THE TRANSPORTATION ALLIANCE

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Minnesota's Federal Funding Recommendations

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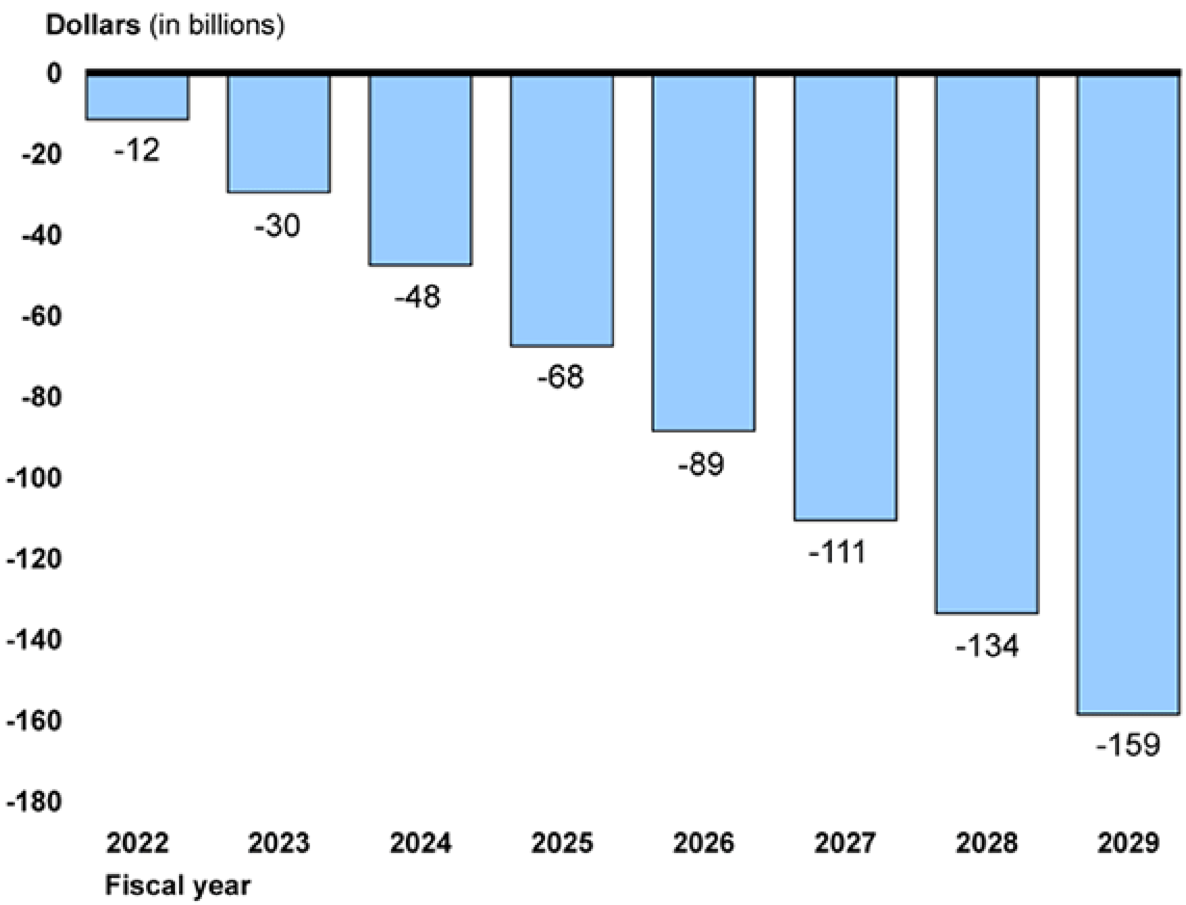
Stabilize, Increase Federal Funds

Federal Highway Trust Fund

Motor fuel taxes and additional truck-related taxes that support the Highway Trust Fund—the major source of federal surface transportation funding—are eroding. Federal motor fuel tax rates have not increased since 1993, and the US Government Accountability Office (GAO) reported in 2012 that drivers of passenger vehicles with average fuel efficiency paid about $96 per year in federal gasoline taxes. Because of inflation, the 18.4 cent-per-gallon federal tax on gasoline has about one-third less purchasing power than it did when the tax was last raised in 1993.

