

2025 Session

2025 Legislative Session Summary

Impact on Transportation in Minnesota

The 2025 Legislative Session proved to be historic with a tied House 67 Democrats and 67 Republicans, a one-vote majority in the Senate with 34 Democrats and 33 Republicans and a major budget deficit (\$6 billion) projected for Fiscal Years 2028-29. The session began with a debate over how many legislators constitute a quorum, Republicans trying to hold hearings and Democrats staying away from the Capitol until the Minnesota Supreme Court ruled that 68 legislators are needed to officially conduct business and a power-sharing agreement was reached. The Session ended on June 6th with a one-day Special Session to complete all of the budget bills, including the transportation budget bill.

The February Forecast projected a surplus for the coming biennium of \$456 million in the general fund (FY26-27 biennium) and a deficit for the next biennium of \$6 billion.

Legislative leaders and Governor Walz agreed to funding targets not only for the FY26-27 biennium, but for the FY28-29 biennium as well, reducing the size the projected deficit to about \$2 billion.

The Minnesota Transportation Alliance had three goals for the 2025 Session:

- 1) Oppose any cuts to revenue or reductions in dedicated revenue sources.
- 2) Support passage of a significant capital bonding bill.
- 3) Advocate for increases in revenue to reduce the identified funding gap for all modes of transportation.

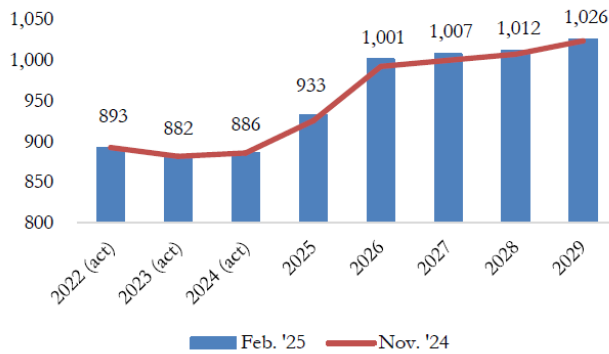
While there were proposals to repeal funding sources or change the distribution of revenue, the session ended with the increases from the 2023 session in dedicated transportation dollars remaining largely intact. There will be a reduction in the revenue from the sales tax on auto repair parts that is scheduled to be deposited in the Highway User Tax Distribution Fund from fiscal year 2026 through fiscal year 2037; however, the revenue loss was largely offset by an increase in revenue from electric vehicles.

February, 2025 Transportation Funds Forecast

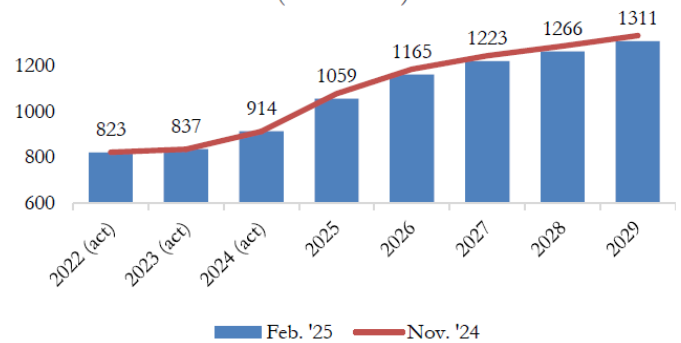
The forecast published by MnDOT in February of 2025 shows the growth in revenue sources with the changes made in the 2023 Transportation Funding package.

The only significant change made in the 2025 session is to the State Sales Tax revenue from auto repair parts.

