Minnesota Counties

State Summary of Transportation Funding and Finance

## **Transportation and Financial Authority:**

Counties have authority to:

• County commissioners may levy taxes, issue capital notes to acquire equipment for the county, and issue notes in anticipation of taxes. County commissions have the authority to issue bonds to fund county purposes; however, counties may not become indebted more than five percent of the most recent assessment of property in the county to aid in the construction or equipment of railroads.

• A county may pass a resolution proposing a local general sales tax of up to a ½ cent for transportation or a use tax at the same rate. Up until 2013, outside the seven county metro area, the implementation of any new taxes required voter approval. This was changed to require county board approval. All proceeds from the taxes must be dedicated to a specific capital improvement project or transit operating expenses. Currently, the seven county metro area has the authority to levy a 1/4 cent sales tax for transit purposes only.

Mandated/Authorized Transportation Services:

• 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 by the distribution of fuel tax, registration and vehicle sales tax revenues from the Highway User Tax Distribution Fund, while county road system is funded through property tax revenue, or local option sales and wheelage taxes

• The county must also maintain roads in municipalities of less than 5,000 residents. Counties all receive a portion of the County State Aid Highway fund to aid in their execution of this duty.

• County governments may join a regional railroad authority, which may acquire, construct, develop, improve, expand, operate, and maintain railroads within its corporate boundaries, as well as raise funds by taxation and issuing bonds. The authority may not contribute more than 10% of the cost of a private company constructing a rail.

• Counties have the authority to impose a wheelage tax of $10 to be used towards local road and bridge improvements. In 2018, amounts of up to $20 will be allowed.

## **Funding Sources for County Transportation Projects:**

• Counties 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, 47 of which have 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.

• Counties can now enact up to a ½ cent transportation sales tax without holding a referendum, and revenues can be used for capital and operating costs for transit in the seven county metro area as well as capital costs related to the Safe Routes to School program. In Greater MN, the sales tax can be used for roads and is enacted on a per-project basis. It can also be used for transit capital and operating 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 $20 fee on vehicle purchases for this purpose. Some counties have chosen not to employ this fee.

• License tab renewal fees are imposed on vehicles kept in the county that corresponds with the address on the tab statement that is being renewed.

• Revenues from 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 5% set aside, twenty-nine 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 CSAH but also for CSAH that run through cities with a population of less than 5000.

• 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 $32M 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 MN Transit.

• The Minnesota Department of Transportation’s Office of Transit is responsible for transit planning and assistance in GREATER MINNESOTA. Transit programs are available in 74 of the 80 nonmetropolitan counties and are similar to those in the metropolitan area, but on a smaller scale. The division of funding for most Greater Minnesota transit programs is generally one-third federal, one-third state, and one-third local.

## **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.

## **Innovative Solutions to Funding and Financing Challenges**

• Counties can 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 set their own rate up to $20 per vehicle.