



1961 - 2009

M I N N E S O T A

GAS TAX DIVERSIONS TO MOTORIZED RECREATION

1 s t A N N U A L R E P O R T

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2010 REPORT: GAS TAX DIVERSIONS TO MOTORIZED RECREATION

Introduction

Minnesotans paid an additional \$100 million in gasoline taxes in 2009 due to a legislated increase.¹ Despite this increase, priority highway safety and infrastructure projects remain unfunded while increased public gas tax revenue is diverted to motorized recreation.



Though Minnesota families, businesses, and schools bear the burden of increased fuel costs and poor roads, few Minnesotans realize that a significant portion of the state's annually collected gas tax revenue is diverted from Minnesota's roads and bridges to promote motorized recreation.² While annual diversions to motorized recreation continue to grow³, so does the list of unfunded priorities for maintaining Minnesota's roads and bridges.⁴

The purpose of this report is to educate Minnesotans about these gas tax facts and the \$18.5 million in public revenue currently being annually diverted from Minnesota's roads and bridges to motorized recreation. It is the goal of Minnesotans for Responsible Recreation to return these public funds to the construction, improvement and maintenance of our state's public roads and bridges. Gas tax data for this report was developed in collaboration with the Minnesota Department of Revenue.

"The gas tax is for roads and bridges"⁵ Minnesota's Constitution authorizes taxation of fuel used to propel vehicles on the state's highways.⁶ The Constitution dedicates 100% of this gasoline tax to the construction, improvement and maintenance of Minnesota's highways.⁷

\$350 Million in Gas Tax Revenue Diverted to Motorized Recreation

Despite a constitutional declaration that Minnesota's gas tax is "solely" for the construction, improvement and maintenance of the state's highways⁸, Minnesota's legislature currently diverts almost 3% of the state's annually collected gas tax revenue to Minnesota's Department of Natural Resources to promote the use of motorboats, snowmobiles, ATVs, dirt-bike motorcycles, and four-wheel drive trucks.⁹

\$350 million in public gas tax revenue has been diverted from the state's roads and bridges since 1961 to promote motorized recreation.¹⁰

1961 – 2009 Total Gas Tax Diversions ¹¹ to Motorized Recreation (Year account created)	
Snowmobiles (1973)	\$115 million
ATVs (1984)	\$ 18 million
Dirt-bike Motorcycles (1993)	\$ 8 million
Four-wheel Drive Trucks (1993)	\$ 13 million
Motorboats (1961)	\$191 million
Total Diversion	\$350 million

Motorized Recreationists Are Non-paying Users of Minnesota's Right-of-Ways

Given constitutional restrictions, how can it be that \$350 million in public gas tax revenue has been diverted to motorized recreation? Proponents have successfully argued that off-road vehicles do not use the state's highways and thus are exempt from gas taxation.

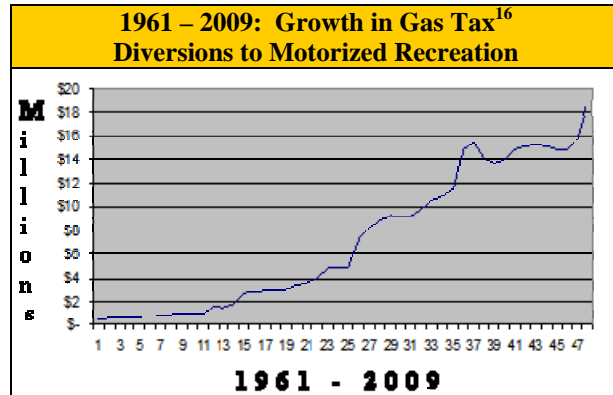
The fundamental error in this argument, is that, of course, as anyone living in suburban or Greater Minnesota knows, snowmobiles, ATVs, dirt-bike motorcycles and four-wheel drive trucks do extensively use our state's right-of-ways. DNR rules grant off road vehicle users legal access to Minnesota's roads and bridges.¹² These off road vehicles should not be exempt from paying gas taxes and for three decades have been non-paying users of our state's right-of-ways and bridges.¹³

\$18.5 M Annually to Motorized Recreation
 \$18.5 million in public gas tax revenue is currently annually diverted by the legislature from Minnesota's roads and bridges to promote ATVs, snowmobiles, dirt-bike motorcycles, four-wheel drive trucks and motorboats.¹⁴

2009 Gas Tax Diversions to Motorized Recreation ¹⁴		
Snowmobiles	1.0%	\$ 6,201,698.42
ATVs	.27%	\$ 1,674,458.57
Dirt-bike Motorcycles	.046%	\$ 285,278.12
Four-wheel Drive Trucks	.164%	\$ 1,017,078.54
Motorboats	1.5%	\$ 9,302,547.63
Total Diversion		\$18,481,061.28

Gas Tax Diversions to Motorized Recreation Grow as Minnesota's Roads Suffer Deficit

Of the \$350 million in public funds diverted to motorized recreation, \$150 million has been diverted over the past nine years. Minnesota's legislature continues to increase diversions of gas tax revenue to motorized recreation with a 2008 80% increase in public funds annually diverted to ATVs.¹⁵



While gas tax diversions to motorized recreation climb, Minnesota roads and bridges are in decline. A *MnDOT 20 Year Plan* identifies many unfunded high priority needs.¹⁷

Mn Roads & Bridges In the Red: ¹⁷ Unfunded High Priority Needs	
Enhance Traveler Safety	-\$385 M
Improve Mobility on Twin Cities Freeways	-\$1,030 M
Preserve Infrastructure	-\$970 M
Regional Community Priorities	-\$115 M
Total Unfunded Need	-\$2,500 M

While the number of miles of Minnesota roadway in poor condition will nearly triple by 2018¹⁸, another \$200 million in gas tax revenue will be diverted to motorized recreation unless the people of Minnesota intervene to care for our state's roads.