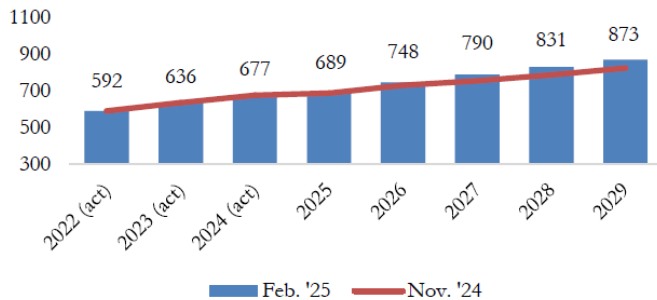
Gas Tax Revenues
Feb. 2025 vs. Nov. 2024 Forecast
(\$ in millions)



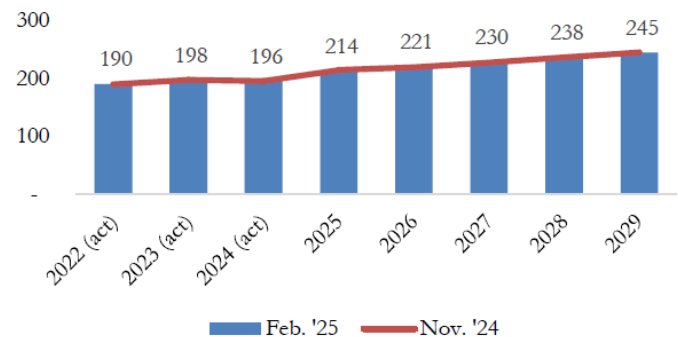
Motor Vehicle Registration Revenues
Feb. 2025 vs. Nov. 2024 Forecast
(in millions)



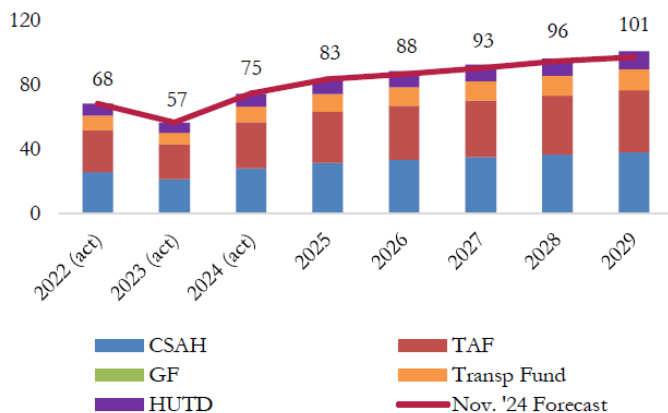
MVST Revenues
Feb. 2025 vs. Nov. 2024 Forecast
(\$ in millions)



State Sales Tax
Feb. 2025 vs. Nov. 2024 Forecast
(\$ in millions)



MVLST Revenues
Feb. 2025 vs. Nov. 2024 Forecast
(\$ in millions)



Omnibus Transportation Policy Bill - Chapter 8

First Special Session 2025

The general fund targets set by legislative leaders required a reduction of **\$115 million** for the transportation budget in FY26-27 and a reduction of **\$133 million** for the FY28-29 biennium.

For the FY26-27 biennium, the target of (-\$115 million) was achieved mainly through:

- Metro Transit General Fund appropriation (\$61.406)
- Greater MN Transit General Fund appropriation (\$22M)
- Reduction in auto parts sales tax dedication to HUTDF (\$11.284)
- Reduction in General Fund transfer to Active Transportation (\$11M)
- Reduction to General Fund allocations to Dept. of Public Safety (\$9M)

For the FY28-29 biennium, the target of (-\$133 million) was achieved mainly through:

- Reduction in auto parts sales tax dedication to HUTDF (\$83.514)
- Reduction in General Fund appropriation to Metro Transit (\$24.88M)
- Delay property tax transfer to passenger rail (\$16.36M)
- Reduction to General Fund allocations to Dept. of Public Safety (\$9M)

For the four-year period of FY26-29, the larger deductions are:

- Reduction in auto parts sales tax dedication to HUTDF: (\$94.7M)
- Reduction in General Fund appropriation to Metro Transit: (\$86.2M)
- Reduction in General Fund appropriation to GM Transit: (\$22M)
- Reduction in General Fund appropriation to Public Safety: (\$18M)
- Reduction in General Fund transfer to Active Transportation :(\$11M)

Offsetting Revenue

While the general fund reductions for transportation are significant, the legislature acted to mitigate those cuts.

