

STATE SUMMARY OF COUNTY TRANSPORTATION FUNDING AND FINANCE

MINNESOTA COUNTIES

FUNDING SOURCES FOR COUNTY TRANSPORTATION PROJECTS

From State Funds:

- Revenues from the state motor vehicle licensing fees, motor fuel taxes, and the motor vehicle sales tax are deposited into the Highway Users Tax Distribution Fund (HUTDF) and are constitutionally dedicated to road and bridge projects and maintenance. After a five percent set aside, 29 percent of these funds are distributed to counties; out of this 29 percent share, counties are required to provide funding and maintenance not only for the County State Aid Highway System (CSAH) but also for CSAH that run through cities with a population of less than 5,000.
- Any proceeds from state taxes on motor fuel also go into the HUTDF. A portion of these proceeds is dedicated to the county state-aid highway fund for allocation to counties for highway purposes. A county must use its portion of the revenues from the state tax on gasoline for the management and maintenance of forest roads.
- The first \$32 million in revenue from the leased motor vehicle sales tax is deposited in the State General Fund. Revenues above this amount are split between some metro counties and Greater Minnesota Transit.

From County Funds:

- Counties are responsible for two separate road systems, the County State Aid Highway System (CSAH) and the local county road system. The County State Aid Highway System is largely funded through state revenue sources such as fuel tax allocations, and registration and vehicle sales tax revenues from the Highway User Tax Distribution Fund. The county road system is funded through local revenue sources such as property tax revenue, or local option sales and wheelage taxes.
- Counties have authority to impose a \$10 per vehicle wheelage tax to be used towards local road and bridge improvements. Authority to impose this tax was recently expanded to all counties, rather than just those in metropolitan areas, 47 (out of 87) counties voted to implement the tax in 2014. Counties have the option of collecting the tax themselves or delegating collection to the state which then issues the payments to the counties on a monthly basis, all counties have chosen to delegate the collection to the state.
- Non-metro counties can now enact up to a ½ cent transportation sales tax without holding a referendum, and revenue use has been expanded to transit operating costs, not only capital. It can also be used for road and bridge capital costs. The tax is levied on anything that is currently subject to sales tax in the county. Because motor vehicles are not subject to a state sales tax, there is authority to apply a one-time

Share of County Owned Road Miles Out of Public Roads Statewide	34%
Share of County Owned Bridges Out of Public Bridges Statewide	41%
Share of Structurally Deficient Bridges Out of County Owned Bridges	13%

COUNTY FINANCIAL AUTHORITY		
	County Authority	Limitations
Levy Property Taxes	X	Counties have limitations on property tax rates.
Levy Personal Property Taxes		
Levy Local Option Sales Taxes	X	With County Board approval, some counties may levy up to ½ cent local sales tax for transportation, other counties have authority to levy a 1/4 cent tax for transit use only.
Levy a Local Gas Tax		
Charge a Motor Vehicle License or Registration Fee	X	Counties have authority to impose a wheelage tax of up to \$10 and in 2018 amounts of up to \$20 will be allowed.
Form Special Districts for Transportation		

\$20 fee on vehicle purchases for this purpose. Some counties have chosen not to employ this fee. In the Metropolitan area, there is authority for a 1/4 cent tax to be used for transit capital costs only.

COUNTIES FACE THE FOLLOWING CHALLENGES IN FUNDING AND FINANCING TRANSPORTATION PROJECTS

- The Legislature tried to pass a gross receipts tax rather than a flat (cents per gallon) tax, which failed in 2013. The Legislature and Governor are weary of gas tax increases, and believe that the funding gap is too large for small revenue increases to make meaningful progress.

NEW FUNDING AND FINANCING SOLUTIONS FOR COUNTIES

- Counties can now impose a \$10 per vehicle wheelage tax to be used towards local road and bridge improvements. Currently the county only has authority to choose whether or not to impose the \$10 tax, however, in 2018 counties will be able to charge amounts up to \$20 per vehicle.
- Non-metro counties can now enact up to a 1/2 cent transportation sales tax without holding a referendum and revenue use has been expanded to transit operating costs, not only capital, it can be used for road and bridge costs as well. The tax is levied on anything that is currently subject to sales tax in the county. Since motor vehicles are not subject to a state sales tax, there is no authority to apply a one-time \$20 fee on vehicle purchases for this purpose. Some counties have chosen not to employ this fee.

BREAKDOWN OF COUNTY TRANSPORTATION FUNDING¹

County Share	31%
State Share	0.25%
Federal Share	69%

¹ This is an estimate based on information from the Association of Minnesota Counties. County share includes 29 percent of the Highway Users Tax Distribution Fund (HUTDF) which is constitutionally dedicated to counties. HUTDF consists of state motor fuel taxes, motor vehicle licensing fees and motor vehicle sales taxes.