

CITIZENS LEAGUE REPORT

No. 2

CL Position on Opposing Const. Amendment #5

Redistribution of motor vehicle receipts

September 22, 1952

Recommendations:

The Legislation committee, having heard the facts and the arguments pro and con on Amendment No. 5, recommends that the Board of Directors of the League release the attached report to the membership for consideration and comment, and after so doing take a stand in opposition to Amendment No. 5 for the reason that defeat of the amendment appears to be in the best interests of the State of Minnesota as well as the residents of Hennepin County.

The Legislation Committee further recommends that the Board of Directors form a committee to cooperate with the newly-created Hennepin County Committee opposing Amendment No. 5 for the following reasons:

a) The previous "yes" votes in Hennepin County on similar amendments indicate the importance of a widespread educational campaign between now and November 4 on this issue.

b) The number of amendments and interest in the national offices being filled may tend toward confusion about and lack of information on this amendment unless a widespread educational campaign is carried on.

c) It appears that the rural vote will be strongly in favor of the amendment.

September 1952

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CITIZENS LEAGUE OF GREATER MINNEAPOLIS
REPORT ON CONSTITUTIONAL AMENDMENT NO. 5

BASIC FACTS ON AMENDMENT NO. 5

1. The 1951 legislature approved the following proposition for submission to the voters of Minnesota at the November 1952 general election:

"Shall the constitution, Article XVI, Section 3, be amended so as to provide for apportionment of the excise tax on motor vehicles so that 65 per cent be paid into the trunk highway sinking fund, ten per cent be apportioned to cities, villages, and boroughs in proportion to population, and 25 per cent be apportioned to counties according to the following computation: One-half in the ratio which the rural population of the county bears to the total rural population of the state, One-half in the ratio which the total mileage of county and township roads bears to the total mileage of all the county and township roads in the state."

This proposition is the fifth of five constitutional amendments which are being submitted to the voters and hence has become popularly known as Amendment No. 5.

2. As the wording of the proposition implies Amendment No. 5 involves a shift in the disposition of receipts from auto licenses. It does not increase revenue but transfers revenue receipts from the state government to the counties, cities and villages. The receipts which now go 100% to the state trunk highway fund are apportioned by the amendment as follows:

65% to the state trunk highway fund.
10% to the cities and villages with each city or village receiving an amount bearing the same relation to the total amount to be apportioned as its population bears to the total population of all municipalities.
25% to the counties apportioned one half in the ratio which the rural population of the county bears to the total rural population of the state and one half in the ratio which the mileage of total county and town^{ship} roads bear to the total mileage of county and township roads in the state.

3. Based on 1951 receipts of \$25,215,222 from auto licenses, cities and villages would receive \$2,251,522, counties \$6,303,805, and the state highway department would lose \$8,825,327 if the amendment is approved.
4. In order to pass this amendment must receive a majority of all ballots cast and counted as distinguished from a majority of those votes cast on this issue,
5. All duly registered Minnesota voters who go to the polls on November 4th will in effect be voting on this whether they mark their ballots or not since an unmarked ballot counts as a NO vote.

HISTORY OF SIMILAR AMENDMENTS

This is the third attempt in recent years to change the state constitution in respect to the distribution of road user taxes. The two previous amendments diverting gasoline tax receipts were defeated. These three proposed amendments indicate that there is considerable dissatisfaction with the present methods of distribution of highway funds. In each instance including this one the proposed amendments have provided arbitrarily for the transfer by rigid and inflexible constitutional formulae, of a specifically larger share of state road user tax proceeds from the state trunk highway system to the local subdivisions of government.

The proposal submitted to the electorate in the general election of 1948 would have revised the present allocation of two-thirds of the gasoline tax revenues to the state and one-third to the counties, and in its stead would have divided these revenues 50 per cent to the state and 50 per cent to the counties. The votes in opposition to the amendment exceeded those in favor of its adoption by a small margin, and it failed by 91,679 votes to receive the support of the required majority of all ballots cast and counted.

In response to a continuing demand for increased funds to expedite county road improvements, the 1949 legislature again submitted the issue for public determination at the general election in November, 1950. This amendment likewise would have reduced the state's share of gasoline taxes from two-thirds to one-half. But it differed from the previous proposal in that it would have allocated 44 per cent of the net gas tax receipts to the counties and 6 per cent to the three large cities of Minneapolis, St. Paul and Duluth. Again the amendment was rejected by the voters. Negative votes exceeded those cast in its favor by more than 35,000, and it fell 113,454 votes short of the required majority of all ballots cast and counted.

