



Margaret Donahoe, Executive Director, Minnesota Transportation Alliance

Interview with The Civic Caucus

8301 Creekside Circle #920, Bloomington, MN 55437

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Notes of the Discussion

Present : Verne Johnson (chair), David Broden, Janis Clay, Paul Gilje, Jim Hetland, Dan Loritz (vice chair), Tim McDonald, Clarence Shallbetter

Summary of discussion : Margaret Donahoe, executive director of the Minnesota Transportation Alliance, argues that Minnesota is falling short of its maintenance of roads and missing opportunities to invest in infrastructure necessary for Minnesota to be competitive in future. Presently there is a gap of \$1.5 billion/year between current state expenditures on road and transit and the expenditures the Alliance believes are required for further growth. Possible sources of additional revenue are identified.

A. Welcome and introductions - Margaret Donahoe serves as executive director for the Minnesota Transportation Alliance. Donahoe joined the Alliance in 2000 to assist with legislative affairs and communications. She has been Executive Director since 2008.

Donahoe also serves on the Executive Committee for the Center for Transportation Studies at the University of Minnesota and on the Transportation Advisory Board to the Metropolitan Council.

Prior to joining the Alliance Donahoe spend eight years working for the Minnesota Senate, including three years as Committee Administrator for the Senate Transportation Budget Division.

Donahoe received her Bachelor's degree from the University of Minnesota and a Master's Degree in Public administration from Hamline University.

Originally organized in 1983, the **Minnesota Transportation Alliance** is a statewide coalition of organizations including local governments, businesses, labor, the transportation industry, transit systems, rail, waterways, and airports.

B. Background -

Recently two speakers have visited with the Civic Caucus on the topic of transportation: Lee Munnich, director, State and Local Policy Program at the Humphrey School of Public Affairs, and John

Hausladen, president, Minnesota Trucking Association. This interview continues series on the topic of Minnesota transportation infrastructure needs and means.

The prior two interviews with Munnich and Hausladen may be found on the Civic Caucus website at: www.CivicCaucus.org.

C. Discussion

THE PROBLEM: funding of transportation has not kept up with needs.

The Alliance represents all modes of transportation, Donahoe said, and it is a juggling act to keep all members on the same page. Yet it is clear there is a range of needs, from road and bridge maintenance to transit, and the funding of much of those needs is not being met.

The Alliance has estimated there will be a cumulative \$30 billion funding gap for all modes of transportation over the next 20 years. It expects the state will require a \$1.5 billion more per year than it is spending now to reach the goals of the Alliance's member organizations.

The Alliance succeeded at the Legislature in 2008 with a transportation-funding package it had supported. That funding legislation has not generated as much revenue as anticipated at the time it passed, Donahoe said. Further, the Alliance expects that the state will begin seeing a decline in revenue from the gas tax as people buy more fuel-efficient vehicles.

There appears to be a lot of emphasis on moving people, not products, Donahoe said, and that adds a complicating dimension to the funding problem the Alliance confronts. Often, legislative funding efforts will focus on traffic congestion in metropolitan areas, but many Alliance members are rural and use roads for transport of goods. This part of the funding problem needs serious attention if Minnesota is to remain competitive.

THE GOAL: Fund all components of the transportation system sufficiently.

The state is close to meeting maintenance needs presently.

The current level of state transportation funding is close to meeting road and bridge maintenance needs, Donahoe said, and if funds are used only for maintenance, existing roads can be kept in reasonable shape - but then the state couldn't do anything else to invest in future transportation needs.

Yet there are new opportunities for transportation investment.

"When you lay all the needs out on a map I think people can see that transportation is truly part of an integrated system," Donahoe said, "and they can see more clearly what we're trying to achieve eventually."

Much of the state's infrastructure is what the Alliance calls "baby boomer infrastructure", a large outgrowth during the post World War II housing expansion. In many cases state and local roads were built for car traffic, not for heavy loads. The Alliance is interested in building a network of roads designated accommodate 10-ton-per-axle trucks. County engineers have identified key local roads

that they can route heavy commercial loads to, and upgraded roads must be put in place to move heavy loads from rural plants and agricultural areas to commercial centers.

