



# Summary of Meeting with Mary Liz Holberg

Civic Caucus, 8301 Creekside Circle #920, Bloomington, MN 55437.

*Friday, June 9, 2006*

**Guest speaker: State Rep. Mary Liz Holberg**, chair, House Transportation Finance Committee

**Attendance:** Verne Johnson, chair (phone), Chuck Clay, Paul Gilje, Jim Olson (phone), Wayne Popham (phone), and John Rollwagen (phone)

**A. Welcome and introduction—** Verne welcomed Rep. Holberg and explained that the Civic Caucus is reviewing the question of a proposed state constitutional amendment. The amendment would dedicate the motor vehicle sales tax to transportation. Rep. Holberg, a resident of Lakeville, is serving her fourth two-year term in the Legislature. She was first elected in November 1998. A local business owner, Holberg has held positions in several governmental and community groups in Lakeville, including the City Council, planning commission, housing and redevelopment authority, and chamber of commerce. In Holberg's comments and in discussion with Civic Caucus participants the following points were made:

**1. History of the dedication issue—** Almost from the moment of passage of the state sales tax in 1967, transportation advocates have been working for dedicating the sales tax on motor vehicles to transportation. In 1971 the Legislature put the sales tax on motor vehicles into a separate chapter of the statutes and renamed it the motor vehicle excise tax. The tax was later renamed the motor vehicle sales tax, or MVST. Its revenue, like all other sales tax revenue, was directed to the state's general fund. Since 1981 a variety of laws were passed to gradually transfer MVST funds to transit and highways. Under current law, 53.75 percent of MVST funds are dedicated to transit and highways and the remaining is deposited in the state general fund.

A constitutional amendment to be voted on in November 2006 would require that after a five-year phase in period all MVST funds would be dedicated to transit and highways. The amendment provides that at least 40 percent of the dedicated funds would be for transit and the remainder, not to exceed 60 percent, would be deposited in a constitutionally-established highway user tax distribution fund.

The highway user tax distribution fund already includes revenues from the state gasoline tax and vehicle license tabs. The constitution requires that 62 percent of the fund shall go for state highways;

29 percent, county highways, and 9 percent, municipal highways. Should the MVST amendment pass, amounts for highways would be distributed in the same manner.

**2. Passage of the amendment in the Legislature—** At the end of the 2005 session, late in the night, the House of Representatives added a provision for constitutional dedication of MVST funds to an omnibus transportation bill. The amendment was sponsored by Rep. Ron Erhardt of Edina. The omnibus bill with the amendment passed the House, and the Senate concurred. Therefore, no conference committee was needed, and the omnibus bill went directly to the Governor. The bill, which also included an increase in the state gasoline tax and a metro-wide sales tax for transit, was vetoed by Governor Pawlenty.

However, the Governor's veto had no effect on the provision for a constitutional amendment. Under Minnesota's constitution, constitutional amendments are submitted to the voters directly by the Legislature without the Governor's involvement. This meant that the MVST amendment remained alive, even though all other parts of the bill were vetoed.

**3. Controversy in the 2006 Legislature—** Several unsuccessful efforts occurred during the 2006 Legislature to change the wording of the amendment. The amendment provides that "at least" 40 percent of MVST funds shall be dedicated to transit. Should the amendment pass this November, the Legislature each session would decide how the remaining 60 percent would be apportioned between transit and highways. The Legislature could give the entire 60 percent to transit—in addition to the 40 percent already guaranteed—or it could give the entire 60 percent or any amount up to 60 percent to highways.

Holberg said that House and Senate members were very close to an agreement in 2006 that would guarantee 60 percent to highways, but end-of-session deadlock produced no action. So the original language of the amendment remains in effect. The conference committee was close to agreement on both the constitutional language and the language on the ballot, she said.

Holberg said many outstate people who are interested in highways will oppose the amendment this November because they fear the Legislature will give more money to transit, which benefits the metropolitan area.

Studies of voter preferences reveal that language in the ballot question about the amendment would attract 12-15 percent more yes votes than the current language if other, non-adopted, language had made clear that no new tax is involved, Holberg said.

**4. Transit and highways are the only funding options—** Holberg clarified that the amendment, if adopted, would provide two choices for the use of MVST funds, transit or highways. It would not be possible, for example, to give a portion to the general fund if highways were to receive less than 60 percent. If highways were given less than 60 percent, then transit would receive the balance. Currently some MVST funds are placed in the general fund. That would not be possible should the amendment pass.

