



STATE OF MINNESOTA

Office of Governor Tim Pawlenty

130 State Capitol ♦ 75 Rev. Dr. Martin Luther King Jr. Boulevard ♦ Saint Paul, MN 55155

May 15, 2007

The Honorable Margaret Anderson Kelliher
Speaker of the House of Representatives
100 Rev. Dr. Martin Luther King Jr. Blvd.
463 State Office Building
Saint Paul, Minnesota 55155

Dear Speaker Anderson Kelliher:

I have vetoed and am returning House File 946, Chapter 84, the Omnibus Transportation Finance Bill.

With more than \$5 billion in tax and fee increases, this bill would impose an unnecessary and onerous financial burden on Minnesota citizens and would weaken our state's economy. The entire array of tax increases in this bill would cost an average family in Minnesota up to \$500 per year.

As I clearly stated to the legislative conference committee that crafted this legislation, I remain opposed to increasing the tax burden on Minnesota families. With gasoline prices rising to historic highs, a gas tax increase of up to 7.5 cents per gallon is untimely and misguided.

While the media have focused on the gas tax increase, other provisions in this bill need to be highlighted, including:

- A 0.5% sales tax increase in the seven metro counties and any adjacent county that chooses to join in without a voter referendum. This will result in Minneapolis and Hennepin Counties having one of the higher sales tax rates in the nation.
- A 0.5% sales tax increase in Greater Minnesota counties, subject to voter referendum.
- A new \$20 excise tax on motor vehicle purchases.
- Removal of the requirement that metropolitan counties that impose a wheelage tax (\$10) offset that amount on their property tax levy, effectively increasing property taxes.

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- Removal of caps on "license tabs" which limit the tax to \$189 in the second year after a car is purchased and \$99 in the third year, instituted at the recommendation of Governor Ventura during the 2000 legislative session, subjecting car owners to significant increases.

I am disappointed that the conference committee did not adopt my transportation proposal and once again overreached. This type of overreaching has resulted in a transportation funding stalemate at the Capitol for too many years. Steady progress that is achievable is preferable to no progress at all.

Along with the numerous tax increases, the following provisions in the bill are also objectionable:

- I remain opposed to the provision creating a new joint powers entity in the metropolitan area with powers to distribute transportation funds to counties, cities, and the state. The proposed governing board would create a duplicative and unnecessarily complicated structure and add unnecessary process at the local, state and federal levels. Separating transportation spending decisions from the regional transportation planning function – as HF 946 would do – would be a step backward (recall the Regional Transit Board). This provision is bad public policy and would likely feature parochial decision making over an objective, regional perspective for transportation and transit planning, capital investments, and operations.
- I also remain opposed to the provision that severely restricts the extent to which a county regional rail authority may participate in financing the construction and operation of a transit project. This provision will have a negative impact on Minnesota's ability to compete for federal capital transit funding for future "new starts" projects, and it could also have an immediate negative – or even fatal – impact on the Northstar commuter rail project. This provision would necessitate a restructuring of the Northstar capital financing plan that has been submitted to the Federal Transit Administration. The restructuring effort could delay the project, putting in question the project's ability to remain eligible for federal funding.

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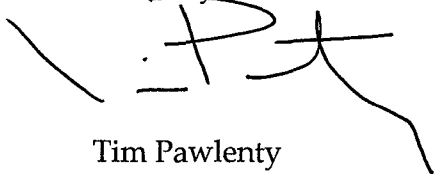
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The bill includes many items on which we share some agreement, such as a significant level of trunk highway bonding to accelerate long-delayed priority highway projects, the distribution of constitutionally dedicated motor vehicle sales taxes (MVST) with a ratio of 60 percent for roads and highways and 40 percent for transit, and the dedication of sales tax revenues on leased vehicles to highways and transit. However, I strongly urge the Legislature to adhere to my earlier proposal to include leased vehicle sales tax revenue in the base of the constitutionally dedicated MVST fund, and distribute the overall transit portion 38 percent for Metro area transit and 2 percent for Greater Minnesota transit. This formula will ensure that transit systems across the state will have additional funds to meet their future operating obligations.

I am issuing my veto promptly because I believe there is still time this session for the Legislature to pass a significant transportation financing bill – without tax increases – that I can sign into law. Investing in transportation is important to the citizens of Minnesota and a top priority of my administration. I urge the Legislature to approve my administration's transportation financing proposal and help us move forward in addressing Minnesota's transportation needs.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tim Pawlenty', written over a horizontal line.

Tim Pawlenty
Governor

cc: Senator James Metzen, President of the Senate
Senator Lawrence J. Pogemiller, Majority Leader
Senator David Senjem, Minority Leader
Senator Steve Murphy
Representative Marty Seifert, Minority Leader
Representative Bernard Lieder
Mr. Patrick E. Flahaven, Secretary of the Senate
Mr. Al Mathiowetz, Chief Clerk of the House of Representatives
Mr. Mark Ritchie, Secretary of State