



Summary of Meeting with Ron Erhardt

Civic Caucus, 8301 Creekside Circle, Bloomington, MN 55437

Friday, June 16, 2006

Guest speaker: State Rep. Ron Erhardt, chair, House Transportation Policy Committee

Present: Verne Johnson, chair; Chuck Clay, Paul Gilje, Jim Hetland (by phone), Jim Olson (by phone), and Wayne Popham (by phone)

A. Welcome and introduction— Verne welcomed Ron Erhardt to the Caucus. Verne explained that about 160 persons will be receiving summaries of this meeting, even though only a few persons are physically at the meeting. Erhardt will be given the opportunity to review and make changes in the summary before it is distributed. Paul introduced Erhardt, a 16-year veteran of the Minnesota House. He's been a financial planner for 34 years and has lived in Edina for 36 years. He's a member of several civic organizations, including the Citizens League, the Edina Chamber of Commerce, and Ducks Unlimited. He was given the 2006 Conservation leadership award from the League of Conservation Voters. In Erhardt's comments and in the discussion the following points were made:

1. Scope of vetoed bill with constitutional amendment —Erhardt noted that the 2005 bill containing the constitutional amendment for dedicating the motor vehicle sales tax (MVST) to transit and highways was part of an omnibus funding bill. The omnibus bill was vetoed by the governor, but the amendment stayed in effect because a governor's veto doesn't apply to submitting a constitutional amendment to the voters.

Erhardt then summarized the other major funding parts of the vetoed bill:

- an increase of 10 cents a gallon (in two five-cent increments) on motor fuel taxes,
- an increase in vehicle license taxes,
- dedicated revenue from 1/4 percent of sales tax collected in the metropolitan area to transit,
- increasing the authority of counties to levy wheelage taxes from \$5 to \$20 a vehicle and removing a requirement that county property tax levies be reduced accordingly,
- authorizing trunk highway bonds for 10 years at \$100 million a year.

The bill passed with support of 10 Republicans and 62 DFLers in the House. There was an expectation that the bill would end up in a conference committee to clear up some concerns over language, but the Senate accepted the bill without changes. Then the Governor vetoed the bill because it contained tax increases, which the Governor had pledged to veto.

Erhardt said the bill was designed to balance three urgent needs: (1) safety improvements for rural roads and strengthening weight capabilities of farm-to-market roads, (2) transit for inner cities and close in suburbs, and (3) highways to eliminate suburban bottlenecks.

In 2006 the Governor proposed a \$2.5 billion bonding program, with the bonds not being sold unless the MVST amendment passed. But that bill didn't get through the Legislature.

2. Provisions of constitutional amendment explained —The amendment, to be voted on in November 2006, requires a majority of all persons voting at the election to be adopted. The amendment dedicates all MVST funds to transit and highways. Under the language of the amendment transit is guaranteed at least 40 percent of the funds. The Legislature would determine how the other 60 percent will be apportioned between transit and highways. Amounts for highways would be deposited in the constitutionally-established highway user tax distribution fund and distributed according to provisions of constitution: 62 percent to state highways; 29 percent to county highways, and 9 percent to municipal highways.

3. Unsuccessful efforts to change language of the amendment —Focus groups have revealed that prospects for success would be enhanced if 60 percent were guaranteed for highways, Erhardt said. Erhardt said he personally supports such a guarantee. However, efforts to make changes in the language during the 2006 Legislature were unsuccessful.

4. Urgent need for transportation funding —To illustrate the need for transportation funding, Erhardt distributed a forecast issued December 6, 2004, outlining combined needs for additional funds of \$1.7 billion annually for the next quarter century for state, county, and municipal highways, transit, airports, ports and waterways. Of that \$1.7 billion, slightly more than \$1 billion would be needed annually for state trunk highways, and about \$300 million annually for transit.

Even if the amendment is adopted, needs will be greater than can be funded by the amendment alone, he said.

To illustrate the urgency for funds, Erhardt said MnDOT is resorting to asking contractors to submit bids that include lending money to the state.

If needs are so great, a member said, it is puzzling why the Legislature has such a difficult time responding in conventional fashion, rather than via a constitutional amendment.

5. Adjusting for drop in vehicle license fees —Erhardt discussed the connection between dedicating MVST funds for transportation and a reduction in vehicle license fees during the Ventura administration. To offset a reduction in vehicle license fees that was advocated by Ventura, the Legislature decided to dedicate—by law—slightly more than one-half of the MVST funds. The proposed constitutional amendment would permanently dedicate all MVST funds for transit and highways.

6. Unusual opposition to the amendment —Some greater Minnesota (non-metro) residents are opposed to the amendment because of its guarantee of at least 40 percent for transit. Unfortunately, many persons in that part of the state aren't yet aware of their transit needs. Some places are aware, he said, including St. Cloud, Duluth and Rochester.

7. Necessity for a constitutional amendment —Erhardt was asked why a constitutional amendment is being proposed since the Legislature could dedicate the same funds by law for transit and highways. Erhardt replied that the constitutional amendment was proposed by the Governor. As a principle, Erhardt said he doesn't support dedicating funds in the constitution and that he'd oppose an amendment for outdoors, for example. But in light of the Governor's action and in light of the fact that gasoline taxes and license fees already are dedicated, the MVST dedication doesn't seem to be a departure from principle. A Civic Caucus member said that if MVST passes, we'll see a host of additional functions seeking constitutional protection, too.

8. Seeking other commentary —Asked who else we might visit with, in addition to persons already heard from and scheduled, Erhardt said that someone from the rural areas might be helpful. It was noted that the League of Small Cities might be a good place to turn. He also suggested the Transportation Alliance and its legislative director Margaret Donahoe.

9. Question of long-term stability —Noting that the Legislature could change the MVST allocation to highways every year, a member inquired whether the MVST amendment really provides the long-term revenue stability that the state trunk highway interests are seeking. During this discussion Verne clarified that the Civic Caucus is on record in favor of an increase in the state gasoline tax, which would provide the needed stability.

10. Consequences of voter rejection —The question was raised but not answered as to what would happen in the 2007 Legislature if voters reject the amendment this fall. Will the Legislature be more reluctant to pass a tax increase for transportation? The Legislature could, of course, pass a MVST dedication by statute.

11. Transit decisions needing to be made —If the amendment passes, then the Legislature would need to determine the exact distribution between transit and highways and also decide how to distribute the transit funds. He said one plan is that—of the 40 percent given to transit—36 percent would go to metro area and 4 percent to the rest of the state. Asked about the definition of "transit", Erhardt said he thinks that such improvements as park-and-ride lots would fall under the transit definition.

12. Five-year phase-in —In response to a question, Erhardt said that if the amendment passes, full dedication of MVST would be phased in over five years.

B. Thanks —Verne thanked Erhardt for meeting with us today.

The Civic Caucus is a non-partisan, tax-exempt educational organization. Core participants include persons of varying political persuasions, reflecting years of leadership in politics and business.

A working group meets face-to-face to provide leadership. They are Verne C. Johnson, chair; Lee Canning, Charles Clay, Bill Frenzel, Paul Gilje, Jim Hetland, John Mooty, Jim Olson, Wayne Popham and John Rollwagen.