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March 26, 2025

The Honorable Erin Koegel and Jon Koznick
Co-Chairs, Transportation Finance and Policy Committee
Minnesota House of Representatives
Centennial Office Building, 2nd Floor
St. Paul, MN 55155

Dear Co-Chairs Koegel, Koznick, and Committee Members,

Fresh Energy is a non-partisan, non-profit organization with over 30 years of experience developing practical clean energy policies that benefit all Minnesotans and help us achieve an equitable net-zero carbon economy by 2050. We are writing today with concerns regarding the Electric Vehicle (EV) surcharge increases outlined in House File 1817, while supporting the shift of the existing EV fee into the transportation impact assessment and mitigation account.

EVs are a cornerstone of how Minnesota will address climate emissions from the transportation sector, which is currently the highest emitting source of greenhouse gases in the state.¹ Shifting the EV surcharge fee from the highway user tax distribution fund to the transportation impact assessment and mitigation account aligns the use of the EV surcharge with the broader state plan of transitioning to a more climate-friendly and accessible transportation system that meets the needs of all Minnesotans to get around safely and reliably.²

Additionally, shifting the EV surcharge into the mitigation account will *not* undercut EV's contributions to the highway user tax distribution fund. According to Minnesota Department of Transportation's November 2024 "Report on Options to Address the Highway User Tax Distribution Funding Gap", electric vehicles (EVs) already contribute sufficient tax revenue primarily through higher motor vehicle sales taxes and tab fees to offset the lost gasoline tax revenues from the Internal Combustion Engine vehicles they replace.³ The EV surcharge is a minimal part of an EV's contribution to roadway funding, which was also showcased

¹ MPCA, [Climate change trends and data](#). "The transportation sector remains Minnesota's largest source of GHGs, accounting for about 29% of the state's emissions."

² The [Minnesota Climate Action Framework](#) lays out a vision for a transportation system that is "sustainable, resilient to a changing climate, and supports equitable transportation options for all Minnesotans."

³ This report was requested by the state legislature in 2023. Link to the full report here: <https://www.lrl.mn.gov/docs/2025/mandated/250060.pdf>

in an analysis by the Star Tribune in 2022.⁴ EVs only account for about 1% of on-road vehicles in Minnesota currently.⁵

While a comprehensive solution for roadway funding that covers all sources of roadway funding and all types of vehicles is still needed, EVs are currently paying their fair share in roadway funding compared to analogous gasoline vehicles. This will remain true in the near-term even if the EV surcharge is diverted to the mitigation account.

Fresh Energy believes in a comprehensive solution to roadway funding in which users pay their share of their actual costs imposed upon the system, regardless of the fuel they use. We also believe that there is a role for raising transportation revenues to help us achieve a cleaner and healthier Minnesota, as this bill does in shifting the EV surcharge into the mitigation account.

However, we recognize EVs only make up roughly 1% of on-road vehicles, and there is still a need to incentivize and support EV adoption, which can be achieved by maintaining the EV surcharge at its current levels. This is all the more important at a time when federal headwinds may decrease federal incentives for EVs.

For these reasons, while we are concerned about the increased EV surcharge in House File 1817, we support the shift of the EV surcharge to the transportation impact assessment and mitigation account.

Sincerely,

Anjali Bains
Managing Director, Transportation
Fresh Energy

⁴ Star Tribune, "[Will electric vehicles pay their fair share for Minnesota's road costs?](#)" published February 18, 2022. Analysis included in article shows that the majority of an EVs contribution to roadway funding is through the higher motor vehicle sales tax and tab fees EVs pay versus comparable gasoline vehicles, due to EVs being on average more expensive than a comparable gasoline vehicles.

⁵ Per the [EvaluateMN tool](#), managed by Atlas Public Policy on behalf of state agencies, Minnesota currently has 65,679 electric vehicles on the road, representing roughly 0.85% of all passenger vehicles in the state.