487
Other	194	279	166	284	295	142	113	1,184	1,762	838	847	421
Subtotal	47,084	53,473	54,597	59,961	61,125	64,056	65,988	77,853	77,412	79,602	99,767	106,618
TOWNSHIP (n)												
Capital	2,285	2,527	2,017	1,699	1,840	1,796	1,486	1,690		1,889	2,493	3,962
Current	6,431	7,567	7,483	8,579	7,698	7,420	10,142	8,854		9,027	10,460	10,296
Subtotal	8,716	10,094	9,500	10,278	9,538	9,216	11,628	10,544	(est) 10,730	10,916	12,953	14,258
CITIES AND VILLAGES (o)												
Capital	25,003	27,351	29,439	31,058	25,905	25,678	26,802	36,908	45,567	43,875	52,832	57,470
Current	19,261	21,292	22,336	24,944	23,905	24,962	28,208	26,349	29,934	29,796	37,140	38,727
Subtotal	44,264	48,643	51,775	56,002	49,810	50,640	55,010	63,257	75,501	73,671	89,972	96,197
ALL LEVELS												
Capital		140,532					196,045	221,594	234,274	279,467	282,480	294,467
Current		71,889					95,130	95,775	107,989	99,717	125,133	133,275
Other		14,076					16,554	18,953	18,560	18,843	17,867	21,406
Total		226,497					307,729	336,322	360,823	398,027	425,480	449,148

TABLE 4: HIGHWAY, STREET, AND STREET-RELATED EXPENDITURES IN METRO AREA
(in thousands of dollars)

FISCAL YEARS (See Appendix A)	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
STATE (p)												
Construction		40,670					70,681	75,582	83,550	92,769	81,179	
Maintenance		3,695					5,944	6,183	9,333	8,145	10,837	
Other		6,087					7,938	8,707	8,647	8,416	7,610	
Subtotal		50,452					84,563	90,472	101,530	109,330	99,626	
COUNTY (q)												
Capital		4,322					6,991	11,938	8,442	11,001	12,529	
Current		3,914					5,049	6,143	7,305	6,090	9,422	
Other		18					1	860	1,535	308	295	
Subtotal		8,254					12,040	18,941	17,282	17,399	22,246	
TOWNSHIP (r)												
Capital		301					286	310		257	228	
Current		477					633	593		513	558	
Subtotal		778					919	903	(est) 820	770	786	
CITIES AND VILLAGES (s)												
Capital		16,644					16,775	23,487	30,403	25,623	34,461	
Current		10,932					14,969	13,271	16,039	15,433	19,340	
Subtotal		27,576					31,744	36,758	46,442	41,056	53,801	
ALL LEVELS												
Capital		61,938					94,733	111,353	122,673	129,650	128,397	
Current		19,017					26,595	26,190	33,219	30,181	40,157	
Other		6,015					7,939	9,567	10,182	8,724	7,905	
Total		87,059					129,267	147,074	166,075	168,075	176,459	

TABLE 5: METRO AREA HIGHWAY, STREET, AND STREET-RELATED REVENUES AND EXPENDITURES AS A PERCENTAGE OF STATEWIDE TOTALS

REVENUES - 1965-69 SUMS	
STATE	
Highway User Tax	40.9%
COUNTY	
Federal Misc. Funds	5.1%
CSAH grants	13.0%
Property Tax & St. Replace.	33.9%
Subtotal	23.0%
TOWNSHIP - Subtotal	6.7%
CITIES & VILLAGES	
MSAS grants	65.8%
Residual (Property Tax)	56.0%
Subtotal	57.8%

EXPENDITURES - 1965-69 SUMS	
STATE	
Construction	51.6%
Maintenance	27.9%
Subtotal	47.9%
COUNTY	
Capital	23.6%
Current	18.9%
Subtotal	21.9%
TOWNSHIP	
Capital	14.3%
Current	6.0%
Subtotal	7.3%
CITIES & VILLAGES	
Capital	63 5%
Current	52.2%
Subtotal	58.7%
ALL LEVELS	
Capital	48.3%
Current	29.9%
Other	48.8%
Total	43.1%

SOURCE:
REVENUES: Figures in Table 2 as a percent of corresponding figures in Table 1.
EXPENDITURES: Table 4 figures as a percent of Table 3 figures.

TABLE 6: RELATIVE IMPORTANCE OF HIGHWAY, STREET, AND STREET-RELATED REVENUES AND EXPENDITURES

A COMPARISON OF METRO AREA WITH STATE TOTALS

REVENUES - 1965-69 SUMS	State	Metro	Non-Metro
STATE			
Federal Aid	49.5%		
Highway User	45.2%		
Drivers License	1.0%		
Patrol Fines	.3%		
Other	3.8%		
Subtotal	100.0%		
COUNTY			
Federal Misc. Funds	.6%	.1%	.7%
Highway User (CSAH)	50.5%	28.4%	57.2%
Property Tax	47.7%	70.3%	40.9%
Other	1.2%	1.1%	1.2%
Subtotal	100.0%	100.0%	100.0%
TOWNSHIP			
Federal Misc. Funds	1.5%	.1%	1.6%
Property Tax	92.7%	94.6%	92.4%
Liquor & Cig. Taxes	5.8%	4.8%	6.0%
Subtotal	100.0%	100.0%	100.0%
CITIES & VILLAGES			
Highway User (MSAS)	18.4%	21.0%	14.7%
Residual (Property Tax)	81.6%	79.0%	85.3%
Subtotal	100.0%	100.0%	100.0%

SOURCE: Tables 1-4

EXPENDITURES - 1965-69 SUMS	State	Metro	Non-Metro
STATE			
Construction	77.2%	83.2%	71.8%
Maintenance	14.3%	8.3%	19.8%
Other	8.5%	8.5%	8.4%
Subtotal	100.0%	100.0%	100.0%
COUNTY			
Capital	53.9%	57.0%	53.0%
Current	45.0%	38.7%	46.7%
Other	1.1%	4.3%	.3%
Subtotal	100.0%	100.0%	100.0%
TOWNSHIP			
Capital	16.4%	32.0%	15.2%
Current	83.6%	68.0%	84.8%
Subtotal	100.0%	100.0%	100.0%
CITIES & VILLAGES			
Capital	57.6%	62.3%	51.0%
Current	42.4%	37.7%	49.0%
Subtotal	100.0%	100.0%	100.0%
ALL LEVELS			
Capital	66.4%	74.5%	60.2%
Current	28.6%	19.9%	19.9%
Other	5.0%	5.6%	5.6%
Total	100.0%	100.0%	100.0%

TABLE 7: STATEWIDE AND SEVEN-COUNTY METRO HIGHWAY MILEAGE AND METRO AS A PERCENT OF STATEWIDE

	December 31, 1960			December 31, 1970		
	State	Metro	Percent	State	Metro	Percent
Trunk Highway (State)	11,840.5	1,017.4	8.6%	12,102.3	1,095.0	9.0%
CSAH (non-dup)	29,012.5	1,683.2	5.8%	29,547.6	1,756.2	5.9%
MSAS (non-dup)	854.1	489.2	57.3%	1,289.6	813.1	63.1%
Dupl. CSAH & MSAS	85.3	57.4		61.8	46.1	
County Roads	15,961.0	727.4	4.6%	15,407.4	758.3	4.9%
Twsp. Roads	54,919.1	1,835.9	3.3%	55,244.6	1,629.8	3.0%
Minor Systems	2,415.5	99.2		3,220.1	52.9	
Municipal Streets	9,124.3	4,010.2	44.0%	10,865.6	4,947.7	45.5%
Total	124,212.3	9,909.9	7.8%	127,739.0	11,099.2	8.7%