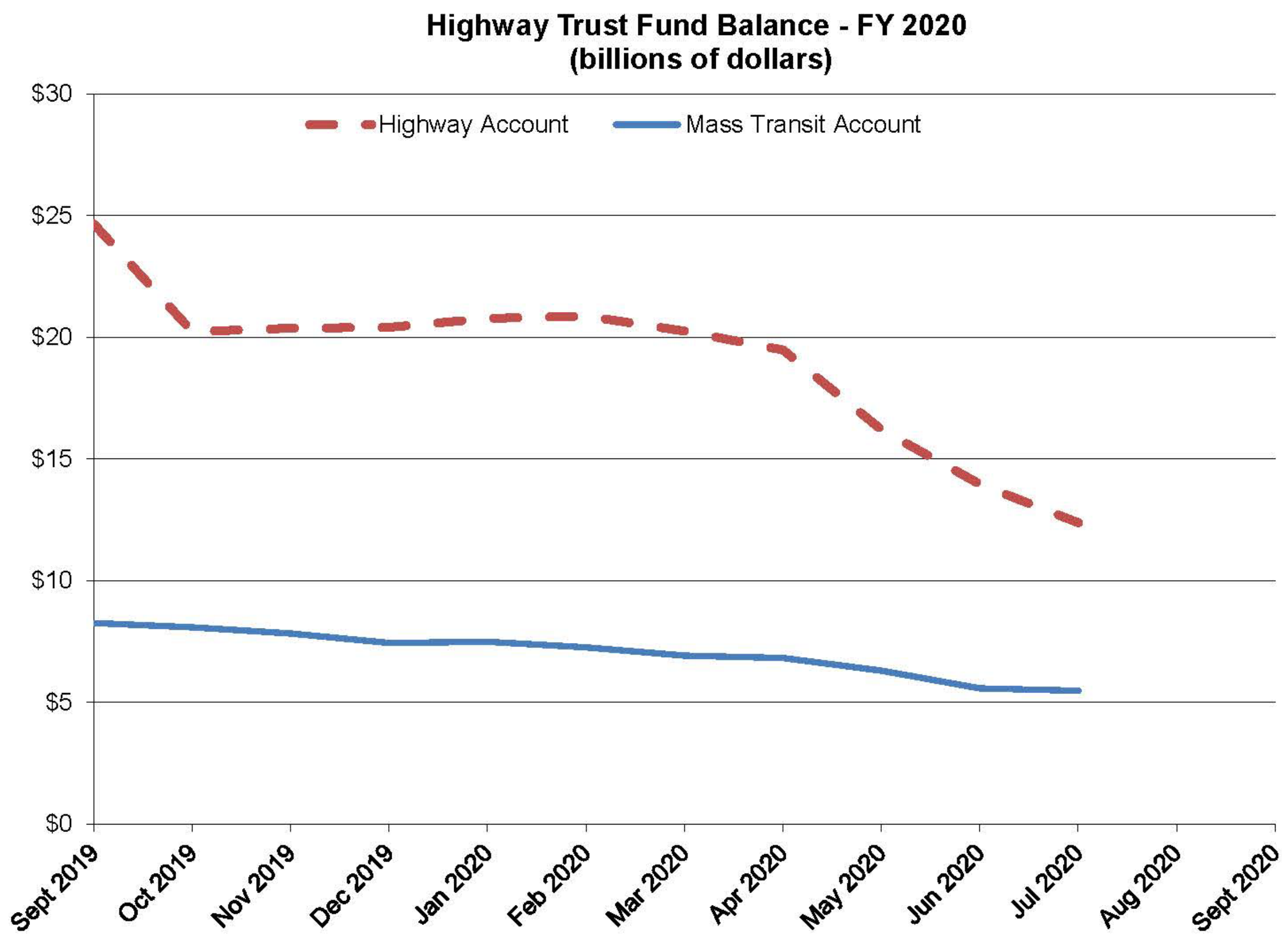
To maintain spending levels of about $45-50 billion a year for highway and transit programs and to cover revenue shortfalls, Congress transferred a total of about $141 billion in general revenues to the Highway Trust Fund on eight occasions from 2008 through 2015. These transfers each represented a one-time infusion of funding, not a sustainable long-term source of revenues. This funding approach effectively ended the long-standing principle of “users pay” in highway finance, breaking the link between the taxes paid and the benefits received by highway users.

