AMERICANS FOR PROSPERITY
MINNESOTA

Monday, April 29, 2019

Key Vote Alert: Vote "No" on HF1555 – Omnibus Transportation Finance Bill

Dear Members of the Minnesota House,

On behalf of Americans for Prosperity activists across Minnesota, I am writing today to urge a "No" vote on final passage of HF1555, the Transportation Finance Omnibus Bill, which includes over $1 billion of new gas taxes, sales taxes, and licensing fees that will hurt Minnesota families and make Minnesota a less competitive place to do business.

As a "Key Vote", Americans for Prosperity – Minnesota may include this vote in our end-of-session Legislative Scorecard that will be shared with your constituents.

Before asking Minnesota families for any more of their hard-earned money, lawmakers and the Governor must focus on critical reforms that will make current gas tax dollars stretch further in order to address targeted, high priority needs on our roads and bridges. These reforms include implementing better financial controls and planning processes, cutting the unnecessary and overly burdensome red tape that slows projects and drives up costs, and unleashing the private sector to meet needs wherever possible.

At a time when the state is already projecting to over-collect more than $1 billion in revenues above budget, now is not the time to raise taxes – on anything.

This proposal for a 20-cent per gallon increase in the state's gas tax equates to a roughly 70% increase and would vault Minnesota's gas taxes to fourth-highest in the nation, according to the non-partisan Tax Foundation[1]. Even worse, the gas tax would be set to increase with inflation, automatically taking more money from taxpayers every year without any additional accountability in how those dollars are spent.

These tax and fee increases would hurt worst those Minnesotans already struggling to make ends meet. According to a tax incidence study on the proposal completed by the Governor's own Department of Revenue these new gas and transportation taxes will disproportionally hurt lower income Minnesotans[2]. That pain won't only be felt at the pump; it will also increase the cost of every item on the shelves that families rely on – food, school supplies, clothing, and all form of household necessities.

Minnesotans will feel the pain of the Governor's proposed 20 cent per gallon tax increase, and yet, they will only reap the benefit of an additional about 10 cents of transportation investment. While the Governor is raising gas taxes with one hand, with the other he is shifting general fund dollars currently dedicated to transportation toward other programs. It's a shell game.

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[1] State Gasoline Tax Rates as of July 2018, Tax Foundation
[2] Tax Incidence Analysis of Governor's 2019 Tax Proposals, Tax Research Division, Minnesota Department of Revenue

The first 6.8 cents of the 20 cent per gallon increase get Minnesota nothing in terms of transportation projects, it just replaces current funding. Another portion goes to additional tax credits to specifically compensate some Minnesotans for the pain at the pump and the license bureau, and then a little more to change the repayment schedule on bonds already let. Only then would the additional tax dollars be available for actual "new" investment.

The Governor's proposal is concentrated on just one side of the ledger – on revenues – and does nothing to address underlying issues cemented in our state's infrastructure process. Before we look to further burden taxpayers, we also need to ensure that existing revenues are being used as effectively as possible. Currently, that is explicitly NOT the case. A recent review released by the Legislative Auditor found that the Minnesota Department of Transportation (MnDOT) fails to consistently assess whether its funding decisions make good financial sense, and that there is little evidence the department "systematically analyzes the financial consequences of its decisions." [3]

The Legislative Auditor's report raises underlying questions about the credibility of estimates that call for billions of additional investments in transportation. If we aren't spending money or financing projects effectively now, shouldn't we work to reform those processes before blindly throwing more money at the problem? How can taxpayers have faith that what is called for by advocates is what we truly need? As just one example, many of these studies build in a multiplier for construction inflation higher than what is used in other states, even as recent MnDOT presentations actually show deflation trends.[4] Still more taxpayer dollars are wasted on inflated costs due to outdated regulatory burdens, a complex and sluggish permitting system, and overly restrictive labor requirements.

It is our hope that this body reject HF1555 and focus instead on reforms that will protect Minnesota workers and taxpayers and deliver better results without digging deeper into their pockets.

Thank you for your time and attention to this important topic. Please don't hesitate to reach out if you have questions, need more information, or if you would like to discuss the issue further.

Sincerely,

Jason Flohrs
State Director
Americans for Prosperity - Minnesota

[3] MnDOT Measures of Financial Effectiveness, 2019 Evaluation Report, Office of the Legislative Auditor
[4] Highway Construction Costs and Cost Inflation Study, MnDOT, February 2019