SOURCE: Summary of Minnesota Mileage County Totals by Systems, as of December 31, 1960 and December 31, 1970, Minnesota Highway Department

TABLE 8: ESTIMATED METRO SHARE OF A TWENTY-YEAR STATE HIGHWAY PROGRAM
(in millions of dollars)

	METRO		NON-METRO		STATE TOTAL		METRO SHARE	
A. Major Capital Improvements	455		768		1223		37.2%	
B. Non-Capital Improvements	120		280		400		30.0%	
C. Maintenance and Other	420		720		1140		36.8%	
STATE TRUNK HIGHWAYS		955		1768		2763		34.6%
D. CSAH	126		894		1020		12.4%	
E. MSAS	235		95		330		71.2%	
STATE GRANTS		361		989		1350		26.7%
TOTAL STATE HIGHWAY PROGRAM		1356		2757		4113		33.0%
F. Interstates	429		142		571		75.1%	
TOTAL STATE HIGHWAY PROGRAM PLUS INTERSTATES		1785		2899		4684		38.1%

SOURCE: Letters denote appropriate section in Part II for source or method of estimation.

NOTES FOR TABLES

For discussion of the fiscal years of each level of government, see Note t.

a) SOURCE: Statement of Income and Expenditures, Trunk Highway Fund, Statistical Supplement to the Biennial Report of the Minnesota Department of Highways (MDH), 1968-70 and previous years.

b) SOURCE: Information provided to transportation committee by MHD, Attachment 1A.
DETAIL: No detail by county given.

c) SOURCE: Statistical and Financial Information for Counties, MDH, 1970 and previous years.
DETAIL: County detail given
COMMENTS: Federal Agency funds not included. Property tax includes state replacements (sales tax in 1969) for some counties.

d) SOURCE: Statistical and Financial Information for Townships, MHD, for fiscal year ending March 31, 1970 and previous years.
DETAIL: County subtotals given
COMMENTS: Property tax includes state replacements (sales tax in FY69 and FY70) for some counties.

e) SOURCE: Total comes from expenditure figure from Report of the Public Examiner for Cities and Villages for fiscal years ending up to June, 1971 and previous years. MSAS allotments from Statistical Supplements to the Annual Report, MDH.
DETAIL: Public Examiner report provides detail by city and village. Statistical Supplements have MSAS allotments by city.
COMMENTS: Revenues for Streets and Highways are not given in Public Examiner Report. For example, Minneapolis uses over 12 accounts to handle street financing, each with borrowings and transfers. Subtracting MSAS allotments from the total expenditures gives a residual which we consider essentially property tax, since general fund is mostly property tax, borrowings are repaid with property tax, and much work is done with special assessments. MDH PR 535 reports on individual cities, and the state total, roughly agree with these figures.

f) SOURCE: State user total is total of Trunk Highway User Revenues and CSAH and MSAS grants.
COMMENTS: In addition, federal aid comes from federal user taxes. See Inventory, Table I.

g) SOURCE: Total user taxes, before collection fees, are estimated in Inventory (Table IV, V) using Metro Share of vehicle registrations and vehicle miles traveled.
DETAIL: No county estimates from Inventory. MDH provided Transportation committee with county estimates based solely on vehicle registration.
COMMENTS: State user taxes consist of MV registration tax and MV fuel tax. The metro area has 45% of MV registrators, but only about 41% of vehicle miles traveled. Since the Inventory estimate bases fuel tax receipts on Vehicle Miles traveled, the Inventory estimate of the metro share of user taxes paid is less than that of the MDH. The metro share of the revenues for MSAS and CSAH funds is the same as for trunk highway user revenues.

h) Summed for Metro - See note c)
i) Summed for Metro - See note d)
j) Summed for Metro - See note e)

EXPENDITURES

l) SOURCE: Statistical Supplements to the Biennial Report, MDH, 1968-70, and previous years, as aggregated in "Inventory."
COMMENTS: "Other" is administration, safety and miscellaneous

m) See note c)
n) See note d)

o) SOURCE: Report of the Public Examiner for cities and villages, fiscal year ending up to June, 1970, and previous years.
DETAIL: Individual city data given; county subtotals are not presented.

p) SOURCE: For method, See Inventory Report
DETAIL: County data not available.

q) Summed for Metro - See note c)
r) Summed for Metro - See note d)
s) Summed for Metro - See note o)

t) Fiscal Years: County fiscal year is the calendar year. Township fiscal year ends March 31. Village fiscal year is the calendar year. City fiscal year: (1) is the calendar year for most cities, (2) ends between Jan. 1 and June 30 for some cities. State fiscal year ends June 30.
To illustrate how fiscal year data is combined in the Inventory Report, the "aggregate fiscal year" 1968 in the Inventory is calendar 1968 for counties, villages and most cities; fiscal year ending March, 1969 for townships; fiscal years ending between January-June 1969 for some cities and fiscal year ending June 30, 1968 for the state.

E. Environmental Impact of Present Transportation Financing Policy

In evaluating the present method of financing highway construction and maintenance in Minnesota, it is important to consider carefully the transportation policy which that method of financing perpetuates and the ultimate effect that such a transportation policy has on our physical and social environment. It should be emphasized that the effects described are concentrated primarily in the metropolitan area.

Such an evaluation touches on the following major areas of concern:

1. Air Pollution - Transportation sources are the nation's largest contributor to air pollution.[13] In testimony to this committee, the Minnesota Pollution Control Agency supplied the following data to demonstrate the present contribution of transportation sources to Twin Cities area air pollution.[14]

Pollutant	Contribution of Transportation Source
Carbon monoxide	98%
Hydrocarbons	78%
Nitrogen oxides	56%
Particulates	10%
Sulfur dioxide	3%

According to the MPCA, highway vehicles constitute approximately 95% of the transportation sources included in the study which resulted in the above data.[15] Nationally, each year, our approximately 100 million highway vehicles emit about 125 million tons of air pollutants of all types, including an estimated 97 million tons of carbon monoxide, 16.5 million tons of hydrocarbon, and more than 9 million tons of nitrogen oxide.[16] This amounts to approximately 45% of the total emissions from all sources of air pollution.[17]

The effect of air pollution takes many forms, as John R. Quarles, Jr., Assistant Administrator of the Federal Environmental Protection Agency stated in May of 1972:[18]

> ". . .not only are these emissions a major threat to public health but they damage or destroy valuable vegetation and in interaction with the atmosphere are responsible for extensive, costly and premature degeneration of our buildings and monuments."

In the Twin Cities metropolitan area, the effects of air pollution are now so severe that the MPCA has predicted that air quality standards imposed by the Federal Environmental Protection Agency will not be met when they go into effect in 1975.[19] According to the MPCA, the level of carbon monoxide in the Twin Cities atmosphere in 1975 will be about 40% greater than the federal ambient air quality standards and by 1977 the nitrogen oxide level will be as much as 25% above the tough federal standards.[20] In testimony to this committee, the MPCA strongly suggested that controls on the use of automobiles, especially during peak hours, will have to be implemented in order to meet the tough federal air quality standards, which require by 1975 that carbon monoxide and hydro carbon emissions be reduced by 90% from the 1970 levels.[21]

While the variety of alternatives to auto travel makes it difficult to determine the effect the widespread use of transit vehicles would have on air pollution, it is clear that a beneficial effect on air quality would result. Assuming the presently available bus technology, studies have shown that two buses carrying 100 people replace about 66 cars which carry an average of only 1.5 people.[22] More sophisticated means of transit using alternative methods of propulsion could have an even more dramatic effect on the level of air pollution if available and used on a large scale basis.