Most recently, the Fixing America’s Surface Transportation (FAST) Act authorized around $70 billion of the $141 billion in transfers for 2015 through 2020. After 2021, the gap between projected revenues and spending will recur. In January 2019, the Congressional Budget Office estimated that $159 billion in additional funding would be required to maintain current spending levels plus inflation from 2022 through 2029, as shown in figure 11.



Source: GAO analysis of Congressional Budget Office data. | GAO-19-157SP

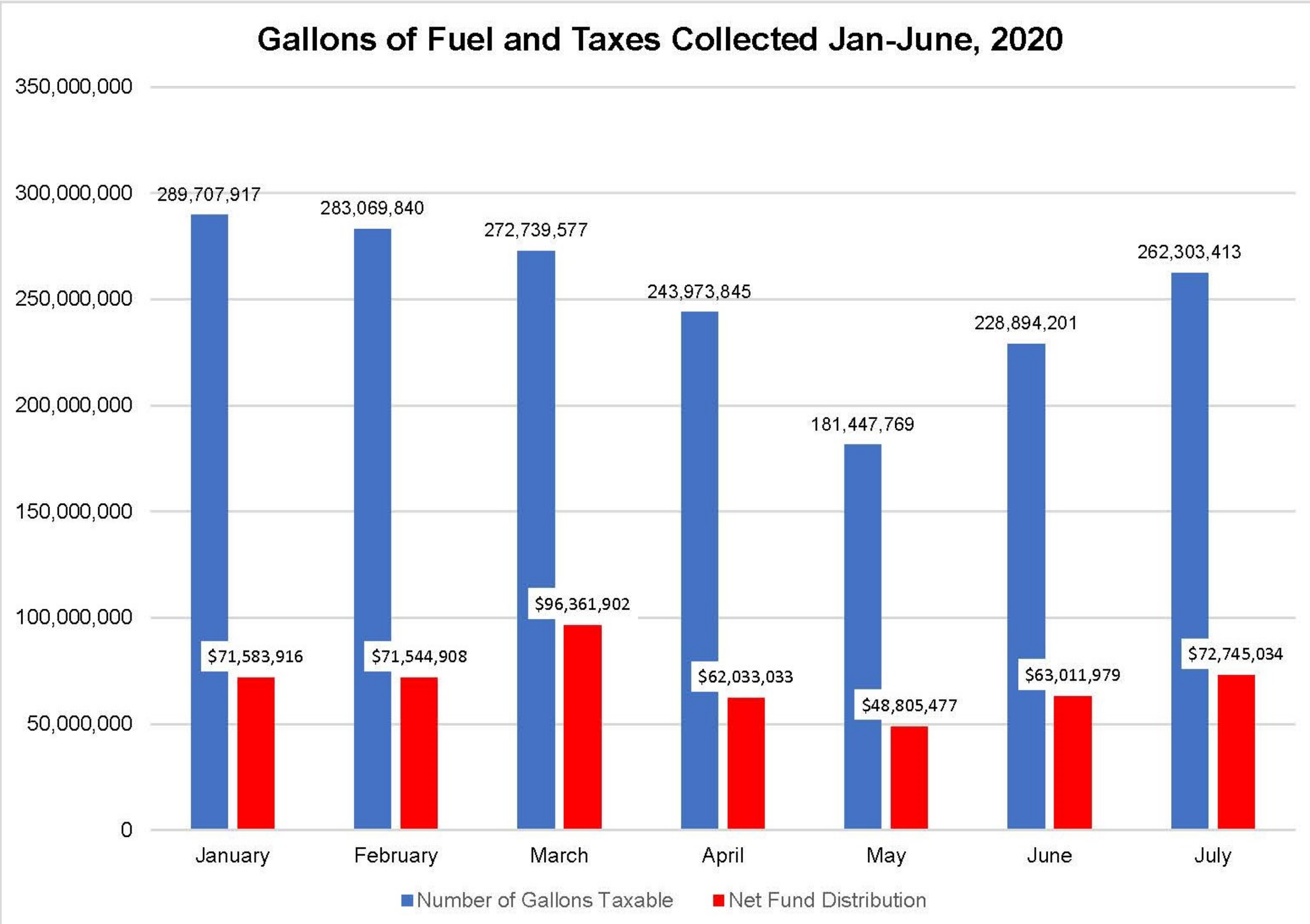
Since the COVID-19 pandemic led to states enacting stay-at-home orders, vehicle miles travelled dropped significantly in March, April and May with VMT beginning to rise in June and increasing more in July of 2020. However, the closing balance in the Highway Account, as reported by the Federal Highway Administration (FHWA) is down (-57%) from the prior year and the Transit Account is down (-52.2%) from the previous year. Those receipts are now projected to drop by $3.8 billion in 2020 and $3.1 billion in 2021, versus the March 2020 forecast.