Actually, returns of the State Canvassing Board in 1950 showed that the proposed amendment received the necessary favorable majority of all ballots cast and counted in only 27 counties with a combined population of approximately 430,000. It was rejected by a majority of "no" votes in 27 counties with combined populations of about 1,920,000. In the remaining 33 counties, with populations totaling approximately 615,000, the affirmative votes exceeded the negative votes on the issue, but the amendment failed to obtain the majority required for passage. In summary, it failed of adoption in 60 of the 87 counties,

Hennepin County voting on these two amendments was

	<u>1948</u>	<u>%</u>	<u>1950</u>	<u>%</u>
YES	83,008	28.7	87,559	36.91
NO	173,814	60.1	120,479	50.79
Failed to vote	<u>32,240</u>	11.2	<u>22,159</u>	12.30
	289,062		237,197	

FACTS ON SUPPORT OF ROADS

1. Highway Funds Dedicated

All Highway user taxes (auto license and gasoline tax receipts) are dedicated by the state constitution for highway purposes. They are not budgeted or appropriated by the legislature though there is no legal restriction on budgeting this activity. This means that the legislature or its finance committees do not review or analyze highway revenues and expenditures, and do not plan a spending program for the future. No other major function of state government is handled in this manner. As a result, the Commissioner of Highways has extensive powers over the expenditures of highway revenues.

2. Insistent Demand for More Highways

There is always an insistent demand for more and better roads. No state has been able to complete its roads building program partly because road building was postponed during the war. Wear and tear on highways from the increase in the number of vehicles has been phenomenal in recent years; the speed of all cars has increased as well as the size and weight of trucks; truck transportation has expanded rapidly, and the number of school buses has increased materially. As a result, accidents have mounted and traffic congestion occurs on rural as well as urban highways. This has created a demand for wider and heavier type roads, easier curves, grade separations, divided lanes, control lights, sign markings, smoother surfaces, etc. As a result of these factors, the cost of new roads has increased materially and made obsolete many old type roads. Minnesota has a larger highway mileage than most states and this has created additional problems. Only Texas, North Dakota, and Kansas exceed Minnesota in this respect. There are 121,001 miles of county, town, city, village, and state roads in Minnesota. The state trunk highway system of 11,892 miles is larger than that of most states. There are 42,927 miles of county roads, as well as 56,134 miles of town roads and 8,726 miles of city streets not in the state or county system. In addition, there are 2,013 miles of roads in state and national forests and parks.

3. State Revenues

The major sources of current receipts available for state highway purposes and amounts received in three of the last five years were as follows:

	<u>1947</u>	<u>1949</u>	<u>1951</u>
Motor vehicle license fees	10,598,268	15,190,732	25,215,222
Gasoline tax *	22,840,587	26,029,779	36,441,753
Federal aid	5,540,324	9,606,174	7,575,866
Misc. fines, fees, interest, etc.	<u>1,079,488</u>	<u>1,094,344</u>	<u>1,728,441</u>
Total Current Receipts	40,058,667	51,920,518	70,961,282

The marked increase in motor vehicle license fees and gasoline tax receipts resulted from a larger number of vehicles on the road and from the increase in 1949 in the gasoline tax from 4 to 5 cents per gallon and material increases in all types of vehicle licenses. Gasoline tax refunds, amounting to \$8,508,831 in 1951, are not included in the figures given above.

* Includes counties 1/3-3-

5 X 36

7 X 14

Federal aid is paid on a matching basis and is paid only as work is completed and paid for. The decrease in 1951 was due to poor construction conditions because of excessive rain. The additional moneys apportioned to Minnesota for that year are not necessarily lost for the state has two years leeway in which to complete the work and pick up the federal allotments.

4. State Expenditures

Total state highway expenditures, ignoring funds, but including aid to counties, in three of last five years were as follows:

	<u>1947</u>	<u>1949</u>	<u>1951</u>
<u>Totals</u>	\$ 37,510,809	\$ 54,503,718	\$ 60,260,915
Of the totals, aid to counties was-----	8,041,168	7,872,850	11,590,897
(1/3 of gas tax).			
And road & bridge construction	12,070,666	21,701,311	24,768,134

The marked increase in expenditures was due to a larger road building program and also to a depreciating dollar. Inflationary factors account for a substantial part of the five year increase. Another factor was the addition of 701 miles of county roads to the state trunk highway system in 1949. This new mileage required an expenditure of \$744,000 for maintenance and special betterments in 1950. These new routes increased the estimated future construction figures by \$34,000,000, shifting the burden from the counties to the state.

Despite the increase of approximately \$12,000,000 in expenditures for construction of roads and bridges from 1947 to 1951 the state highway department is falling behind on its construction program by a substantial margin. The backlog in construction ran over 480 millions of dollars two years ago and has not changed much since then.

5. Possible New or Replacement Revenue Sources

Since the state highway department is already falling behind, the shifting of approximately 9 millions of its funds to the counties would almost have to be followed by a replacement of these funds from a new tax or increased rates on existing taxes. Any attempt to use a property tax levy for state highway purposes would undoubtedly meet terrific resistance.

The 1949 increase in Minnesota license fees placed Minnesota up with the average tax level of the 48 states. The increase in the gas tax to 5 cents in 1949 placed Minnesota approximately in the middle of the 48 states in respect to this tax burden. 20 states had higher, 14 less and 13 the same. Minnesota is now higher than its neighboring states of Wis., Ill., Ind., Iowa, Ohio and Missouri and the same as N.D., S.D., Neb. and Kansas.