2. Mobility - Because our current emphasis in transportation is on highway construction and maintenance, the automobile has become a necessity of life, without which access to employment and to recreational, educational and housing opportunities becomes a virtual impossibility.

The "chicken and egg" question about which came first, the automobile or the drive-in movie, becomes somewhat academic to the intercity resident who has access to neither. It really doesn't matter whether urban sprawl necessitates the automobile or whether the automobile encouraged and perpetuated urban sprawl. The point is that millions of poor, elderly, and handicapped Americans are immobile prisoners of a transportation policy which places them at a wholly unfair disadvantage to the large majority of persons who can afford automobile transportation.

In the Twin Cities area alone, 15% of all households (about 86,000) did not own an automobile as recently as 1970.[23] The problem of mobility under our present automobile-dominated transportation policy becomes especially acute in certain portions of a given city. For example, within the Model City area of Minneapolis in June of 1970, one-third of all households did not own a car and one-half of the carless households had an annual income of less than $3,000.[24]

Such a lack of mobility inevitably increases the difficulties of locating meaningful employment. While other factors must certainly enter in, a lack of mobility has no doubt contributed to the 11.4% unemployment rates of residents of the Model City area in July of 1971 as compared to a city-wide unemployment rate of 7.2%.[25]

In testimony delivered to this committee, the Greater Metropolitan Federation stated that 50% of the unemployed residents in the above study area did not have a car available for daily use.[26]

The Federation's testimony related the severe problems experienced by Model City agencies such as the Concentrated Employment Program in placing otherwise qualified persons in job opportunities located at such a distance from the applicant's home that automobile transportation was a necessity for acceptance. The Federation urged the adoption of a "balanced transportation financing policy" which would help to equalize the opportunity for mobility of all citizens.

3. Land Usage and asthetics - Almost by definition, our present highway-orientated transportation policy necessitates the building of massive freeways which impair prudent land usage and disrupt the lives and property of persons unfortunate enough to live in the path of freeway development.

Generally speaking, highways require large amounts of land in places where it is in shortest supply. In the average American city 40% of the high-density downtown area is devoted to the autombile.[27] Without the need for massive freeways, bridges and approaches, not to mention the needed parking lots and ramps, a significant portion of that land might be converted to taxable commercial use or used for recreational purposes.

Beyond the value of space required to continue the unimpeded building of highways is the fact that highways require land in a nearly straight line. Without careful preplanning, such construction often leads to serious disruption of previously unspoiled natural land invaluable ecologically and esthetically for that very reason, and to the filling of marshes and wetlands of critical ecological importance.

Not only does continued emphasis on the building of highways interfere with the ecology of plants and animals but, especially in our metropolitan urban centers, our present unbalanced transportation policy continually disrupts the lives of countless citizens who live in or near the path of freeways. It is a cruel irony of our political system that those whose personal lives are most likely to be disrupted by the divided neighborhoods, the dangerous air pollution, and the annoying noise of uncontrolled freeway construction and at the same time the most likely to benefit from a greater emphasis on transportation alternatives are in the least favorable political position to make their views felt at the decision-making level. It is only in very recent years that those whose lives stand to be disrupted by the construction and usage of freeways near their homes have organized successfully to halt or prevent freeway construction. Transportation policy-makers need to take note of the growing public discontent with our unbalanced urban transportation system in making policy decisions which will affect the growth and usage of transportation services for generations to come.

4. Safety and Personal Time Consumption-The cruel slaughter on American highways has reached a level of national shock and alarm. In 1970 alone, nearly 55,000 persons died and over 2 million persons were injured in highway traffic accidents. In over 14 million accidents, property damage resulted in an estimated $13,600,000,000 burden on the American public.[29]

While one must be careful in interpreting data comparing the safety of different types of passenger vehicles, it is quite clear that the automobile is the most deadly of all passenger vehicles in widespread use. The following data, provided by the National Safety Council for 1970, demonstrates that fact.[30]

Type of Vehicle	No. of Deaths	No.Deaths/100,000 Passenger Miles
Passenger Cars and taxis	34,800	2.10
Buses	130	0.19
Railraod passenger trains	10	0.09
Scheduled domestic airlines	0	0.00

Note: While the total number of deaths for each type of vehicle is somewhat misleading because of the much greater use of automobiles as a method of transportation, the figures in the right-hand column provide a realistic comparison of relative safety of the listed vehicles.

In addition to the toll of human lives and property exacted by our present unbalanced transportation policy, increasing reliance on automobiles as a means of transportation makes a twice-daily disruption in the lives of each person who drives to and from work in our major urban centers. In addition to contributing to the number and seriousness of traffic accidents, the rush-hour traffic congestion which occurs twice daily in every major urban center has a way of cutting into the leisure and work time available to every commuting American. Countless traffic delays and tieups have a way of eating into each day of nearly every urban resident's life - delays which increase in length each year and which will continue to increase so long as our self-imposed reliance on the automobile continues.

5. Energy Consumption - A somewhat separate, yet related environmental impact of our present perpetuation of an unbalanced transportation policy is the accelerating depletion of our nation's major sources of energy.

Transportation sources account for about 24% of the total energy consumed in the United States, or about 100 billion gallons of petroleum.[31] This figure represents more than one-half of the 174 billion gallons of the world's fast-waning petroleum fuel supply consumed each year in the United States.[32]

Studies have shown that the typical automobile travels 10,000 miles per year and in so doing uses an average of 670 gallons of fuel.[33] This 670 gallons amounts to about 2 tons of fuel annually or twice the weight of the car. In 1960, there were about 150 million automobiles in the world consuming about 300 million tons of petroleum.[34]

In comparing the energy usage of various kinds of urban transportation, the automobile becomes a major culprit in the rapid depletion of our irreplaceable supply of fossil fuels. In measuring the fuel efficiency of cars, buses, and commuter trains by the number of passenger miles travelled per gallon, the automobile is about three times as inefficient as the commuter train and ten times as inefficient as the bus.[35]

As we continue to burn up irreplaceable fossil fuels at an unprecedented rate, a noted transportation energy expert, Dr. Richard A. Rice of Carnegie-Mellon University, has predicted that "perhaps as much as a fifty to seventy per cent reduction in urban motoring and a substitution of even amounts of walking, cycling and mass transit will be needed to produce a noticeable effect on urban transport energy consumption."[36]

In addition, of course, to the increasing amounts of fuel required to propel automobiles is the ever-accelerating quantity of fossil fuels and other raw materials which are required to produce and equip them. While the committee does not have access to data which would precisely define the amount of energy consumed in the production and equipment of automobiles, such information must certainly be considered in at least a general way in an overall determination of the social-environmental consequences of our present auto-dominated transportation policy.

Our present transportation policy, emphasizing and encouraging the auto, appears to be racing headlong into a wall - the absolute constraint of exhausted energy. Neither the public officials of this state or of this nation can responsibly perpetuate a transportation policy which provides for a system which may become absolutely unusable for the vast majority of our citizens.

