

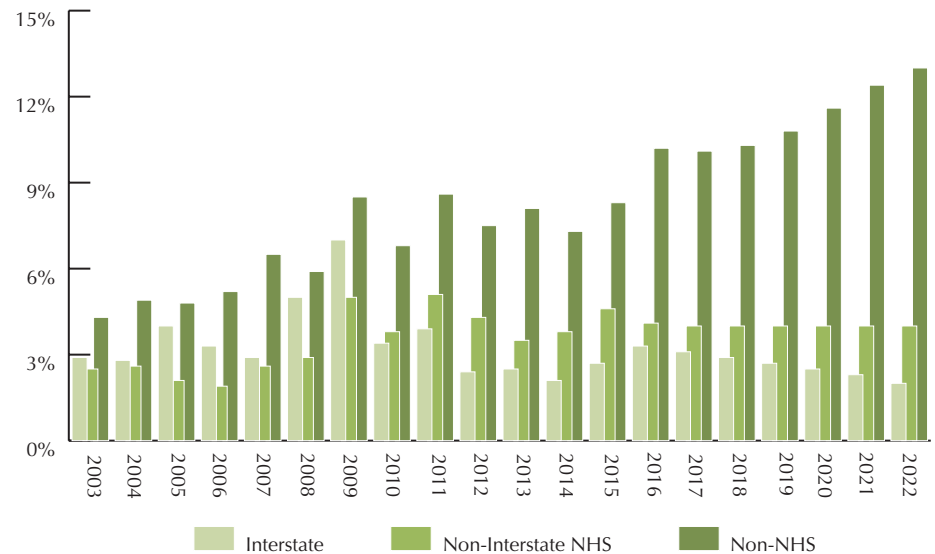
Rural Reality: rough roads ahead

Emerging issues are creating hazards for rural highway funding. ➤

- Revenue from the major source of transportation funding, the gas tax, is holding steady and is expected to go down.
- Inflation is eating away at the purchasing power of gas tax revenue.
- The concentration of political and economic power in the metro area makes it difficult for rural legislators to get attention for their regions.
- New federal legislation passed last year created policy that will concentrate federal resources on National Highway System (NHS) roads, the biggest and most heavily traveled roads. MnDOT is projecting increasing deterioration in our secondary road system, especially in Greater Minnesota (see below).



▼ **Percentage of road miles rated by MnDOT as “poor,” projected out to 2022.**



Data and map: Minnesota Department of Transportation.



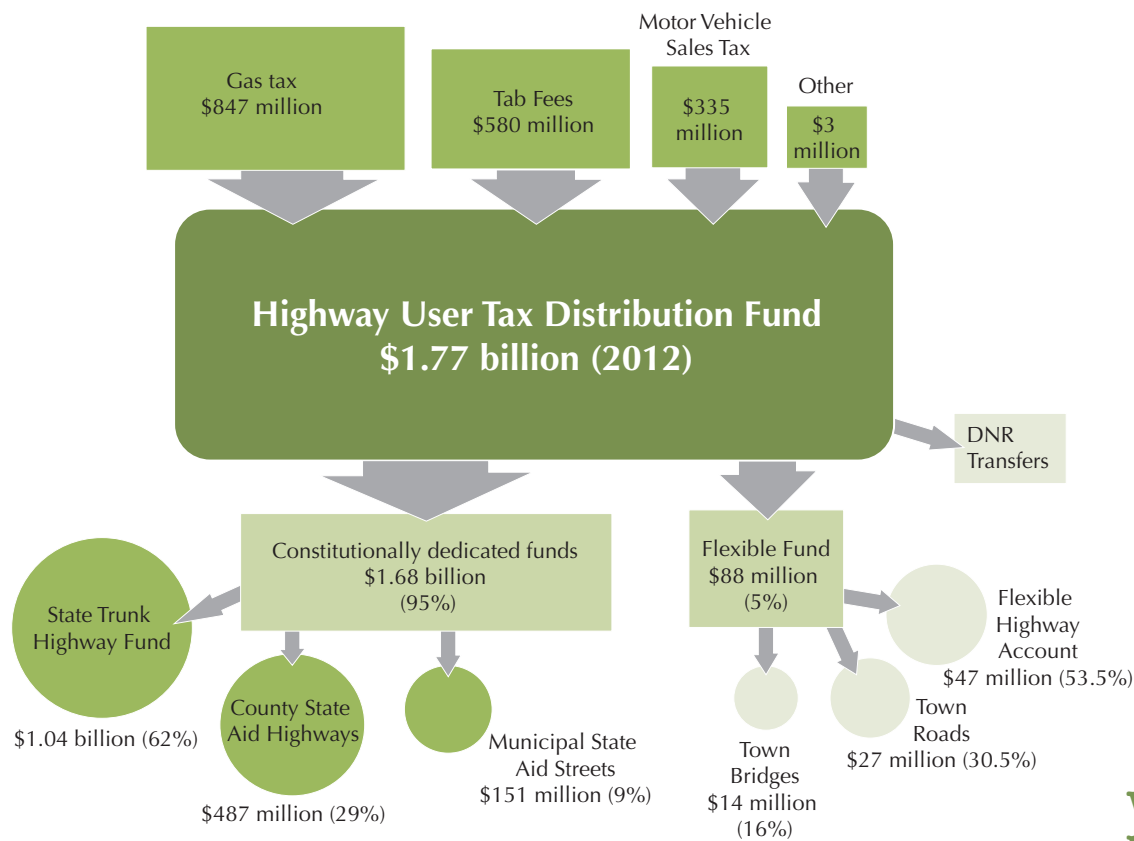
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gas tax 101

How we fund our roads

The gas tax has been a good proxy for how much a driver uses the road. Currently, we pay 28.5 cents per gallon to the state, 18.3 cents to the federal government. State gas tax dollars, along with vehicle registration fees (tabs) and motor vehicle sales taxes, make up the bulk of state funds going to state and county highways and municipal streets.



Data: Minnesota Department of Transportation.

Why it's not enough

In 2011, 28% of Minnesota's transportation dollars came from the state gas tax, while another 18% came from the federal gas tax. However, revenue from the gas tax has been holding steady or declining over the last decade. In fact, MnDOT is projecting a \$12 billion shortfall in transportation funding over the next 20 years, just in its ability to maintain roads in their current condition. Here's why:

- People are looking for cars that use less gas, are less expensive, and last longer. These factors hit the three main sources of revenue: the gas tax, the vehicle sales tax, and registration (tab) fees.
- Federal fuel efficiency standards require auto manufacturers to improve the average gas mileage of their vehicles. Among other consequences, these standards have promoted the development of electric and hybrid cars.
- Alternative fuels are gaining market share. Vehicles that run on little or no gasoline contribute less to gas tax revenue, if at all.

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