

THE 2008 MINNESOTA GAS TAX BILL

A case study analyzing the overall effect of this change in legislation.

History

Before 1919 , road funds from

- Property Taxes
- Poll Taxes
- Labor Levies

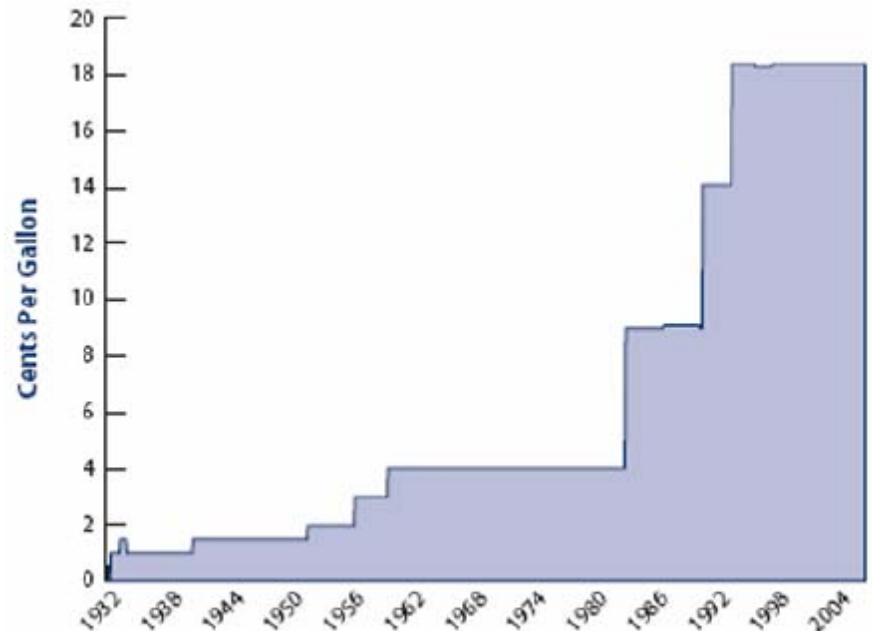
A Limited Timeline

- 1919: Oregon, 1 cent per gallon
- 1925: Minnesota , 2 cent per gallon
- 1959: every state had enacted its own gas tax

The Growth in Gasoline Taxes

1 cent → average of 46.9 cents per gallon
(includes federal, state and local charges)

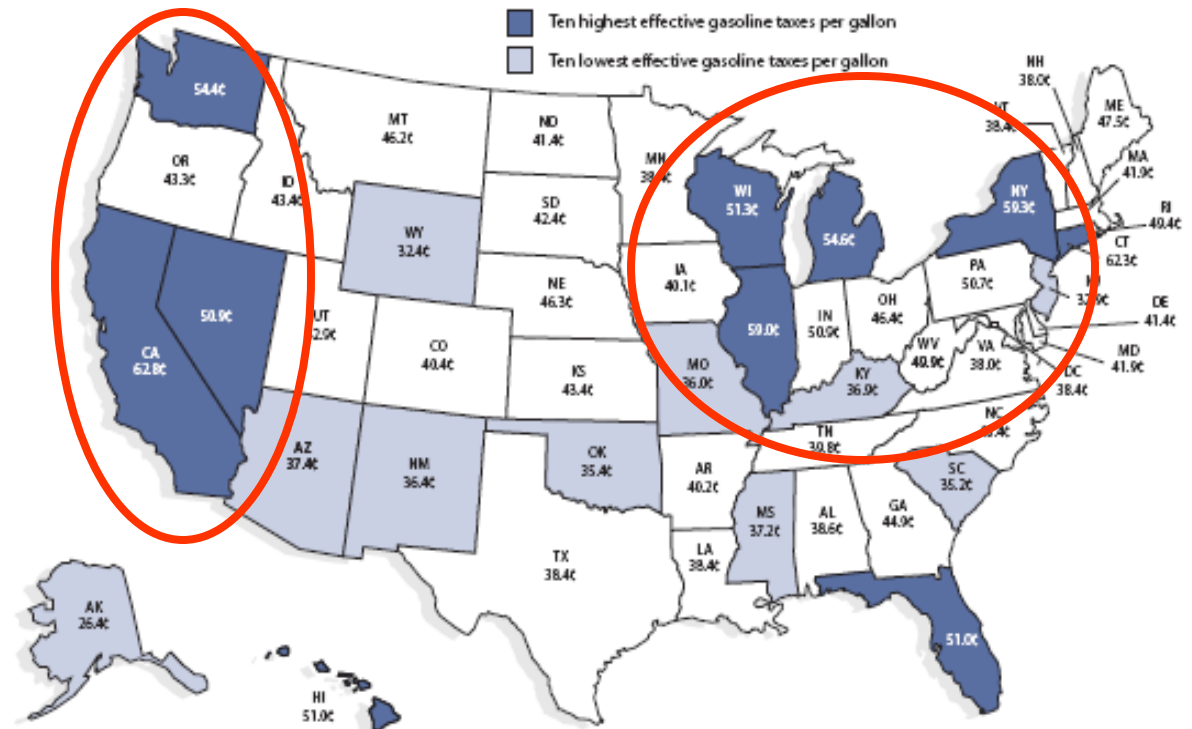
The Growth in Federal Gasoline Taxes.



