



STATE OF MINNESOTA

Office of Governor Tim Pawlenty

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

February 22, 2008

The Honorable Margaret Kelliher
Speaker of the House
463 State Office Building
St. Paul, Minnesota 55155

Dear Speaker Kelliher:

I have vetoed and am returning House File 2800, Chapter 152, the Omnibus Transportation Finance Bill.

While there is broad consensus that the state needs to build on the record level of transportation funding we have provided over the past five years, this bill is an overreaching, massive tax increase that will further burden Minnesotans during already difficult economic times.

In addition, I am disappointed that the majority caucuses in both bodies chose to ignore my concerns and repeated offers to work together on a compromise, comprehensive transportation package.

This bill contains \$6.6 billion in tax increases, plus a possible \$1.8 billion in additional local option sales taxes.

Furthermore, unrelated to the revenue from the numerous tax increases, the bill creates an additional \$3.6 million general fund spending obligation in the current budget period and an additional \$86.6 million general fund obligation in the 2010-11 budget. With the state currently facing a \$373 million deficit that will likely become much larger with the release of the February forecast next week, it is unwise to create additional large spending obligations before the forecast is issued.

My concerns about the numerous tax increases in this bill include the following:

- A gas tax increase of up to 8.5 cents per gallon is simply too large, especially with gas prices near historic highs. I remain committed to

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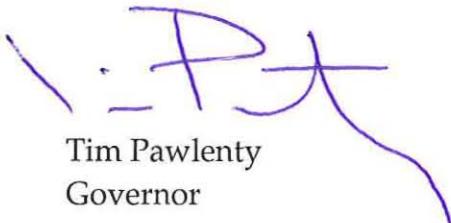
keeping Minnesota out of the top 10 in national tax rankings. A gas tax increase of this magnitude would propel Minnesota from a state gas tax ranking of 28th in the nation to a ranking of 7th.

- A 0.25 percent sales tax increase without a referendum in the seven metro counties would give parts of our state one of the highest sales tax rates in the nation. In addition, residents of metro counties deserve the same right to vote on a sales tax increase given to residents of Greater Minnesota in this bill.
- A license tab tax increase would undo most of the cuts to this tax achieved in recent years. The bill removes the caps on license tab taxes that limit the tax to \$189 in the second year after a car is purchased and \$99 in the third year. This will place a heavy burden on those purchasing a new vehicle.
- A new \$20 excise tax on motor vehicle purchases and an increase in motor vehicle rental taxes add to the overreaching nature of this bill.

Finally, I am concerned about this bill's provisions that create a "payment plan" option for persons whose drivers' licenses are revoked for drunken driving. Delaying revenue to the state to provide financial breaks to drunken drivers is misguided policy.

Along with the numerous tax increases, the overall structure of the financing in this bill is flawed. We need to focus a majority of our resources on projects that provide congestion relief, interregional mobility, and support economic development. I am concerned about the disproportionate amount of new taxing authority and new funds being directed to local governments without requiring their commitment to such priorities or requiring they reduce property taxes.

Sincerely,



Tim Pawlenty
Governor

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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 Bernie 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