In its most recent update, the CBO has updated its spending assumptions, based on the month-by-month actual spending data for FY20 that is now available through July 31. CBO increased its 2020 spending estimates for the Highway Account by $1 billion and decreased its Mass Transit Account 2020 spending estimate by $500 million to reflect what has already happened this year. For 2021, projected spending for both accounts is down (-$1.2 billion HA and -$714 million MTA).

Both accounts are still on track to run out of money sometime between late spring 2021 and late summer 2021. The new estimate means that, at current funding levels, Congress will have to deposit at least $6.3 billion to get to the end-of-year minimum “safe” balance levels of $4.0 billion HA and $1.0 billion MTA. But because there is more funding uncertainty than usual, a higher level of funding would be prudent.

In Minnesota, fuel tax revenue dropped significantly in April and May but has been coming back up in June and July. We anticipate that revenue will down from previous estimates for the full calendar year.



<u>Relief Package Funding for Transportation</u>

The American Association of State Highway and Transportation Officials (AASHTO) said American state Departments of Transportation need an "immediate infusion" of $37 billion in funding to offset projected losses due to the COVID-19 pandemic.

The funds are necessary to prevent job losses, disruptions to planned projects, and critical stoppages to the nation's economic recovery.

The House passed HEROES Act includes $15 billion for state DOTs while the Senate proposed HEALS Act includes $10 million for airports.

Transit providers are collectively asking for at least $32 billion from the federal relief package being negotiated as many say their agencies have suffered fare losses of between 70 and 90 percent because of the pandemic. They say they continued to operate over the past five months, providing rides to essential service workers such as hospital employees and grocery store clerks.

Meanwhile, transit agencies also are a focal point for state and local recovery plans, helping to shuttle workers back to offices and preparing for the possibility of schools reopening in the fall.

After receiving $25 billion in April from the $2 trillion Cares Act, transit systems are running through the first round of funding and need additional support.

Funding from the CARES Act has been critical for keeping transit systems operating and providing service to essential workers and other community members. Additional funding will be needed in the short-term while a long-term solution to fixing and maintaining the Highway Trust Fund is imperative.

Minnesota Transportation Funding

CARES Act	
Transit Systems	**Funding**
Tribal Transit	**$1,582,809**
Bois Forte Reservation Tribal Council	$ 367,532
Fond du Lac Reservation	$ 391,657
Grand Portage Reservation Tribal Council	$ 91,467
Leech Lake Band of Ojibwe	$ 112,433
Red Lake Band of Chippewa	$ 108,162
White Earth Band of Chippewa	$ 511,558
Minneapolis-St. Paul	**$226,481,413**
5307 Greater Minnesota	**$27,288,086**
Duluth Transit Authority	$ 6,366,509
Fargo – ND, MN	$ 2,503,844
Grand Forks – ND, MN	$ 527,329
La Crosse - WI, MN	$ 322,515
Mankato Area Transit	$ 2,737,439
Rochester Area Transit	$ 7,241,881
St. Cloud Metro Bus	$ 7,588,569
5311 Minnesota	**$54,432,229**
Rural Operating Assistance	$40,824,172
Intercity Bus Operations	$ 8,164,835
State Program Administration	$ 5,443,222

Principles For Reauthorization

Stabilize and Grow the Highway Trust Fund -Prior to the pandemic, estimates indicated that the trust fund's average cash flow shortage will have grown from $14 billion per year when the Fixing America's Surface Transportation (FAST) Act was enacted in 2015 to almost $18 billion per year beginning in October 2020.