The governor's budget had called for a cut of \$64.9M in both the FY26-27 biennium and FY28-29 biennium for Metropolitan Council rail operations. The Council would instead rely on the use of reserves and other revenue sources for light rail and commuter rail, such as the regional transportation sales tax enacted during the 2023 legislative session. According to the governor's budget, the proposed reduction would not result in a change of service level or number of riders served. The final budget bill included a smaller reduction in funding.

For the HUTDF, the increase in EV fees will generate an additional \$76.5 million for the HUTDF from FY26-29, offsetting the \$94.7 million reduction from auto parts sales tax revenue, **leaving a net reduction of \$18.2 million for the HUTDF over those four years.**

Omnibus Transportation Budget Bill - Chapter 8

The 2025 Session began with discussion of legislation that would have repealed the indexing of the fuel tax and the delivery fee enacted in 2023. Other changes were proposed during the session, but the final bill may be more notable for what it did **not** include:

- No repeal of indexing the fuel tax;
- Only slight change to delivery fee: exempting some liquified fuel products and road construction materials;
- No change to the metropolitan area sales tax rate or distribution enacted in 2023;
- No repeal of registration tax increases or increase in MVST;
- No claw-back of state funds to match federal IIJA grants;
- No change to state aid design standards;
- No change to the allowable uses of HUTDF or trunk highway fund dollars;
- Only minor change to the Greenhouse Gas/VMT assessment for trunk highway projects expanding mitigation options;
- No resilient pavement program or funding or asset sustainability ratios;
- No project portal to track trunk highway project activities;
- No local business construction impacts assistance program.

Transportation Appropriations

MNDOT

	<u>FY24-25</u>	<u>FY26-27</u>	<u>FY28-29</u>
GF	\$ 810,837	\$ 57,131	\$ 78,236
AIR	\$ 65,736	\$ 70,486	\$ 60,436
CSAH	\$1,961,545	\$2,256,657	\$2,389,399
MSAS	\$ 502,402	\$ 571,133	\$ 597,664
TH	\$4,721,498	\$5,987,266	\$5,129,928
State Road Construction			
	\$2,401,958	\$3,512,214	\$2,573,092
Federal Funds appropriation		\$ 454,088	\$ 129,466
Highway Improvement		\$ 18,000	\$ 120,000
Blatnik Bridge		\$ 650,000	
Priority Trunk Highway Projects		\$ 66,500	
ALL	\$8,065,768	\$8,942,673	\$8,255,663

Metropolitan Council

Transit System Operations			
GF	\$117,908	\$3,502	\$40,028
Special Transportation Services			
GF	\$111,952	\$230,847	\$263,228

Dept. of Amin

State Patrol Headquarters Bldg			
TH		\$97,026	

Funding Continued:

BWSR

Local Road Wetland Replacement Program

GF \$3,000

University of MN

Empowering Small Communities Program

GF \$4,000

- Dept. of Employment and Economic Development: \$250,000 general fund appropriation to assist businesses impacted by construction on Arcade St. in St. Paul.
- Local road funding gap assistance of \$250,000.
- Local transportation disaster support of \$2 million from the general fund.
- Traffic calming infrastructure improvements funding of \$1 million from the general fund for cities of the first class.
- Rum River dam pedestrian bridge - redirects \$6.2 million in regional transportation sales tax revenue from Anoka County to City of Anoka.
- Washington Avenue pedestrian bridge suicide deterrent barriers - redirects \$8 million Metropolitan Council and Hennepin County.
- Authorizes Metropolitan Council to levy \$54.6 million in FY26 and \$56.2 million in FY27 in regional capital bonds.

Electric Vehicle Fees Enacted

A big goal for the Minnesota Transportation Alliance during the 2025 Session was an increase in the annual all-electric vehicle fee as well as enactment of a hybrid-electric fee and consideration of a per-kilowatt hour fee at public charging stations.