Our present perpetuation of an unbalanced transportation policy, then, does have a tremendous impact on our natural and social environment ranging from the pollution of our air, disruption of our neighborhoods to the perpetuation of economic and social disadvantages. Continued overdependence on the automobile as a means of urban transportation demands a careful weighing of its high social costs against the advantages which have made it so much of a way of life for most Americans. The committee has made such a careful weighing an important consideration in making its recommendations on a transportation financing policy for Minnesota.

F. Effects of Branch Line Railroad Abandonment on State Transportation Financing Policy

In the course of its study, the committee also considered carefully the potential impact which abandonment of branch railroad lines might have on future transportation needs in Minnesota, since widespread abandonment of branch line railroads in rural Minnesota would require a massive increase in construction and upgrading of highways to handle the need for alternative methods of freight transportation.

The issue is closely related to the committee's consideration of Article XVI of the Minnesota Constitution, since it has a potentially great impact on priorities for transportation financing policy in years to come.

1. Current Situation - Rural Minnesota has a long history of reliance on railroads as a method of transporting farm products out and manufactured goods in. Many rural communities were initially established by the railroads to serve as marketing centers for nearby farmers. It was then the practice to space the communities at 7 to 10 mile intervals on the railroads to insure every farmer a marketing center within a day's traveling distance by horse-drawn wagon.

According to the State Public Service Commission, Minnesota presently has nearly 12,000 miles of railroad trackage operated by 18 railroads.[37] Over 90% of this trackage is owned and operated by the nine Class I railroads operating in the state.[38] While precise figures are not available, it is apparent that a substantial portion of this trackage is in the form of branch lines and subject to possible abandonment review by the railroads.

The key consideration to this committee is the potential impact of large-scale abandonment of branch lines on the needs of communities deprived of rail service. According to the Minnesota Department of Economic Development, there are presently 157 incorporated communities, 24 unincorporated townships, and 101 other unincorporated areas served by railroad lines but having less than 9-ton road limits.[39] Of these communities and townships, 115 have a total of 177 grain elevators.[40] Since the need for upgrading highways would be largely created by these grain elevators, the 115 communities referred to above are the ones most likely to require upgrading of highway service as a result of large-scale branch-line abandonments.

Present and projected plans for abandonment of branch rail lines were spelled out in a February, 1972, report of the Minnesota Public Service Commission and in testimony by major railroads to this committee on June 29, 1972.[41]

In this testimony, several railroads and the Minnesota Railroad Association emphasized that they did not have a "master plan" for abandoning railroad service to rural Minnesota.[42] Rather, they indicated that each line is carefully evaluated, using varying sets of criteria, before making a decision to seek abandonment. The criteria for evaluating branch lines varies from line to line and may include economic factors such as the total amount of freight revenue generated over a line annually, the per-mile revenue generated over a line annually, the number of carloads per mile per year carried over a line, etc.[43] Other evaluation factors cited were the nature of the economic viability of the area, and general public and governmental attitude toward the railroad within a given state or area.

Using these kinds of criteria, several railroads testified that substantial branch-line trackage is now under evaluation with a possible eye toward application for abandonment at some future date. One of the more candid lines, the Chicago and Northwestern, feels that its total trackage has to be reduced by approximately 2.5% in order to really serve the "public interest" of the Midwest by "making the agricultural products of the Midwest competitive in world markets."[44]

In a highly controversial report released in 1971, the Land O' Lakes Company has predicted that rail service to most of rural Minnesota will be sharply curtailed by 1980. The report, distributed to member cooperatives, urges that decisions on expansion of facilities be made accordingly.[45]

The Land O' Lakes projections, which have been disputed by the railroads, were based on three assumptions: 1) branch lines will be abandoned by 1975; 2) lines that have a weight-carrying capacity of less than 263,000 pounds will be phased out by 1975; and 3) lines that have a weight-carrying capacity of at least 263,000 pounds must connect points that will move an adequate volume of products to generate an income for the railroad companies.[46]

In order for railroads to operate a line profitably, the line must be able to carry heavy weights for considerable distance. It was for this reason that Land O' Lakes used assumptions (2) and (3) above. The 263,000 pound requirement is based upon the premise that a line must have this carrying capacity to move 100-ton hopper cars, which are anticipated to become more numerous in the future. The elimination of lines that have a weight-carrying capacity of 263,000 pounds was made after projecting future traffic volumes.

The Land O' Lakes study contemplates that abandonment of branch lines will continue until they become non-existent, because these lines generate very small revenues for the railroads. In addition, the condition of many of these lines would require high dollar investments for upgrading.

Land O' Lakes does, however, recognize that an analysis of this nature has its limitations: 1) certain branch lines may be retained if they move a considerable volume of traffic; 2) legislation, both proposed and not yet proposed, could alter the study's projections.[47]

Although the validity of the Land O' Lakes report may be questioned because of the above factors and the contrary testimony of the railroads, it does point up the important role which railroads have in determining economic growth and development in rural Minnesota and the potential impact of large-scale abandonment on the pattern and growth of population in areas which now rely heavily on branch line rail service.

2. The Potential Economic Impact - In the absence of both rail transportation and upgraded highways, economic development, and even continued survival, could be made increasingly difficult for hundreds of small communities in rural Minnesota. In framing transportation financing policy for the future, this fact must be considered. The policy of knowingly allowing certain communities to pass out of existence must be weighed against the expenditure of large amounts of money on highway construction and upgrading in rural Minnesota.

In testimony to this committee, Assistant Highway Commissioner, F. C. Marshall, predicted that $174 million would be required in construction costs alone to give all Minnesota communities access to nine-ton roads.[48] He predicted that additional costs for right-of-way acquisition or improvement of local roads, not to mention ongoing maintenance costs, would have to be included in arriving at a total estimate of the cost of upgrading all state highways to nine ton capacity. Assistant Commissioner Marshall further pointed out that the Land O' Lakes study predicted that it would cost $79.7 million to provide unrestricted highway access to communities affected by the railroad abandonments predicted in the study.

3. Potential Resolution of the Problem - From its very brief examination of the problem of railroad abandonments, the committee is in no position to recommend specific action. The committee does, however, refer to the Legislature the following proposals, with the

hope of provoking further study of a pressing problem. We might follow one of these courses:

(a) Hold the line against railroad abandonment: Some would have the State Legislature, the Congress, and the regulatory agencies (the Interstate Commerce Commission and Public Service Commission) impose tough restrictions on the abandonment of additional trackage by railroads. Present rail service could then be retained in all communities but the future economic viability of railroad service as a whole might be severely clouded.

(b) Allow abandonments and replace with upgraded highways: As mentioned above, projected rail abandonments could be allowed to take place and the lost transportation service replaced by upgrading highways in a number of communities. Again, the enormous costs of such an undertaking would have to be weighed against a policy of "natural selection" to determine the future growth, or even the existence, of each locality.

(c) Subsidize railroads to operate the branch lines: In order to avoid the cost of building and upgrading highways to a number of communities to compensate for rail service abandonment, railroads could be directly subsidized to maintain branch line service. Such an operation is currently in effect in Canada through a statutory provision for subsidization of branch lines that the government decides should be maintained.[49] Accounting procedures determine annually the out-of-pocket loss on the particular line to be retained, which losses are then paid by the government. Judicial review would no doubt be required to determine whether such a venture would qualify under Article IX, Sec. 1 of the Minnesota Constitution as an expenditure of state tax receipts for a "public purpose." If not, such subsidization plan would require a special constitutional authorization.