The Highway Trust Fund (HTF) cannot support a multi-year reauthorization of the highway and transit capital programs without new revenue or dramatic cuts in surface transportation investment.

Raising the federal gasoline and diesel rates is an important option. The fuels tax remains the most transparent, efficient and effective mechanism to generate revenue to support surface transportation improvement. The experience of 27 states that have increased their motor fuels tax rates since 2013 confirms these user fee increases have broad public support and minimal political consequences.

Many other options are available for generating revenue from user fees to stabilize and grow the Highway Trust Fund. The Matrix of Illustrative Surface Transportation Revenue Options developed by AASHTO provides many options for consideration.

Enact a Multi-Year Surface Transportation Authorization Act – Congress should prepare for the expiration of the 5-year FAST Act by beginning to develop another multi-year surface transportation authorization act that encompasses the next 5 to 6 years. In order to efficiently plan and deliver projects, a multi-year authorization is critical for states and local governments.

Preserve the Current Federal/State Matching Ratio Requirements - This 80/20 Federal/Non-Federal funding match has a proven track record of success. Maintain the current federal/state matching ratio requirements for projects and explore innovative match strategies.

Maintain the Current Balance of Funding Among Highways, Transit, and Highway Safety.

Maintain the current balance of funding among highways, transit and highway safety from the HTF and continue General Fund support for rail programs.

Build on Previous Project Delivery Reforms - Past surface transportation authorization laws have included significant provisions to expedite the review and approval process for transportation projects, however the permitting time horizon continues to be long and the red tape too cumbersome. Additional policies are needed to improve outcomes.

Matrix of Illustrative Surface Transportation Revenue Options

Existing Highway Trust Fund Funding Mechanisms	Illustrative Rate or Percentage Increase	Definition of Mechanism/Increase	$ in Billions	
			Assumed 2018 Yield*	Total Forecast Yield 2019–2023
Existing HTF Funding Mechanisms				
Diesel Excise Tax	20.0¢	¢/gal increase in current rate	$8.8	$42.2
Gasoline Excise Tax	15.0¢	¢/gal increase in current rate	$21.8	$102.1
Motor Fuel Tax Indexing of Current Rate to CPI (Diesel)	--	¢/gal excise tax		$3.7
Motor Fuel Tax Indexing of Current Rate to CPI (Gas)	--	¢/gal excise tax		$8.8
Truck and Trailer Sales Tax	20.0%	increase in current revenues, structure not defined	$0.6	$4.2
Truck Tire Tax	20.0%	increase in current revenues, structure not defined	$0.1	$0.5
Heavy Vehicle Use Tax	20.0%	increase in current revenues, structure not defined	$0.2	$1.2
Other Existing Taxes				
Minerals Related Receipts	25.0%	increase in/reallocation of current revenues, structure not defined	$0.6	$3.4
Harbor Maintenance Tax	25.0%	increase in/reallocation of current revenues, structure not defined	$0.4	$1.9
Customs Revenues	5.0%	increase in/reallocation of current revenues, structure not defined	$1.9	$10.3
Income Tax - Personal	0.5%	increase in/reallocation of current revenues, structure not defined	$5.3	$28.4
Income Tax - Business	1.0%	increase in/reallocation of current revenues, structure not defined	$1.7	$8.9
License and Registration Fees				
Drivers License Surcharge	$5.00	dollar assessed annually	$1.1	$6.1
Registration Fee (Electric Light Duty Vehicles)	$100.00	dollar assessed annually	$0.0	$0.2
Registration Fee (Hybrid Light Duty Vehicles)	$50.00	dollar assessed annually	$0.2	$1.3
Registration Fee (Light Duty Vehicles)	$5.00	dollar assessed annually	$1.3	$6.8
Registration Fee (Trucks)	$100.00	dollar assessed annually	$1.2	$6.3
Registration Fee (All vehicles)	$5.00	dollar assessed annually	$1.3	$7.1
Weight and Distance Based Fees				
Freight Charge—Ton (Truck Only)	10.0¢	¢/ton of domestic shipments	$1.1	$5.8
Freight Charge—Ton (All Modes)	10.0¢	¢/ton of domestic shipments	$1.3	$7.1
Freight Charge—Ton-Mile (Truck Only)	0.5¢	¢/ton-mile of domestic shipments	$10.1	$54.2
Freight Charge - Ton-Mile (All Modes)	0.5¢	¢/ton-mile of domestic shipments	$21.6	$115.9
Transit Passenger Miles Traveled Fee	1.0¢	¢/ passenger mile traveled on all transit modes	$0.6	$3.2
Vehicle Miles Traveled Fee (Light Duty Vehicles)	1.0¢	¢/LDV vehicle mile traveled on all roads	$29.1	$155.7
Vehicle Miles Traveled Fee (Trucks)	1.0¢	¢/truck vehicle mile traveled on all roads	$2.9	$15.7
Vehicle Miles Traveled Fee (All Vehicles)	1.0¢	¢/ vehicle mile traveled on all roads	$32.0	$171.5
Sales Taxes on Transportation Related Economic Activity				
Freight Bill - Truck Only	0.5%	percent of gross freight revenues (primary shipments only)	$3.8	$20.2
Freight Bill - All Modes	0.5%	percent of gross freight revenues (primary shipments only)	$4.6	$24.8
Sales Tax on New Light Duty Vehicles	1.0%	percent of sales	$2.8	$14.9
Sales Tax on New and Used Light Duty Vehicles	1.0%	percent of sales	$4.2	$22.4
Sales Tax on Auto-related Parts & Services	1.0%	percent of sales	$2.7	$14.4
Sales Tax on Diesel	2.0%	percent of sales (excluding excise taxes)	$1.5	$7.9
Sales Tax on Gas	2.0%	percent of sales (excluding excise taxes)	$5.2	$28.0
Tire Tax (Light Duty Vehicles)	1.0%	of sales of LDV tires	$0.3	$1.4
Sales Tax on Bicycles	1.0%	percent of sales	$0.1	$0.3
Other Excise Taxes				
Container Tax	$15.00	dollar per TEU	$0.7	$4.0
Imported Oil Tax	$2.50	dollar/ barrel	$4.5	$23.9