Many states levy higher fees as well as the hybrid-electric fee and a few states - including Wisconsin and Iowa - are beginning to charge a fee at public charging stations in order to capture revenue from drivers traveling through their states, just like a fuel tax. In Minnesota, our Constitution requires that any tax levied on a fuel used to propel motor vehicles has to be deposited in the Highway User Tax Distribution Fund, making this revenue dedicated to highway purposes.

Legislation authored by Senator Ann Johnson Stewart would have increased the EV fee from the current \$75 annual fee to \$200 and created a new hybrid fee of \$100 per year. She also authored a bill establishing a new 5-cent per kilowatt hour charge at public charging stations which was included in the final transportation budget bill.

The EV fee change enacted into law is 0.5% of the value of the vehicle discounted by the current depreciation schedule and provides a minimum amount of \$150 on or after January 1, 2026, and before June 30, 2027 dropping to \$100 for a registration period after July 1, 2027. The hybrid fee is set at a minimum of \$75 for a registration period beginning on or after January 1, 2026, and before June 30, 2027, dropping to \$50 after July 1, 2027. The reductions coincide with the date of implementation for the per-kilowatt hour fee that will be charged at public charging stations.

For a new vehicle priced at \$55,000, the fee would be \$275. For a two-year old vehicle priced at \$40,000, the fee would be \$180. The increase in EV fees is projected to generate an additional \$76.5 million for the HUTDF from FY26-29.

Major Policy Provisions in the Transportation Budget Bill

- Chapter 8

- ◆ **Council on Traffic Safety** - Directs the Council to advise DPS on traffic safety grants issued by DPS for projects that reduce serious and fatal injury crashes with funding available for local governments, non-profits, law enforcement or educational institutions.
- ◆ **Empowering Small Communities program** - Establishes a program for partnerships between the U of M and smaller political subdivisions to provide support and assistance on analysis, design and project development for infrastructure projects.
- ◆ **Greater Minnesota Transit Account** - Limits the reserve fund balance in the Transit Assistance Account to no more than 5% of the total annual transit assistance fund balance forward from the previous fiscal year.
- ◆ **GHG/VMT Mitigation** - Expands options to include ecosystem restoration, afforestation, wetland conservation and restorative agriculture practices as well as land acquisition including easements, restoration, and enhancement for: (i) the outdoor recreation system, excluding state rest areas and regional parks.
- ◆ **Work Zone Safety Training in Driver's Ed** - Directs the Dept of Public Safety to require work zone and road construction safety curriculum in driver's education and requires DPS to update the driver's manual with information on work zone safety. Applies beginning July 1, 2026.
- ◆ **Consolidated local transportation financials report** - Directs MnDOT to submit an annual report that combines and summarizes reporting from Twin Cities metropolitan area counties and associated regional railroad authorities. The report must include information on revenue collections for the next five years as well as plans for expenditures on roadway and transit projects.
- ◆ **Dedication of sales tax revenue from auto repair parts schedule** - The percentage of revenue deposited into the Highway User Tax Distribution Fund (HUTDF) is set at 43.5% for FY24 and 25; it drops to 43% in FY26, 41% in FY27, 36% in FY28, 30% in FY29, 36% in FY30-34; 38.5% in FY35; 41% in FY36 and 43.5% in FY37. The remaining revenue will continue to be deposited in the transportation advancement account and the general fund.
- ◆ **Distribution of revenue from metropolitan area sales tax** - The 17% of revenue dedicated to metropolitan area counties is allocated to MnDOT for distribution through the transportation advancement account.
- ◆ **Metropolitan Council contracting** - Modifies bidding and contracting requirements related to small targeted group businesses and veteran-owned small businesses, including to authorize use of bid preferences on services and construction contracts at the percentages specified for state agencies (up to 12 percent).
- ◆ **Fare reduction in Twin Cities Metropolitan Area** - Free regular route service will be provided for certified special transportation riders.
- ◆ **Metropolitan Council authorized to provide loan to MnDOT** - A loan of up to \$250 million from the Council's portion of the metropolitan area sales tax to MnDOT is authorized for two specified bus rapid transit projects so they can be constructed in coordination with highway construction.