2010 - 2020 Projected Gas Tax ¹⁹ Diversions to Motorized Recreation	
Snowmobiles	\$ 62,016,980
ATVs	\$ 16,744,580
Dirt-bike Motorcycles	\$ 2,852,780
Four-wheel Drive Trucks	\$ 10,170,780
Motorboats	\$ 93,025,470
Total Diversion	\$184,810,610

Missing Million to DNR & ATVs in 2010

While Minnesota's roads and bridges suffer, Minnesota's DNR has such a surplus of public gas tax revenue that it has been operating for the past year without noticing the absence of over \$1 million in its budget.

MRR research revealed in March, 2010 that the Department of Revenue had, over the past fiscal year, unknowingly withheld the 2008 legislated \$1 million annual increase in public gas tax diversions to the DNR and ATVs. The DNR was unaware of this omission.²⁰

That the DNR did not miss this million is evidence that the DNR did not need the increased public gas tax revenue for which it lobbied during the 2008 legislative session. This \$1 million omission is also evidence that the DNR's accounting of public gas tax revenue is inadequate, an apparently uncorrected problem highlighted in a 2003 Legislative Audit of the DNR. (See below.)

Sadly, instead of directing this unmissed \$1 million in public gas tax funds to the care of Minnesota's ailing roads and bridges, the \$1 million was belatedly diverted to the DNR to promote the use of ATVs.

Waste, Abuse and Legislative Inaction

The unmissed \$1 million in public gas tax revenue is the most recent example of an extensive body of evidence, already in the

public record, documenting waste and abuse of public gas tax revenue. Legislative and State Auditor investigations called for by MRR, *MRR Citizen Audits* and other evidentiary reports have consistently found that public gas tax funding of motorized recreation lacks critical oversight, has been significantly abused, regularly violates private property rights, is annually dispersed in violation of program rules and fuels activities contrary to Minnesota's express priorities.²¹

MRR has also presented simple legislation to reform or repeal gas tax diversions.²² For reasons beyond the scope of this report and to be revealed in public discussion, Minnesota's legislature has chosen to do nothing but increase gas tax diversions to motorized recreation.

End Gas Tax Diversions To Motorized Recreation

Over \$350 million in public gas tax revenue has been diverted from the care of Minnesota's ailing roads and bridges to promote motorized recreation. Though Minnesota's roads and bridges are in decline, diversions of public funds to motorized recreation continue to steadily increase.

Minnesota's legislature annually diverts \$18.5 million in public gas tax revenue to promote the use of snowmobiles, ATVs, dirt-bike motorcycles, four-wheel drive trucks and motorboats.

While most Minnesota state agencies, businesses and taxpaying families are struggling financially and looking for operating funds, Minnesota's DNR, which siphons public gas tax revenue from the state's roads and bridges, has such a surplus that it did not miss \$1 million omitted from its budget.

Minnesota's legislature annually diverts public gas tax revenue to promote motorized recreation. Common sense, Minnesota's Constitution, Minnesota's priorities and our state's financial crisis require that these gas tax funds be returned to Minnesota's roads and bridges where they belong. It is for Minnesotans to cause legislators to end gas tax diversions to motorized recreation.

References

1. *2009 Minnesota Petroleum Taxes Annual Report*, Minnesota Dept. of Revenue.
2. Minnesota Statue 296A.18.
3. *Gas Tax Diversions to Motorized Recreation Spreadsheet: 1961 – 2009.*, Minnesotans for Responsible Rec. and Mn Dept. of Rev., 2010.
4. *Executive Summary, Minnesota Statewide Transportation Policy Plan: 2009-2028*, Mn Dept. of Trans, p. 17. Note: Mn/DOT reviewed this report's use of this data.
5. Rep. Frank Hornstein quote, Town Hall Meeting with Rep. Margaret Keliher and Senator Scott Dibble, Feb. 16, 2008, Bryant Square, Minneapolis.
6. Mn Constitution, Article X, Sec. 4.
7. Mn Constitution, Article XIV, Sec. 5.
8. *Id.*
9. Minnesota Statue 296A.18.
10. *Gas Tax Diversion Spreadsheet*, MRR/MnRev.
11. *Id.*
12. DNR Rulebooks:
www.dnr.state.mn.us/regulations/index.html.
13. Though motorboats do not use our state's highways, Mn Constitution Art. XIV, Sec. 5 dedicates 100% of the gas tax to our state's roads. 1.5% annual gas tax diversion to motorboats violates the Mn Constitution.
14. *Gas Tax Diversion Spreadsheet*, MRR/MnRev.
15. House File 2800, 2008 Minnesota Legislature
16. *Gas Tax Diversion Spreadsheet*, MRR/MnRev.
17. *High Priority Investment Options table, Executive Summary: Minnesota Statewide Transportation Policy Plan: 2009-2028*, Mn Dept of Trans, p 1-17.
18. *Id.* at 1-16.
19. *Gas Tax Diversion Spreadsheet*, MRR/MnRev.
20. 3/17/10 Amended report diverting additional \$1,093,227.56 to DNR to promote use of ATVs, Mn Dept. of Rev., Petroleum Div.
21. *Program Evaluation Report: State-Funded Trails for Motorized Recreation*, Office of the Legislative Auditor, 2003; State Auditor investigation of Rep. Dave Dill and the Voyageur Trail Society, Inc. snowmobile club, 2004; *Citizen Audit of Public Funding of Motorized Recreation St. Louis County*, MRR, 2007; *Global Warming Effects of Motorized Recreation*, MRR, 2008.
22. 2008 Mn HF 3781/SF 3468.

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