** Assumed yield in 2018 or the latest year data is available.*

- **Review the Ban on Earmarks**

About 92% of the $226.3 billion of highway funding authorized in the FAST Act is to be distributed through formula programs. These funds are under the control of the states. Some of the $7.9 billion authorized for highway safety programs administered by the National Highway Traffic Safety Administration and the Federal Motor Carrier Administration is also distributed by formula. Some highway funding is distributed to states and localities through discretionary programs such as the Nationally Significant Freight and Highway Projects Program, also referred to as INFRA. INFRA project awards are decided within the Office of the Secretary of Transportation.

In the 112th Congress, which convened in January 2011, the House and Senate began observing an earmark ban. The ban is not a formal rule in either the House or the Senate, and thus is not enforced by points of order.10 Instead, the ban has been established through party and committee rules and protocols, and is enforced by chamber and committee leadership. In remarks of January 9, 2018, President Trump expressed support for a return to limited earmarking.

A ban on transportation earmarks principally affects discretionary programs overseen by DOT. It has little direct impact on the formula programs that make up most federal transportation funding. Earmarks serve as a way for Members of Congress to ensure that discretionary transportation funds are distributed according to their priorities, rather than those of the Administration, or in some cases the relevant state department of transportation. With earmarks prohibited, and if Congress does not act in other ways to set funding priorities within the discretionary programs, then the job of setting priorities is left to DOT, subject to the grant selection criteria set forth in law and regulation.

<u>Public Transportation</u>

Minnesota continues to struggle to meet the growing demand for transit service all across the state. In addition to an aging population, Minnesota is working to improve the ability of people with disabilities to live wherever they choose to in the state in accordance with the court mandated Olmstead Plan.

In the Twin Cities Metropolitan Area, the full build out of the transit network need to connect the region is underfunded. The FAST Act authorized $61.1 billion for transit programs with funding provided from both the Mass Transit Account (MTA) of the Highway Trust Fund (HTF) and the General Fund (GF). As of FY 2020, annual HTF outlays are estimated to exceed receipts by $16 billion in FY 2020, growing to more than $23 billion by FY 2027.

- Increase federal funding for both rural and urban area public transportation services to enhance regional and national economic competitiveness and promote community vitality.

- Prioritize increases in formula-based program funding, including funding to address bus and rail modernization and rural transit, while also providing funds for the non-formula New Start/Small Start program.