(d) State ownership of branch line railroad lines: In testimony before this committee, branch line railroads were several times referred to as the "potential" passenger lines of the 1970's - meaning, of course, that they were economically unproductive to the railroads and doomed to probable extinction. To prevent total elimination of passenger rail service, the federal government was finally required to go into the passenger railroad business through formation of the National Railroad Passenger Corporation (Amtrak) in May of 1971. Another policy decision might have to be made at some future date that the continuation of branch line service to rural areas of the State is so important that the government must assume responsibility for providing that service. Again, State constitutional questions involved in such a venture would have to be resolved.

4. Pending Federal Legislation - As mentioned above, alterations in public and governmental attitudes toward railroads is one of the factors which could affect the level of requests for branch line abandonments in the future. As a result, a brief overview of present procedures for abandonment and pending federal legislation on the subject might be helpful in evaluating the above discussion.

Present procedures for abandonment: Under present procedures for considering applications for railroad abandonment, the burden of proof is on the applying railroad company to demonstrate that "public convenience and necessity" will not be undermined by the proposed abandonment.[50] In making such a determination, the Interstate Commerce Commission considers such factors as the economic viability of the line, available alternative methods of shipment, and the transportation needs of the area served by the line.[51]

After hearing the evidence, either in a public hearing or in briefs filed by the railroad and users, the ICC examiner then issues his finding on whether the "public convenience and necessity" would or would not be undermined by the proposed abandonment and the abandonment is either granted or denied. Appeals are thereafter possible through both the ICC and the federal courts.[52]

According to the Minnesota Public Service Commission, applications for approximately 27 abandonments have been made in the State in the past five years. Of these applications, 15 were granted in total, 3 were granted in part, and 9 are still pending before the ICC.[53]

Legislation proposed by Senator Vance Hartke: As a part of a comprehensive bill which seeks to make railroads more economically viable and competitive, Senator Vance Hartke of Indiana has proposed that an alteration be made in present procedures for considering railroad abandonments.[54] The major change proposed in the Hartke proposal is that, in making its determination on whether or not to allow abandonment, the ICC could "consider" certain economic factors such as "losses in operating the line to be abandoned, as measured by total costs of service including capital and maintenance cost to continue the line at a physical standard necessary to provide safe, reliable, and efficient service; extent of actual use of and need for the line by shippers or receivers; and the development of an efficient and economic transportation system" but that "no such finding (allowing an abandonment) shall be made unless continued operation of the line proposed to be abandoned will produce sufficient revenue to cover the relevant variable costs of handling traffic to, from, and beyond the line."

Legislation proposed by the Department of Transportation: In another bill introduced at the request of the Department of Transportation, additional specific criteria are spelled out to govern the ICC in determining whether or not the "public convenience and necessity" would be undermined by a proposed abandonment.[55] If upon complaint to the ICC by a user, it is determined that the proposed abandonment would substantially injure the user, the abandonment may be suspended for six months. During this period, the ICC must determine whether the line lost money in the past twelve months. In determining losses, the bill adopts a standard based on the variable costs of the line or operation in question.

For light density lines or operations defined in the bill as those failing to generate at least one million gross ton miles of traffic per mile over the twelve-month period prior to the application, where losses can be presumed, the bill does not require that the railroad initially demonstrate losses. Where the ICC finds that a particular line or operation is covering its variable costs, the application must be denied, except that no application shall be denied if the continuation of such line or operation would require the making of capital improvements, the economic cost of which will not be covered by an excess of revenues over the variable costs of such line or operation over the life of such improvements. If the railroad did lose money, and shippers have effective substitute service available, the application must be granted. At the end of this period, the ICC must grant abandonment unless revenues are then found sufficient to meet variable costs through, for example, improved operating efficiencies, rate adjustments, or direct financial compensation from private or governmental entities.

Sponsors of the bill claim that the proposed sequence of steps and precise standards required for settling abandonment cases "should reduce the expense and delay of abandonments, while protecting the interests of users substantially affected by an abandonment." It is not difficult to see, however, however, that both bills could only serve to accelerate the abandonment process.

It should be noted that both bills contain comprehensive proposals aimed toward insuring the future economic viability of railroads, either by providing financial assistance to railroads, by encouraging railroad investment in more efficient equipment, or by eliminating discriminatory state taxation policies toward railroad companies.

While neither of the above proposals seems likely to be enacted into law during this session of Congress, the committee feels that progress of these or other future proposals should be considered carefully in the determination of overall transportation financing policy in Minnesota.

G. Committee Consideration

During the many hearings which the committee held, many transportation related problems were raised by both witnesses and committee members. Residents of rural Minnesota are genuinely concerned that their towns and villages may not have adequate transportation facilities to ship goods and products the year round. Virtually every town would like a nine ton capacity road providing year-round, all-weather access. The cost of such a system, according to the Minnesota Highway Department, would be prohibitive, apparently beyond the capacity of this State to provide. Using the available money wisely requires that such roads be built only into regional growth centers. Dwindling rural population, especially the loss of the young, will become even more serious in the future; only then will the loss of rural vitality be really experienced. Many rural witnesses see better roads as a means of attracting industry and retaining their young people. Although it is true that industry will not locate where adequate transportation facilities do not exist, there is no assurance that industry will automatically and inevitably be attracted by new roads. The State Legislature must insure that all factors for rural growth are present before approving massive expenditure for roads to a particular area. Doing it solely for the hope of attracting industry and jobs and retaining rural population and vitality may be both fruitless and wasteful.

Rural towns are losing rail service. During the past year less than carload lots shipments have been discontinued throughout Minnesota. Trackage is being abandoned. Because of the potential loss of such rail service, many towns, especially those with grain and fertilizer facilities, are gravely worried about the lack of nine-ton all-weather roads. The Legislature should look carefully at such abandonment and weigh the cost of requiring rail facilities to remain open against the cost of constructing and maintaining the roads. In some cases abandonment will be justified. Some towns currently serviced by branch lines have had no rail shipments for over a year. In fact, such towns are getting along without either rail shipments or a nine-ton road. Certainly, the Legislature should not waste money on unnecessary construction.

According to many witnesses, the Highway Department is unresponsive to their needs. Either roads weren't built, they were built in the wrong places, they were too expensive for local participation in the widening processes, by-passes were not constructed, or State requirements for local participation were beyond their financial capacity. Incongruously, in spite of such criticism, local witnesses were often opposed to any change in Article XVI which would provide for legislative control of the State Highway Department.

The trend in public attitude seems to be toward more local participation in the making of highway decisions. In its proposed policy position of June 16, 1972, the League of Minnesota Municipalities urged greater influence by local officials in the allocation of trunk highway funds.

Some rural businessmen believe that the cost and time of shipping products would be substantially reduced if expressways were constructed, especially along Highway 12 in west central Minnesota. This feeling was expressed strongly by Litchfield business people to the Commissioner of Highways. The potential conflict between statewide interest and local interest was indicated in one of the letters which expressed the belief that the residents of Minneapolis and St. Louis Park who banned together in opposition to I-394 were acting strictly out of selfishness and that the greater interest demanded that the road be built. There is no doubt that the cost to the shipper would be reduced, but the State must ask whether that shipping cost saving is outweighed by the additional expenditures for all the people of the State for upgrading the highway system.

