



ISSUE BRIEF

MVST Constitutional Amendment

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The long term financial health of transportation projects could get a boost in November if voters choose to pass the ballot question dedicating 100% of Motor Vehicle Sales Tax (MVST) revenues to transportation. A debate about the proper use for the proceeds of sales tax on motor vehicles has existed for many years, and the vote could decide if the proceeds are constitutionally dedicated for highways and transit or remain available for use on other government programs such as education and health care.

For the most part, the sales tax proceeds have been deposited in the general fund and used for various purposes. Transportation advocates have advanced proposals to have the tax on motor vehicle purchases benefit the transportation system. Previous attempts to dedicate dollars statutorily to transportation, however, have fallen short of full implementation during lean budget years. The ballot question seeks to dedicate the revenues permanently to highways and transit by changing the constitution, but at a cost to the general fund.

For fiscal 2008, the first fiscal year the amendment would have an effect, MVST is projected to raise \$557 million. Under current law, over 53% is already statutorily dedicated to highways and transit. These statutory dedications occurred in 2001 when motor vehicle registration taxes or "tab fees" were reduced and dedicating a 32% of MVST to highways was used as to fill in the loss of registration tax revenue. The legislature also decided to reduce property tax levies for transit and used a dedication of 21.25% of MVST to remove transit levies for transit operation statewide. Those moves left 46.25% of MVST, or roughly \$258 million, to be deposited in the general fund and used for other purposes in fiscal 2008.

The constitutional amendment proposed would shift the remaining 46.25% deposited in the general fund to highways and transit over a five year period. Transportation projects would receive 100% in fiscal 2012 and beyond. In the end, transit would receive no less than 40% of MVST revenues, and highways no more than 60% of revenues at that point. The legislature could increase the transit portion of 40% by statute if it chose to do so by reducing the 60% dedicated to highways. Conversely, highway revenues are limited to 60% of the proceeds and could not exceed that amount.

The "highway" portion of revenues would be deposited into the Highway User Tax Distribution fund, and then further distributed by formula. Of that portion, the state

trunk highway fund would receive roughly 60%, counties (CSAH) would receive roughly 30%, and the municipal state aid streets fund (MSAS) about 10%.

The 40% of MVST revenues dedicated to Transit would be split between the Metropolitan Council for use in the metro area, and MN/DOT's Office of Transit to be used in greater Minnesota. If the measure passes, the legislature will determine the split between the metro area and greater Minnesota.

Table 1 shows projected MVST revenues, and the effect of the constitutional amendment passage on the general fund.

Table 1

Constitutional Amendment: 100% of MVST to Transportation								
(\$ in thousands)								
FY	MVST Total	Current Law Transportation	Remaining in General Fund*	Amendment Shift to Transp.	Share of New Funding			
					Transit	Trunk Highway	CSAH	MSAS
2006	\$540,000	\$290,250	\$249,750					
2007	\$549,000	\$295,088	\$253,913					
2008	\$557,700	\$299,764	\$202,166	\$55,770	\$20,914	\$20,530	\$11,346	\$2,980
2009	\$581,100	\$312,341	\$152,539	\$116,220	\$45,035	\$41,928	\$23,171	\$6,086
2010	\$592,722	\$318,588	\$96,317	\$177,817	\$69,645	\$63,713	\$35,210	\$9,249
2011	\$604,576	\$324,960	\$37,786	\$241,831	\$95,221	\$86,353	\$47,721	\$12,535
2012	\$616,668	\$331,459	\$0	\$285,209	\$112,542	\$101,701	\$56,203	\$14,763
2013	\$629,001	\$338,088	\$0	\$290,913	\$114,793	\$103,735	\$57,327	\$15,058
2014	\$641,581	\$344,850	\$0	\$296,731	\$117,089	\$105,810	\$58,474	\$15,359
2015	\$654,413	\$351,747	\$0	\$302,666	\$119,430	\$107,926	\$59,643	\$15,667
2016	\$667,501	\$358,782	\$0	\$308,719	\$121,819	\$110,084	\$60,836	\$15,980
2017	\$680,851	\$365,958	\$0	\$314,894	\$124,255	\$112,286	\$62,053	\$16,300
Total				\$2,390,770	\$940,743	\$854,066	\$471,984	\$123,977

*Note: This column shows the balance remaining in the General Fund if the constitutional amendment passes. If the amendment fails, the General Fund portion will not decline.

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