- Support HR2072, introduced by Representative Collin Peterson and Representative Pete Stauber, to equalize the charitable mileage rate with the business travel rate so that volunteer drivers are not penalized for transporting people.

Safety

Minnesota has made great progress in reducing crashes and fatalities through its Toward Zero Deaths Initiative. However, more progress needs to be made, particularly in highway work zones to protect construction workers.

While MAP-21 and the FAST Act required positive protection (i.e. some form of barrier) be used in specified dangerous situations, unless an engineering study determines otherwise, positive protection is till not considered as seriously as it should be. A lack of clear federal regulations and consistent use and enforcement raises concerns about potential legal liabilities for all parties. Positive protection considerations should be included in FHWA's Manual on Uniform Traffic Control Devices.

• Increase funding for High Risk Rural Roads and Safe Routes to Schools Programs. Rural roads are where a majority of traffic fatalities occur. Pedestrian and bicycle injuries and fatalities are also rising. Increased federal investment and education focused on eliminating distracted driving can help reverse these trends.

• Increase investment in local bridges by providing more funding for off-system bridges and for local bridges not on the National Highway System. In 2015, FHWA rated 24% of the nation's off-system highway bridges deficient - we can work together to fix this dangerous situation.

• Allow more flexible use for Highway Safety Improvement Plan (HSIP) funds on unpaved roads and a wider variety of projects beyond those listed in the regulations - without cumbersome data gathering requirements. Cities and counties are already struggling to meet rural safety needs.

• Support investment in modern vehicle technology, such as Intelligent Transportation Systems, and connected and autonomous vehicles, as a cost-effective way to improve the safety and efficiency of our nation's transportation systems.

• Support for FHWA's Traffic Incident Management (TIM) initiative to reduce and eliminate injuries and deaths of crash victims and crash responders, such as public works, police, fire, tow-operators, and emergency medical services to best protect the traveling public. APWA is a member of the Executive Leadership Group for TIM and strongly supports all TIM-related efforts.

• Public works professionals working in the transportation sector utilize drones in various capacities such as for inspecting bridges, aerial surveys of land and existing roads, traffic monitoring, weather impacts on transportation infrastructure, and to have photos for educating the public. It is important that federal regulations do not become onerous and burdensome to localities in their use of drones for public works purposes.

Project Delivery

Streamlining processes and delegating authorities to the state DOTs will reduce costs, reduce delays, and provide more bang-for-the-buck to citizens for their transportation dollars.

Streamline the right of way acquisition process in numerous areas to simplify the process and speed acquisition without compromising the rights of the property-holder. Potential suggestions for further review include the following: allowing state procurement procedures to be used on federal-aid projects; allowing protective purchases with preliminary engineering funding

Authorize FHWA to enter into programmatic agreements under which State DOTs (without NEPA assignment) could take on increased responsibility for carrying out routine FHWA responsibilities during the NEPA process. Address liability and litigation cost concerns to encourage more states to assume federal responsibilities.

Direct FHWA to amend its regulations governing early right-of-way acquisition carried out with non-federal funds (23 CFR 710.501(b)) to remove the prohibition on acquiring Section 4(f) properties. All conditions specified in the statute would still need to be met. This change would ensure that the regulations provide the full degree of flexibility allowed under 23 USC 108.

Allow delegation of Corps permitting responsibility to a State for a subset of projects or activities as agreed by the Corps and the State, e.g., just for transportation projects. Providing this flexibility would encourage States to take over Section 404 permitting for at least a portion of the projects currently handled by the Corps, reducing the burden on the Corps' staff, while also promoting greater efficiency in the processing of permits for major public projects.

FHWA has decided, by interpretation, to impose a duplicative fiscal constraint requirement, not included in statute or rule, on completing the NEPA process for a project. Specifically, FHWA has interpreted that, to receive NEPA approval a project must come from a fiscally constrained STIP or TIP. See FHWA website, "Transportation Planning Requirements and Their Relationship to NEPA Process Completion." Yet it is hard to estimate cost and include a project, or even a phase of a project (such as preliminary engineering), in a fiscally constrained STIP or TIP until the NEPA process is complete, as that process helps define the final project (and in some cases the NEPA process results in a no build decision).

