



2522 Thomas Avenue S.
Minneapolis, MN 55405
(612) 235-6028
(866) 925-8459
www.tennesseanlaw.com

MEMORANDUM

TO: The I-35W Solutions Alliance Board of Directors

FROM: Robert J Tennesen

RE: Legislative Report

DATE: November 14, 2013

1. Virginia's Experience Adopting a Sales Tax to Fund Transportation

At the Transportation Alliance annual meeting in St. Cloud on November 7 Del. Vivian Watts, a member of the Virginia House of Delegates, described how Virginia changed its transportation funding from a tax per gallon tax to a sales tax on the wholesale price of fuel. It was the first major transportation funding program in 27 years. She described the many attempts (she calls it keeping your feet moving) over the previous 10 years to solve the Virginia transportation problems and how those efforts had refined plans so that when the Governor proposed a sales tax to replace the gas tax the legislature was ready with specific plans. The Speaker took over the bill from the Governor, made it his own and shepherded it through. She described how the northern counties near Washington, DC and around the Hampton Roads area wanted funding for both HOV lanes and transit, and roads, while the more rural parts of the state wanted money for roads.

Over the first five years, HB 2313 will:

- Generate more than \$1.8 billion in additional funding for maintenance, thereby eliminating maintenance crossover transfers
- Provide \$660 million in dedicated new construction funding, which, when combined with the elimination of maintenance crossover, will grow construction spending by more than \$2.4 billion
- Increase funding for Virginia's transit providers by \$509 million

- Provide more than \$256 million in funding for intercity passenger rail, the first dedicated state funding for this vital service
- Generate additional revenue for Virginia's airports and seaports
- Generate annually between \$272 million to \$335 million in Northern Virginia and \$172 million to \$226 million in Hampton Roads for regional transportation priorities.

This is how it is funded.

- Eliminates the 17.5 cents per gallon excise tax on gasoline and diesel fuel
- Replaces the motor fuels tax with a 3.5 percent sales tax on the wholesale price of gasoline and a 6 percent sales tax on the wholesale price of diesel fuel
- Increases the state and local sales and use tax from 5 percent to 5.3 percent
- Partially eliminates the 2 percent motor vehicle titling tax exemption by increasing the rate from 3 percent to 4.15 percent
- Creates a \$64 Alternative Fuel Vehicle fee to ensure that all drivers are contributing to Virginia's roadways
- Levies an additional 0.7 percent local sales tax, a \$0.15/\$100 Grantor's Tax, and a 2 percent Transient Occupancy Tax in Planning District 8
- Levies an additional 0.7 percent local sales tax and a 2.1 percent fuel sales tax in Planning District 23

To obtain the political support to pass the bill it was necessary to ensure that the needs of the various areas of the state were satisfied. Legislators had to show that the bill met the specific transportation needs of their districts. She described this as “home cooking” for the legislators. Thirty percent of the sales tax in northern Virginia counties goes to the local counties and cities for their local needs

For ease of collection and administration the sales tax on motor fuels is imposed at the wholesale level.

It passed with bipartisan support despite the opposition of Grover Norquist of the “no new tax increase pledge” fame, and the fact that many legislators had signed the pledge. The Virginia Senate is almost equally divided between Republicans and Democrats while in the House of Delegates the Republicans outnumber Democrats 2 to 1.

2. Transportation Alliance Plans and Request.

The Transportation Alliance **draft** funding package is attached. It is asking organizations to support its campaign for a major funding package in 2014 under the campaign moniker **MOVE MN**. It expects to raise about \$1 million to support the campaign.

2014 Transportation Day at the Capitol sponsored by the Transportation Alliance.
Thursday, March 13, 2014,
Best Western Kelly Inn - St. Paul

3. Meeting of Corridor Coalitions

Karl Keel and I attended the meeting of Corridor Coalitions, organized through the auspices of the Transportation Alliance, held at the AGC offices on October 10. The meeting was reasonably well attended with representatives from about a dozen corridor coalitions. The coalitions described in detail their specific projects and why they should be funded. Perhaps the most significant result was the emphasis on the additional costs for fuel, labor, and missed opportunities, of specific industries in their areas caused by inadequate transportation facilities. Coalitions have been asked to provide specific details of these additional costs and lost opportunities. Safety was also emphasized by several coalitions. The Transportation Alliance plans to aggregate and use this information to provide a compelling narrative and a more complete mosaic of needs to support passage of a major transportation funding bill in 2014.

4. Legislature

No legislative committee meetings were held in honor scheduled.

Attachments: Transportation Alliance's Draft Funding Package and Move MN Support Form