Source: Congressional Research Service, Tax Foundation.

Gas Tax in Different States

- California
- Minnesota
- Alaska



Gas Tax in Different Countries

- More than 130 countries levy the gas tax including:
 - Germany
 - Great Britain
 - Canada
 - Australia

U.S. vs. Them

- U.S. has the lowest gas tax in the world—\$ 0.469 per gallon
- Great Britain
 - ▣ 50 pence per liter= \$2.80 per gallon
 - ▣ three times the wholesale pre-tax price
 - ▣ the government insists on it, although residents complain of the high gas tax

Where is gas tax going?

Two Funds + Three parts

- Leaking Underground Storage Tank Fund
- Federal Highway Trust Fund:
 - the Highway Account
 - the Mass Transit Account

Example (Federal Rates)

- Leaking Underground Storage Tank Fund— 0.1 cents
- Federal Highway Trust Fund:
 - the Highway Account—15.44 cents
 - the Mass Transit Account—2.86 cents

Advocates and Opponents

- Market failure and government action
- Whether it can improve traffic congestion, environment

Advocates

- Martin Wachs listed eleven main reasons
- Send “Price Signals” To Motorists To Use The Transportation System More Efficiently
- Drivers Show Remarkable Tolerance For Fuel Price Changes

Opponents

□ Mankiw 1999

“To say that the government can improve on markets outcomes at times **does not mean that it always will**. Public policy is made **not by angels** but by a **political process** that is far from perfect. Sometimes policies are designed simply to reward the politically powerful. Sometimes they are made by well-intentioned leaders who are not fully informed”

Discussion

- What do you think about increase in gas tax?
- Trade-off between government and market

Questions...

- Drivers pay for their usage of roads and bridges
- What kinds of results did they finally get in August of 2007?
 - ▣ Death?
 - ▣ Injuries?

Current Issues in Minnesota

Up until recently Tim Pawlenty (Governor) and Carol Molnau (Lt. Governor and Commissioner of Mn/DOT), refused to raise gas taxes.



http://stmedia.startribune.com/images/502*325/1molnau0203.jpg

http://images.publicradio.org/content/2008/03/19/20080319_pawlenty_33.jpg

Current Issues in Minnesota

The 35W bridge collapse effectively changed the viewpoints of many senators causing a legislative override.



http://extras.mnginteractive.com/live/media/site36/2007/0801/20070801_083132_Bridge_Collapse%20copy.jpg
<http://www.newsline.dot.state.mn.us/images/07/oct/3-35waerialsep192600.jpg>

The 2008 Transportation Bill



Minnesota hadn't raised the state gas tax in 20 years.

The current governor had no intention of raising taxes if it was in his power to prevent it.