Exempt small projects from federal regulatory requirements - those that receive less than $1,000,000, or less than 25% of the total project cost from federal sources.

<u>Connected and Autonomous Vehicles</u>

Connected and automated vehicles have the potential to further reduce motor vehicle crashes and traffic related fatalities. The demonstration of connected and automated vehicles must continue and provide the data and examples necessary to establish the safety benefits of this technology.

While the future of this transformative technology is yet unknown, Minnesota's advisory council - in collaboration with business, partners and the public - was tasked with recommending changes to Minnesota statutes, rules, and policies to the Governor and legislature.

Some of the recommendations of the advisory council include:

- Authorize in statute the commissioners of public safety and transportation to safely test automated vehicles on public roadways.
- Allow in statue the department of transportation and public safety to authorize truck platooning, in collaboration with the applicable public authority with jurisdiction of the roadway.
- Establish a future transportation mobility executive committee in 2019 to continue the work of Governor Dayton's Connected and Automated Vehicle advisory council to guide statewide policy, and report annually on CAV activities.

At the federal level, any new laws or regulations should maintain the current federal/state regulatory paradigm and states should be able to maintain their traditional oversight of vehicle operations and enforcement of traffic laws.

Government regulators and lawmakers should revise or remove outdated safety related laws, regulations and guidance as data demonstrates a technology's ability to provide an equivalent or higher level of safety than current regulations support or incorporate.

Additional federal funding should be provided for demonstration projects on public roads which provide more opportunities for the public to view and experience the technology. Public acceptance will be one of the biggest hurdles in moving forward.

The federal government should develop a standard for connected vehicle technology. Connected Vehicle technology can't progress until either DSRC or 5G (CV2X) tech is decided as the standard.

Performance Measures

MAP-21 and the FAST Act required USDOT to develop federal performance management rules governing State DOTs and others.

The performance-based approach requires planning and tracking to support the national goals specified in 23 USC 150(b) which related to safety, infrastructure condition, congestion reduction, system reliability, freight movement and economic vitality, environmental sustainability, and reduced project delivery delays.

While the Alliance supports the use of performance management to improve the transportation system, we remain opposed to using performance measures and the achievement of federal performance management targets as the basis for apportioning or allocating federal funds among the States.

Research and Planning

Increase the Authorization for University Transportation Centers

The Center For Transportation Studies at the University of Minnesota has been engaging in vital research projects and studies for decades, improving the safety and effectiveness of Minnesota's transportation system through implementation of innovative new policies and products.

University Transportation Centers are where innovation begins; it is where we are training a transportation workforce for the 21st century, it is where projects are designed better, constructed faster, and where our transportation system is made safer. UTCs use Federal funding to leverage funds from private, state, and local sources to conduct research, train the workforce of tomorrow, and produce studies that make our transportation safer, more efficient, and more secure. The current authorized level should be significantly increased in order to meet increased research and workforce needs. The annual authorized level should be increased to no less than $150 million/year.

Increased funding should also be provided for the National Cooperative Highway Research Program, Local Technical Assistance Program, Tribal Technical Assistance Program, National Cooperative Freight Research Program and the Transit Cooperative Research Program.

Maintain the existing balance of authority among state DOTs, MPOs and Rural Planning Organizations.

Support the apportionment formula for CMAQ (Congestions Mitigation Air Quality) program that is contained in the FAST Act.

Freight

- Support of the continuation of the National Highway Freight Program as identified in the proposed funding levels through 2025.

- Support the expansion of additional mileage on critical urban and rural freight corridors. We request additional flexibility in the designation of multimodal freight infrastructure assets as part of the National Multimodal Freight Network (NMFN) as identified in the National Freight Plan.

- The Commercial Motor Vehicle Parking Grants should not be removed or diverted from the federal HSIP program as proposed under other draft federal legislation, but made available in addition to existing funding levels. Future policy discussions across the aisle must note that the needs for commercial vehicle safety far outstrip the existing funding levels within the HSIP program itself. Continued funding for the National Coalition on Truck Parking should be included.

- Support the funding of a new multimodal Freight Cooperative Research Program.

- Specific requirements for the state freight plans should be allowed to be addressed through other statewide plans if an eligible plan already exists to cover topics identified in this item.

- Support the addition of large ports ($1B annual cargo value) to the National Multimodal Freight network.