While strengthened roads are desirable, prevention of excessively rapid depreciation is important as well, by, for example, requiring trucks to have more axles.

People feel that the highway system is now to a great degree "complete." Twenty years ago there was an expectation of more new developments, of building for the future. Today there's more interest in transit. Donahoe suggested, "It's reasonable to expect that the transit lines will be built if we can get 50 percent of the funding from federal sources."

Minnesota is comparable to other states in terms of spending on infrastructure. The gap in Wisconsin is very similar to Minnesota. But that is no reason to feel complacent. As a nation, Donahoe says, we're in trouble. According to the National Surface Transportation Policy and Revenue Study Commission, the country needs an investment of \$225 billion annually from all sources over the next 50 years to upgrade our existing system to a state of good repair and create a system able to sustain a strong economy. We are spending less than 40% of this amount today. The country needs to invest \$140 billion more each year. While China invests around 9% of GDP on transportation infrastructure and European countries invest close to 5%, the US continues to invest only about 2% of our GDP on transportation infrastructure.

THE STRATEGY: Demonstrate possible future funding scenarios.

Get the public engaged in demanding adequate infrastructure.

To be successful Donahoe said transportation advocates need to get the public engaged.

"Unfortunately transportation and infrastructure are not hot political topics."

The Alliance knows they need public support or they won't have legislative support. When they look at issues with successful funding requests, those are issues whose advocates are very specific about where the money goes. The public has to be able to trust where the money is going to be used - or else legislators just say 'no.' "How can we get the public engaged and win their trust that the money will be used the way we say it will be used?" she asks.

Possible sources of additional revenue are identified.

The Alliance has collected the requests from the various agencies including MNDOT, and private associations, and put them in one package of funding requests.

The total additional request in excess of maintenance costs is approximately \$1.5 billion per year.

Some possible sources include:

Fuel tax - additional \$.05/gallon (**\$150 million**)

Fuel tax rate indexing - 3%/year (**\$18.6 million**)

Vehicle registration tax - +\$5/year (**\$26.5 million**)

Motor vehicle sales tax - +1% (**\$27.6 million**)

Motor vehicle sales tax exemptions (**\$20-80 million**)

Drivers license fees - +\$5/driver (**\$19.5 million**)

Underground petroleum tank release fund added tax (**\$30 million**)

Leased vehicles sales tax increase (**\$40-50 million**)

Local wheelage tax increase (**\$40-50 million**)

Local option sales tax maximize leverage authority (**\$80-200 million**)

Gaming revenue yearly estimate (**\$250 million**)

Total: up to **\$900 million/year** new revenue. Financing options such as bonding, public-private partnerships, etc would allow projects to be accelerated with payback over time.

Other options that are difficult to estimate a dollar amount for include: increased general fund appropriations, dedication of sales tax on vehicles parts and services, sales tax on fuel purchases, toll revenue, street improvement districts, payroll tax, surcharge on DWI and other moving violations, transit advertising revenue, increased farebox recovery, and an annual fee for electric vehicles.

Any request for funding has to be sufficiently bold to gain support.

The Alliance believes legislators want to know that if they vote for a tax increase it will be enough of a tax increase to do some good. "The people who are anti-tax won't vote for anything. For those who will, what's the point of voting for 3 percent or voting for tax increases that will not result in significant improvements in important corridors?"

Building the political support takes time. The Governor has indicated he will appoint a transportation finance task force, but has not named the appointments yet.

D. Closing -

There is a significant transportation problem that the state is not addressing because of the lack of a well-understood, well-publicized plan and the political support to provide the momentum for legislative action, Donahoe argued.

There needs to be more of a conversation to engage the public so they know what will and will not be built. If we want to be a world class state we need the public to understand that investing in transportation is necessary," she said.

The chair thanked Donahoe for the informative discussion.