**5. Existing constitutional distribution formula would apply—** All MVST dollars designated for

highways would be placed in the highway user tax distribution fund and be apportioned according to a formula already in the constitution: 62 percent for state highways; 29 percent, county highways, and 9 percent, municipal highways.

**6. Transit demand is high—** Holberg said that advocates for transit will work very hard to justify a larger-than-40-percent share of MVST for transit. She said she has seen numbers that reveal that by 2012 transit operating expense in the metropolitan area alone could claim a need for considerably more than one half of all MVST funds.

**7. Holberg not excited about the amendment—** Personally, Holberg has said she will not campaign for or against the amendment. She said she is deeply concerned that highways have great needs but could suffer under the amendment.

**8. Procedural requirements for Legislature in 2007—** If the amendment passes, the Legislature in 2007 would have to pass a law providing for a specific division between transit and highways, Holberg said.

**9. Advantage in knowing what projects will benefit—** Holberg said she authored a bill that didn't pass providing for \$2.5 billion in bonding for highways over 10 years. That bill specified a list of projects. Experience in other states indicates that a ballot question has the best chance of being adopted when people see a list of projects and know, therefore, where the money will be spent.

**10. Question of need for constitutional protection—** A questioner wondered what the compelling reason is to place such a revenue guarantee in the state constitution. Holberg said the voters will decide. Advocates point out that transportation already has a dedicated fund. Another questioner said that if the amendment is adopted, outdoors and education will seek similar protection, and nothing will keep the movement from snowballing. Commenting on outdoors, where supporters are pushing for a special session, Holberg said she doubts it will be on the ballot this year. Another questioner expressed concern that the Governor is left out of the process when constitutional amendments are proposed. Holberg said she has no problem with that principle, because the collective vision of the people as expressed on amendments at the ballot box is more important. Another questioner said that submitting such amendments to the voters seems to be an act of desperation—matters can't seem to be resolved at the Legislature.

**11. Inflexibility in constitutional amendments—** A questioner said that the world is changing so fast that why would someone want to place a provision in the constitution unless you knew that circumstances wouldn't be changing again soon. It might be better, the person said, if the proposed transportation amendment had a sunset clause.

**12. So little legislative consideration—** The group discussed briefly that something as important as a constitutional amendment really received very little discussion before passage. The provision wasn't voted out of a regular committee to the floor. No conference committee took place.

**13. Relative needs of county and municipal highways—** It was noted that county and municipal highways automatically receive a share of the highway users fund whenever state trunk highways are

given a share. Needs at the state, which are given wide prominence, drive the funding of counties and municipalities. Holberg replied that controversy has been present for many years over the distribution of the funds among counties. Metropolitan counties claim that the distribution favors rural counties. For example, Hennepin County is receiving funds covering only 35 percent of its needs, while one rural county is receiving 195 percent of its needs.

**14. Comparison with other states—** Jim Olson, a resident of Decatur, IL, said a special gasoline tax funds transit metro transit in the Chicago area. . The original source of funding for the Regional Transportation Authority (the 6 or 7 counties in Illinois adjacent to and including Chicago) was the Illinois State Lottery. Realistically, this recognized the large amount needed for transportation in the Chicago( or any) metro area, but the lottery revenues were re-directed to education funding after 10 years, and the RTA became a taxing district. The gasoline price difference between the RTA counties and Decatur seems to Olson to be in the neighborhood of 10 cents per gallon. In his city of Decatur the transit system has a goal that the fare box will pay 23 percent of transit expenses, leaving a huge hole, Olson said, to be filled with tax revenues.

**15. Difficulty in serving "riders" in the Twin Cities area—** Holberg said the absence of any natural barrier, such as a mountain or a lake, means that the Twin Cities area grows in 360 degrees. Such growth in so many directions makes it very difficult, she said, to provide transit service.

**16. Advocates and opponents of the amendment—** Holberg said a broad coalition headed by the Minnesota Chamber of Commerce is leading the campaign for the amendment. She a coalition of outstate interests is developing in opposition.

**17. Availability of additional information—** Holberg distributed two memos from House Research with background on MVST. She said House research is a good source for additional information.

**B. Thanks to Holberg—** Verne expressed thanks to Holberg 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.**