H. Committee Recommendation on Article XVI

Before proceding to a substantive recommendation on highway provisions of the Minnesota Constitution, the committee is referring to the Commission's Committee on Structure and Form recommendation to delete the language in Article IX, Sec. 5, which duplicates the authorization in Article XVI, Sec.10, to collect a gasoline tax and dedicates the funds raised from such a tax to the construction and maintenance of highways.

In considering the various alternatives available in arriving at its recommendations regarding Article XVI, the committee took note of the impact which the automobile has made and is now making on our natural and social environments. To combat this impact, the committee wholeheartedly supports the development of attractive transportation alternatives, the development of more efficient automobile engines, and mandatory installation of effective pollution control devices on all motor vehicles.

Despite all its shortcomings, however, the automobile has contributed immeasurably to the growth, development and mobility of the American people. Americans are now irretrievably dependent on the automobile as a means of transportation. It is a necessity of life for millions who use an automobile for employment, recreation, or other forms of economic and social activity.

Because of this dependence and reliance, the committee feels we must, at least at present, continue to adequately fund highway construction and maintenance. Failure to continue such a policy would mean a swift deterioration of the mobile status of millions of Americans, a deterioration which the American people will not allow to occur.

It is a stark reality that constitutional revision requires enthusiastic popular support from all areas of the State. In its hearings, the committee found support for undedication of highway funds only in the metropolitan areas, and even there, support was nowhere near unanimous. From its hearings, the committee has concluded that any substantial tampering with Article XVI would be politically unrealistic and that any amendment which proposed to do so would be overwhelmingly defeated.

This recommendation of the committee does not reflect opposition to mass transit. We are aware that transportation alternatives are and will be required to meet the varying needs of our State. Financing these alternatives should be provided, however, from other available sources, as at present. A balanced transportation policy can thus be provided without disrupting the lives and incomes of the millions of Americans who so heavily rely on the automobile for the convenience and mobility which it provides.

With all of these considerations in mind, the committee recommends no change in that part of Article XVI which dedicates motor vehicle and gasoline taxes to the construction and maintenance of highways.

As has been noted earlier in this report, Article XVI also suggests mileage limitations for streets and highways eligible for state aids and imposes restrictions on the highway bonding authority of the state, both in terms of total building authority ($150 million) and interest rate (5%).

The Legislature has acknowledged the meaningless nature of the suggested mileage limitations by extending them as the Article provides it may. The limitations on bonding authority and interest rates are much better left to the Legislature, to alter as changing circumstance might require.

Accordingly, the committee recommends repeal of mileage, interest and bonding restrictions currently imposed on the Legislature by Article XVI.

The committee also recommends that a comprehensive study be undertaken to determine the need for revision of the state-aid distribution formula currently provided in Article XVI.

I. Minority Recommendation

Understanding the problems and faced with the current constitutional provisions, the committee considered the following alternative proposals in the formulation of a substantive recommendation:

1. Leave Article XVI unchanged.
2. Amend Article XVI to eliminate interest, bond and mileage limitations.
3. Amend the apportionment formula for division among the three funds.
4. Amend the Article to permit the Legislature to define purposes.
5. Amend Article XVI to permit a percentage of funds to be used for other purposes. Essentially, that is, create a transportation fund.
6. Create a single transportation fund with legislative authority to apportion as necessary.
7. Retain the current highway fund and create a new separate dedicated fund for mass transit purposes.
8. Eliminate all dedicated highway funds, leaving the entire matter to the Legislature.

The minority feels that Proposal 1 does nothing to resolve current problems and is rejected as inadequate. Number 2 only resolves the recent problem caused by high interest and excessive Highway Department demands. Proposal 3 needs more careful study and evaluation before a specific recommendation could be made. Proposal 4 would greatly increase flexibility, permitting use of the user tax fund to pay the full cost of highways. Funds could be expended to eliminate auto-caused air pollution, for example. A dedicated fund is maintained by proposal 5. As such it still has the inherent rigidity undesirable in constitutions. Fear of inadequate planning time and of financial commitment are two reasons frequently offered for retaining dedicated funds. Proposal 6 meets those objections, yet provides much desired flexibility to the Legislature to promote the changing needs. Proposal 7 is less desirable since it would tend to be more rigid. Obviously, the most flexible approach is the elimination of all dedicated funds, leaving the allocation matters to the Legislature. <u>Consequently, the minority recommends the repeal of Article XVI.</u> The recommendation of the minority to repeal Article XVI is based both on principle and on policy.

In order to function in a responsible and responsive manner, the Legislature must be free to make and implement major policy decisions which affect large numbers of residents of the State. In order to so act, the Legislature must be free to appropriate funds as changing demands upon the State's priorities become evident.

The voters of this State elect legislators every two or four years and expect that they will represent them in a responsible and responsive manner. The minority is confident that the Legislature can be trusted to establish a state transportation financing policy which will best meet the needs of all the people of our State. Such confidence is already merited by the Legislature's responsible handling of financing policy for other major components of the State budget and the minority has no reason to doubt that transportation financing would be handled by the Legislature in a responsible manner. Failure to assume such responsibility will no doubt result in new legislative faces more attuned to the wishes of constituents.

The minority also supports the undedication of highway funds on policy grounds. Despite taxes on motor vehicles and gasoline, the automobile is not coming close to paying for its enormous cost in depleting our natural and social environments. We must move toward a more balanced transportation financing policy in order to allow and encourage the existence of the kind of transportation alternatives which will be required to meet the needs of tomorrow.

The magnitude of the current transportation policies is reflected in the growing support for undedication of highway user taxes at all levels of government. Secretary of the U.S. Department of Transportation, John Volpe, recommended to Congress a "Federal-Aid Highway and Mass Transportation Act of 1972" which would establish a new urban transportation program for financing urban mass transit and highway projects. It would delegate much of the authority to determine how the funds were to be spent to local authorities. Funds would be provided by current user taxes and appropriations. In addition, the act would provide a rural general transportation program while continuing existing primary and secondary federal aid highway systems.[56]

Recognition of the inseparability of urban problems from transportation problems was also made by the Democratic National Convention in its platform, when it called for the creation of a single transportation trust fund permitting greater local decision-making.[57]

Such a balanced and flexible transportation policy could still provide the same or even higher level of transportation service for rural areas of the State. The minority is confident that the Legislature would continue to provide for a comprehensive program of highway construction and maintenance for rural Minnesota.

The minority is not unaware that such a proposal is bold and controversial. Its adoption will require a dedicated effort of all those who desire a continuation of the kind of opportunity for mobility which has allowed the growth, development, and individual fulfillment which we as a nation have been fortunate enough to experience.

IV. RAILROAD PROVISIONS

A. Background and Present Provisions

Two provisions of the present Minnesota Constitution relate directly to railroads.

Article IV, Sec.32(b), requires that any change in the taxation of railroads on a gross earnings basis be submitted to the voters for their approval in a popular referendum.

Article IX, Sec. 15, restricts the bonding authority of municipalities to aid in the construction of railroads to 5% of the value of taxable property within the municipality.

B. Committee Consideration and Recommendation

To determine the position of railroad companies which serve Minnesota concerning the constitutionally frozen taxation policy provided in Article IV, Sec. 32(a), the Transportation Committee held a joint hearing with the Commission's Finance Committee on June 29, 1972. Because the issue of railroad taxation is more directly related to the state's financial policy than it is to transportation policy, the Transportation Committee defers to the Finance Committee for a recommendation on retention, repeal, or alteration of Article IV, Sec. 32(a).

