

The Path to a Sustainable Infrastructure Budget: An Analysis of Gas Tax Funding Alternatives

The Problem: A Growing Infrastructure Funding Gap

We need to invest in Minnesota's crumbling roads, deficient bridges and transportation infrastructure to ease congestion and improve safety. The average Minnesotan spends more than \$1,000 per year in gas, lost time and car repairs due to wear and tear.¹ In October 2018, the American Society of Civil Engineers (ASCE) graded Minnesota's roads a D+, bridges a C and transit a C-.² Minnesotans deserve better.

The Minnesota state highway system needs approximately \$39 billion in funding over the next 20 years. MnDOT estimates it will have \$21 billion to invest in the system over the same time period, **resulting in an \$18 billion funding gap.**³ We need \$18 billion in new revenue just to maintain our current state highway system and an *additional* \$10-\$12 billion to develop a world class/economically competitive system.⁴

The Solution: A 20 Cent Gas Tax Increase and Additional New Revenue

The Legislature needs to pass a comprehensive, long-term transportation funding package that includes funding for roads and highways, bridges and transportation infrastructure throughout Minnesota. Any transportation funding package must be balanced across transportation modes and between Greater Minnesota and the Twin Cities Metro, must be long-term and sustainable and must be dedicated to transportation systems.

LIUNA Minnesota & North Dakota supports raising the gas tax by 20 cents, indexed to inflation, and additional new revenue dedicated to Minnesota's roads and bridges

A 20 cent indexed gas tax, along with additional new revenue, will provide sufficient revenue to fill the state's \$18 billion state highway infrastructure funding gap. This estimate is based on the following analysis of alternative gas tax increases. Part A provides an estimate of total tax revenue generated by a non-indexed gas tax, while Part B provides similar estimates for an indexed gas tax.

Please see the gas tax analysis on the following page.

¹ American Society of Civil Engineers, "2018 Minnesota Infrastructure Report Card", 2018, full report available here: www.infrastructurereportcard.org/Minnesota.

² Ibid.

³ Minnesota Department of Transportation, "20-Year State Highway Investment Plan 2018-2037", January 2017, pg. 9.

⁴ Transportation Finance Advisory Committee, "Minnesota Moving Ahead: Transportation Funding and Financing For the Next 20 Years", December 2012, pg. 55.

Gas Tax Revenue Alternatives

Gas Tax Increase Options	Gas Tax Revenue Year 1	Total Revenue over 20 years	Funding Gap to Maintain Current System [\$18 billion]	Funding Gap for World Class System [\$28-30 billion]
<i>Part A: Non-Indexed Gas Tax Alternatives</i>				
1 cent	\$32 million	\$640 million	- \$17.4 billion	- \$27.4 billion
10 cent	\$320 million	\$6.4 billion	- \$11.6 billion	- \$21.6 billion
15 cent	\$480 million	\$9.6 billion	- \$8.4 billion	- \$18.4 billion
20 cent	\$640 million	\$12.8 billion	- \$5.2 billion	- \$15.2 billion
25 cent	\$800 million	\$16 billion	- \$2 billion	- \$12 billion
30 cent	\$960 million	\$19.2 billion	+ \$1.2 billion	- \$8.8 billion
<i>Part B: Gas Tax Alternatives Indexed to 2.5% Annual Inflation</i>				
1 cent	\$32.8 million	\$837.9 million	- \$17.2 billion	- \$27.2 billion
10 cents	\$328 million	\$8.4 billion	- \$9.6 billion	- \$19.6 billion
15 cents	\$492 million	\$12.6 billion	- \$5.4 billion	- \$15.4 billion
20 cents	\$656 million	\$16.8 billion	- \$1.2 billion	- \$11.2 billion
25 cents	\$820 million	\$20.9 billion	+ \$2.9 billion	- \$7.1 billion
30 cents	\$984 million	\$25.1 billion	+ \$7.1 billion	- \$2.9 billion

An indexed gas tax increase of 20 cents, along with additional new revenue, would generate between \$16.8 and \$20.9 billion over the next 20 years. These estimates are based on current fuel consumption levels. Total demand is likely to decrease with increases in fuel efficiency and a growing reliance on electric vehicles. Total revenue generated by a 20 cent indexed gas tax, along with additional new revenue sources, will provide sufficient revenue to meet the state’s \$18 billion funding gap, while also accounting for an overall decline in total fuel consumption.

For more information about this analysis, please contact Lucas Franco, Research Manager, at 612-850-8755 or lfranco@liunagroc.com.