Does this mentality make sense?

<http://albanyinsanity.wnymedia.net/blogs/files/2007/08/gasoline-tax.jpg>

<http://www.tfhrc.gov/pubrds/06mar/images/fork4.jpg>

Looking At the Details

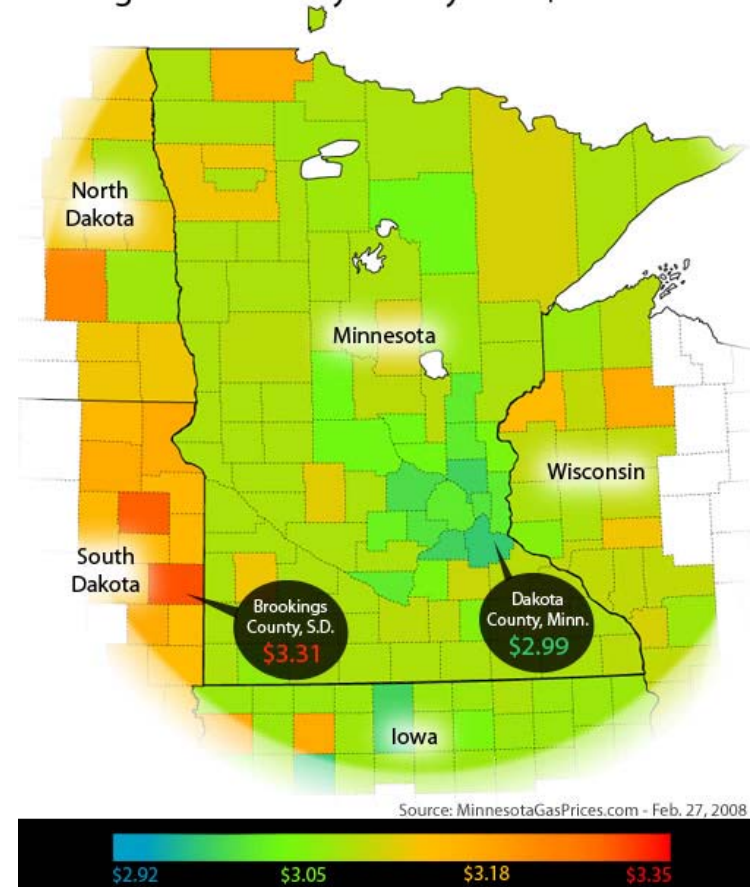
- The bill appropriates \$284 million for FY 2008 and FY 2009.

- A \$0.05 increase, in addition to an incremental increase to account for debt.

- Other additional taxes will be adjusted
- Must implement GEARS in the 7 county metro area to implement spending
- This was not required of the out-state counties, why not?

- The bill also set up a bridge stratification system.

Average Gas Prices by County with \$0.05 Gas Tax



Discussion Question

- Rep. Shelley Madore, DFL-Apple Valley, disagreed. "The bridge went down on August 1, and a gentleman from my district died, if you're asking me, is his life worth a nickel a gallon [state gas tax increase, as the plan calls for], I'm telling you it is."
- "There is no relationship between the greatest tax increase in [modern] Minnesota history and the tragedy that occurred last summer," said Rep. Tom Emmer, R-Delano.
- Discuss Tom Emmer's viewpoint. In consideration to what Senator Madore said is it possible that the two events are unrelated as Senator Emmer claims?

The process of transportation experience all happens in *context*...

- Environmental
- Political
- Social
- Economic
- Geographical

(source: Levinson lecture 9/3/08)

Brainstorm: How does *context* play a role in the MN Gas Tax Bill of 2008?

- Environmental
- Political
- Social
- Economic
- Geographical

The Gas Tax...at a broader level

Martin Wachs: “A Dozen Reasons for Raising Gasoline Taxes”



Pictures from cato.org

Jerry Taylor & Peter Van Doren: “Don’t Increase Federal Gasoline Taxes - Abolish Them”

Hypothecation

- Definition
- Examples
- Group activity