It does not appear that Federal aid to Minnesota will be increased appreciably in the near future, *

To fully replace the funds in the state program every motor vehicle owner in Minnesota would have to pay an average of \$11.00 more each year for his license plate than he now is paying or gasoline taxes would have to be raised 5 to 6 cents per gallon. Because of county sharing it will require additional license or gas tax revenue of \$13,758,000 a year to replace the \$8,825,327.

* The information given thus far has been taken in the main from the May 1952 publication of the Minn. Institute of Governmental Research, Inc. entitled "Financing and Building State Highways."

FACTS ON USE OF ROADS

<u>Type Highway</u>	<u>Mileage</u>	<u>% of Total</u>	<u>% of Motor Traffic Carried</u>
State Trunk	11,892	10%	49.5
County roads	42,522	35%	15.4
Towns	56,757	48%	5.6
Cities	<u>7,868</u>	<u>7%</u>	<u>29.5</u>
	119,039	100.0	100.0

EFFECTS OF AMENDMENT NO. 5

1. As has already been stated, passage of Amendment No. 5 would reduce the funds available to the state highway department by \$8,825,327 based on 1951 figures. Of this amount, Hennepin County would receive \$204,062. Minneapolis would receive \$646,189 and other Hennepin County towns would receive \$126,807 resulting in a total benefit to Hennepin County residents of \$977,058.

2. The Hennepin County Good Roads Association reports that Hennepin County taxpayers now pay 26.676% of the state's motor vehicle and gas taxes. A part of this contribution goes for local roads in other counties. In many of those counties, Hennepin County residents are already indirectly paying more for local roads than are the residents themselves.

This results from the statutory limitations governing the division of the county share of the gas tax. Under these limitations no county may receive more than 3% of the total and a floor of 1% is set on the state aid and $\frac{3}{4}$ of one per cent on the county aid. As a result four counties presently receive in state aid each year a sum in excess of the total motor vehicle and gas taxes collected within the county. If Amendment No. 5 passes the Hennepin County Good Roads Association estimates that the number of such "profit taking" counties would increase to fifteen. Many more counties would be making but slight contribution to the state road fund.

PROS AND CONS

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by proponents
The arguments advanced in favor of the amendment are:

1. Primary and secondary roads are not competitive but supplementary. The volume of traffic is not the sole, and in many cases not the most important, measurement of the value of a highway.
2. The smaller communities, resorts and rural populace are almost completely dependent upon secondary and rural roads.
3. Over a billion dollars worth of farm produce is produced in Minnesota annually and transported to market over secondary and rural roads and a billion dollars in products is purchased by the rural populace and transported home over these roads.
4. Increases in 1949 in motor vehicle license fees and gas tax rate were made in anticipation of a division of highway user taxes in accord with a constitutional amendment proposed by the same legislature and in view of constantly growing need of funds for county and local highways. The proposed gas tax amendment failed and citizens of the state have since paid higher motor fuel taxes and license fees without the help for rural roads contemplated by the legislature.
5. State trunk highway fund is showing large increases and will increase further after final payment on existing bonds and interest is made in 1952. The fund will show a 50% increase since 1947-48-49 even if the amendment passes.
6. Despite the sharing of the gas tax and federal *and state* tax levies upon property for highways have doubled in the last ten years. Minnesota now levies more upon property for highways than does any other state in the union. Passage of the amendment will enable counties to stop this upward trend in property taxes for highway purposes.

II

by opponents
The arguments advanced against the amendment are:

1. The state highway system cannot afford to lose nine million dollars annually or roughly one third of the available funds for new construction on Minnesota's main roads.
2. The state highway system is already running substantially behind on its construction program because of lack of funds.
3. Assuming present state highway expenditures are at the minimum, Minnesota motorists are not interested in paying an average of \$11.00 more per license plate or ~~4 to 5~~ more per gallon of gas to subsidize local road construction and maintenance.

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4. Real highway problem is on the main Minnesota roads. The backlog of necessary construction and maintenance is much greater there than on ~~secondary~~ and rural roads.
5. The percentage of total ~~use~~ received by state trunk highways justifies continuing to use all of the motor vehicle license fees on this system in view of federal aids to secondary roads and the division of the gas tax.
6. Increases of license fees and/or gas taxes would drive business from the state.
7. The amendment is not related to any careful study of an equitable division of funds.
8. The amendment increases the number of counties that "make a profit" on highways, receiving more for local use from the gas tax and license fees than they pay in. This increases the unfairness of the present system.
9. The distribution under the amendment combined with the present system especially penalizes the three metropolitan counties. The increase in costs to them would far exceed the increases in funds granted them for use on county, city, township and village roads.
10. The secondary roads are primarily of benefit to the adjacent property owners and should be paid for primarily ~~for~~ *by* them.

Some of the Endorsers:

Farm Bureau
Grange
Land O' Lakes
Midland Cooperative
State Democratic Farmer Labor Party
State C.I.O. Council
Many county boards

Some of the Opponents:

State Automobile Association
Minneapolis Chamber of Commerce
Hennepin County Good Roads Association
Minnesota Highway Federation
Committee Opposed to Diversion
Farm Committee
State A. F. of L.
Central Labor Union of Minneapolis
St. Paul City Council
Ramsey County Board