Article IX, Sec. 15 appears to authorize a limited expenditure of public funds by municipalities to aid in the construction of railroads. If this interpretation is accurate, the section might be, at some point in the future, a direct authorization for local borrowing for the construction or maintenance of branch line railroads.

It is the committee's position that the provision is presently obsolete and so recommends its deletion to the Commission's Committee on Structure and Form. If, in the future, constitutional authorization is needed to expend state or local funds for construction and maintenance of railroad branch lines or mass transit systems, the committee feels specific authority should be provided, not through a constitutional provision originally drafted for other purposes, but through a new constitutional authorization.

V. SUMMARY OF RECOMMENDATIONS

The committee recommends no change in the aeronautics provisions of the Minnesota Constitution as detailed in Article XIX.

The committee recommends to the Commission's Structure and Form Committee the deletion of Article IX, Sec. 5 which duplicates the authorization in Article XVI, Sec. 10 to collect a gasoline tax and dedicates the funds raised from such a tax to the construction and maintenance of highways.

The majority of the committee recommends no change in Article XVI as it relates to the dedication of motor vehicle and gasoline taxes to the construction and maintenance of highways. The minority of the committee recommends repeal of Article XVI and the statutory disposition of all matters relating to surface transportation financing policy.

The majority of the committee recommends repeal of mileage, bond and interest limitations contained in Article XVI. Whether or not Article XVI is repealed the committee recommends a comprehensive study to determine the need for revision of the state-aid distribution formula presently contained in Article XVI.

The committee defers to the Commission's Finance Committee on a recommendation for deletion, retention or alteration of Article IV, Sec. 32(a) which requires that any change in the taxation of railroads on a gross earnings basis be submitted to the voters for their approval in a popular referendum.

The committee recommends to the Commission's Structure and Form Committee the repeal of Article IX, Sec.15 which restricts the bonding authority of municipalities to aid in the construction of railroads to 5% of the value of taxable property within the municipality.

VI FOOTNOTES

[1]Constitutions of the United States, Legislative Drafting Research Fund, Columbia University, New York.

[2]Alaska, Florida, Georgia, Hawaii, Michigan, Missouri, Montana, New Jersey and Illinois.

[3]Minnesota Constitution, Article XVI, Sec.5.

[4]Michigan Constitution, Article IX, Sec.9.

[5]Montana Constitution, Article VIII, Sec.6.

[6]Report to the Constitutional Study Commission, Minnesota Department of Highways, July 21, 1972.

[7]Minnesota Statutes 162.09.

[8]Minnesota Statutes 162.05-162.08.

[9]Minnesota Statutes 161.04 and 161.50.

[10]Letter from David L. Norrgard, Assistant Executive Secretary, League of Minnesota Municipalities, February 9, 1972.

[11]Ibid.

[12]Ibid.

[13]Address by John R. Quarles, Jr., Assistant Administrator, Environmental Protection Agency, to the 14th Highway Transportation Congress, Washington, D.C., May 31, 1972.

[14]Testimony of John G. Olin, Chief, Technical Services Section, Division of Air Quality, Minnesota Pollution Control Agency, May 12, 1972.

[15]Ibid.

[16]Address by John R. Quarles,

[17]Testimony of John G. Olin,

[18]Address by John R. Quarles,

[19]Testimony of John G. Olin,

[20]Ibid.

[21]Ibid.

[22]Address by John R. Quarles,

[23]Metropolitan Development Guide, Transportation Section, Metropolitan Council, February 25, 1971, p.14.

[24]New atterns: Tranportation Options for Model City Residents, Planning and Development Dept., City of Minneapolis, 1971, p.49

[25] *Ibid.*, p.28

[26] Testimony of Marsha Townley, Greater Metropolitan Federation, May 21, 1972

[27] Address by John R. Quarles

[28] *Accident Facts*, National Safety Council, Chicago, 1971.

[29] *Ibid.*

[30] *Ibid.*

[31] Richard A. Rice, "System Energy and Future Transportation", *Techno-Logical Review,* January, 1972, p.31.

[32] *Ibid.*, p.31

[33] *Ibid.*, p.32.

[34] *Ibid.*, p.32.

[35] *Ibid.*, p.36.

[36] *Ibid.*, p.37.

[37] "Railroad Mileage in the State of Minnesota," Minnesota Public Service Commission, August 15, 1972.

[38] *Ibid.*

39"1970 Population Distribution of Incorporated Minnesota Communities and Certain Townships Served by Railroads and by Highways with less than Nine Ton Road Limits," Department of Economic Development," June 14, 1972.

[40] "Communities With Grain Elevators Located on Railroad Lines and on Highways with Less than Nine Ton Load Limits," Department of Economic Development, June, 1972.

[41] Report of the Minnesota Public Service Commission, Docket Number 0417-SE, File Number A-8347, May 16, 1972.

[42] Letter from Gordon Forbes, Counsel, Minnesota Railroads Association, June 13, 1972.

[43] Testimony of Burlington Northern, Chicago and North Western, Soo Line, etc., June 29, 1972.

[44] To Those Interested in the Future of the Midwest," open letter from Larry S. Provo, President, Chicago and North Western Transportation Company, June 1970.

[45] Memo to Managers and Presidents of Local Member Coops, Land O' Lakes, Inc., Fort Dodge, Iowa, December 15, 1971.

[46] *Ibid.*

[47] *Ibid.*

[48]Testimony of F. C. Marshall, Assistant Commissioner, Minnesota Department of Highways, June 15, 1972.

[49]Testimony of Byron O. Olsen, attorney, Burlington Northern Railroad Company to Minnesota House of Representatives Committee on Regulated Industries, Subcommittee on Transportation, May 17, 1972.

[50]49 U.S.C.A. §13a.

[51]Staff Interview with Richard Gill, Special Assistant Attorney General, Minnesota Public Service Commission.

[52]Ibid.

[53]Staff interview with Harold A. Kind, Secretary, Minnesota Public Service Commission.

[54]S. 2362, July 28, 1971.

[55]S. 2842, November 11, 1971.

[56]Letter from Department of Transportation to the President of the Senate and Speaker of the House of Representatives, April 21, 1972.

[57]Congressional Quarterly Weekly Reports, July 15, 1972, p.1735-1736.

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"1970 Population Distribution of Incorporated Minnesota Communities and Certain Townships Served by Railroads and by Highways with Less than Nine Ton Road Limits," Department of Economic Development, June 14, 1972.

"Communities with Grain Elevators Located on Railroad Lines and on Highways with Less than Nine Ton Load Limits," Department of Economic Development, June, 1972.

Report of the Minnesota Public Service Commission, Docket Number 0417-SE, File Number A-8347, May 16, 1972.

"To Those Interested in the Future of the Midwest," open letter from Larry S. Provo, President, Chicago and North Western Transportation Company, June 1970.

Memo to Managers and Presidents of Local Member Coops, Land O' Lakes, Inc., Fort Dodge, Iowa, December 15, 1971.

Testimony of Byron O. Olsen, Attorney, Burlington Northern Railroad Company to Minnesota House of Representatives Committee on Regulated Industries, Subcommittee on Transportation, May 17, 1972.

Letter from Department of Transportation to the President of the Senate and Speaker of the House of Representatives, April 21, 1972.

Letter from Department of Transportation to the President of the Senate and Speaker of the House of Representatives, November 5, 1971.

Transportation Provisions in the Minnesota Constitution, Staff paper by Michael Sieben, April 20, 1972.

A Preliminary Legislative History: Article XVI of the Minnesota Constitution, Staff paper by Michael Sieben, February 3, 1972.

Staff Memorandum on Article XIX of the Minnesota Constitution,by Steven Hedges.

A Study of State Highway Trust Funds, Research paper by Larry Dessem, Macalester College, May 16, 1972.

Persons and Organizations Testifying Before the Committee:

February 3, 1972, St. Paul

Leonard Ramberg, Minnesota State Automobile Association
Verne Ingvalson, Minnesota Farm Bureau Federation
Mrs. Marlene Korna, Metropolitan Area League of Women Voters
Bob O'Brien, Operating Engineers Union Local #49
Albert Ross, Amalgamated Transit Union
Charles Dayton, Minnesota Public Interest Research Group
Connie Hinitz, Minnesota Public Interest Research Group
Robert Thornburg, Minnesota Petroleum Council
John Hoene, Minnesota Asphalt Pavement Association
Bill Peterson, Coalition Opposing the Freeway
Lawrence McCabe, Commissioner of Aeronautics
Doug Kelm, Chairman of Metropolitan Transit Commission
Gene Avery, Metropolitan Council
F. C. Marshall, Minnesota Highway Department
Orvin Olson, Department of Economic Development

March 24, 1972, Duluth

Lloyd Shannon, St. Louis County Commissioner
State Senator Ralph Doty, Duluth
Carl Sivertson, St. Cloud County Engineer
Richard Wiman, Sierra Club
Charles Nickerson, St. Louis County Township Officers Assn.
Dorothy Nelson, Duluth
State Senator Florian Chmielewski, Sturgeon Lake
Dennis Johnson, Minnesota Highway Department
Edwin Hoff, St. Louis County Commissioner
Howard Patrick, Traffic Committee Studying Freeway, Two Harbors
Gwen Carlson, Duluth
Ken Paulson, County Engineers Legislative Committee
Herbert Evers, Oil Dealers of Carlton County

April 7, 1972, Marshall

Glenn Olson, Marshall
Lew Hudson, Highway 60 Action Committee, Worthington
Lyal George, Jackson Chamber of Commerce
James J. Wychor, Worthington Industries, Inc.
Norman Larson, Worthington
Jim Archbold, Marshall
George Abrahamson, President, Marshall City Council
Jim Miller, Cottonwood County Board
State Representative Harry Peterson, Madison
Robert Cudd, Clara City
Bob O'Brien, International Union of Operating Engineers, Local 49
Jim Ayers, Marshall Messenger

April 21, 1972, Rochester

Richard Spavin, Rochester Chamber of Commerce
Kenneth S. Umbehocker, Rochester Chamber of Commerce
Robert Pecore, Steele County Engineer

Elmer Morris, Goodhue County Engineer
Philip S. Duff, Jr., Red Wing Republican Eagle
State Senator Roger Laufenberger, Lewiston
E. F. Melody, Fairmont Chamber of Commerce
Ray Warden, Martin County Commissioner
George Cavers, Martin County Commissioner
George Jones, Fairmont City Council
Robert Peringer, Operating Engineers Local #49
Paul Hedberg, Blue Earth
John Patten, Mayor of Blue Earth
Paul Beyer, Faribault County Commissioner
Joe Dupont, Freeborn County Engineer
State Representative Dick Lemke, Wabasha and Winona Counties
State Representative Victor Schul Goodhue

April 28, 1972, St. Cloud

Ralph Stock, Litchfield City Council
State Representative Bernard Brinkman, Richmond
Bruce Coddington, Litchfield Chamber of Commerce
William Radzwill, Dassel
M. C. Johnson, Mayor of Cokato
L. P. Ahles, Stearns County Highway Engineer
State Representative Jack Kleinbaum, St. Cloud
Don Volmuth, St. Cloud Chamber of Commerce
State Representative Howard Smith, Crosby
Dave Wilson, St. Cloud
Ouris Pattison, Willmar Opportunities
Ray E. Pederson, Mayor of Willmar
Duane E. Rumney, Willmar
Marvin Beach, Willmar Chamber of Commerce
Elroy Angus, Kandiyohi County Engineer
Al Mueller, Highway 15 Action Committee
H. P. Suedback, Brown County Engineer
Joe Gracyzak, Hillman
John McQuoid, Little Falls
Douglas Henschell, Mayor of Milaca

May 4, 1972, Moorhead

Wendell Huber, Minnesota Good Roads
Robert Anderson, Vikingland U.S.A. Inc.
State Representative Willis Eken, Twin Valley
Ted Cornelious, Bemidji Chamber of Commerce
Leonard Dicke son, Bemidji
Ernest Tell, Beltrami County Commissioner
State Senator Kenneth Wolfe, St. Louis Park
J. E. Rustad, Douglas County Commissioner
Vernon Korzendorfer, Becker County Engineer
Mrs. Roger Sipson, Moorhead
Virgil Tonsfeldt, Clay County Commissioner
Conrad Johnson, Barnesville Mayor
Dave Veldi, Moorhead

May 6, 1972, Minneapolis

Congressman Donald Fraser, Minneapolis
State Representative Tom Berg, Minneapolis
Warren Ibele, Metropolitan Transit Commission
Loren J. Simer, Minneapolis
Dr. Rodney G. Loper, University District Improvement Assoc.
Bob Patterson, Sierra Club
Mrs. Connie Barry, Concerned Citizens of East Bloomington
Tom Alberts, MECCA Youth Action Board
Mark Sullivan, Prior Lake
Peter Benzian, Minnesota Public Interest Research Group

May 12, 1972, St. Paul

John G. Oline, Minnesota Pollution Control Agency
Gary Silberstein, Sierra Club
Edward E. Slettom, Minnesota Association of Cooperatives
Mrs. Naomi Loper, League of Women Voters of Minneapolis
Dean Lund, League of Minnesota Municipalities
Ralph Keyes, Association of Minnesota Counties
Marcia Townley, Greater Metropolitan Federation
Abe Rosenthal, Metropolitan Transfermens Association, Inc.
Bob Berman, American Institute of Planners
Herbert Hoble, Minneapolis
Frank Burke, Longfellow Residents and Property Owners Organization, Inc.
Leo Borkowski, Winona County Commissioner
State Senator Roger Laufenburger, Winona County

June 15, 1972, St. Paul

State Representative Ernest Lindstrom
Gordon Moe, Minneapolis Assessor
F. C. Marshall, Assistant Commissioner of Highways
David Rademacher, Department of Economic Development
Arthur Roemer, Commissioner of Taxation
W. R. Salmi, Superintendent of Schools, Proctor

June 29, 1972, St. Paul

Gordon Forbes, Minnesota Railroads Association
Richard Freeman, Chicago and Northwestern Railroad Company
W. R. Allen, Burlington Northern Railroad Company
Harold Hoelscher, Land O' Lakes, Inc.
Curtiss E. Crippen, Chicago, Milwaukee, St.Paul and Pacific Railroad
Ray Smith, Soo Line Railroad Company
J. Frank O'Grady, Duluth, Missabe and Iron Range Railway Company
Phillip Stringer, Chicago, Rock Island and Pacific Railway Company
David Boyer, Minneapolis Northfield and Southern Railway
Thomas Fearnell, Duluth, Winnipeg and Pacific Railway Company