Major Policy Provisions Continued

- ♦ **Research on autonomous mowers** - Directs MnDOT to conduct research on the use of autonomous mowers at rest areas, ditches, shoulders and other roadside property. A report is due by February 15, 2027, including a detailed plan for a pilot project.
- ♦ **Cost Participation Policy update required** - By February 1, 2026, MnDOT must submit a report to the legislature with its draft local cost participation policy update and propose legislation to enable MnDOT to cover the cost of relocating utilities owned by local governments with remaining service life when impacted by a trunk highway project.

By March 1, 2026, MnDOT must update and adopt the local cost participation policy. The updated policy must identify the circumstances where local units of government will not be responsible for any trunk highway fund eligible construction project costs to deliver the project scope the department deems necessary. The policy may consider a local unit of government's ability to pay as a factor in determining the amount of local contribution, if any.

- ♦ **Wheelchair Accessible TNC vehicles** - MnDOT must conduct a study on supply and demand for transportation network companies vehicles to be equipped for wheelchair access. A report is due to the legislature by February 15, 2026.

- ♦ **High-subsidy transit service analysis** - The Metropolitan Council is directed to conduct an analysis of high-subsidy routes in the regular route transit system, including an estimate of the capital and operating cost savings of discontinuing certain routes. A report is due by March 1, 2026.
- ♦ **Metro Mobility forecasting analysis** - Directs MnDOT to arrange for an analysis of the Metropolitan Council's practices for forecasting Metro Mobility costs and services. The analysis is due to the legislature by February 1, 2026.
- ♦ **Bus Rapid Transit alternate mode analysis** - The Metropolitan Council must perform an analysis of the potential to use bus rapid transit in the corridor of the Blue Line LRT extension project and report to the legislature by June 15, 2026.

Electricity As a Fuel Working Group

The commissioners of transportation, public safety, management and budget, revenue, and commerce must convene an Electricity as Vehicle Fuel Working Group to evaluate, promote, and provide recommendations to facilitate the development and integration of electricity used as vehicle fuel within the state's transportation, energy, commercial, industrial, and residential sectors.

The Working Group consists of legislators, commissioners, a tribal representative, electricity providers, and stakeholders including the Minnesota Transportation Alliance.

The Working Group must:

- (1) provide a comprehensive analysis of electricity used as vehicle fuel infrastructure opportunities and barriers;
- (2) develop a roadmap with policy and funding recommendations for sustainable transportation funding mechanisms consistent with the Minnesota Constitution, article XIV, including a plan for the studied mechanisms to replace the electric vehicle surcharges under Minnesota Statutes, section 168.013, subdivisions 1m and 1n; and
- (3) research and analyze legislation and policy made in other states to determine equitable and comprehensive fuel assessment methods for electric vehicles.

By February 13, 2026, the working group must submit a report to the legislature and governor.

Capital Bonding Bill - Chapter 15

A top priority for the Transportation Alliance was passage of a significant capital bonding bill. With no bonding bill passed in 2024, funding for transportation programs had been spent or programmed and a waiting list was growing of local bridge projects.

The Alliance worked to get legislation introduced that would have provided an appropriation of \$250 million in GO bonds for the Local Road Improvement Program (LRIP) and \$150 million for the Local Bridge Replacement Program (LBRP), reflecting the level of need for funding in these programs.

The Capital Investment Committees in the House and Senate held quite a few hearings on projects and funding needs. The Senate committee also explored the method the Minnesota Management and Budget uses to determine debt capacity and how the rating agencies determine the bond rating given to states.

Another issue that we raised is the analysis of capacity to issue to trunk highway bonds. Trunk highway bond debt is included in the calculation of how much additional debt the state can take on and although trunk highway bonds are paid back out of the trunk highway fund, the Constitution says specifies the general fund as a back up for the trunk highway fund. The Trunk Highway Fund has the capacity to support an additional \$700 million in bond authorizations.

The amount of outstanding bond authorization and the schedule for repayment left the state in a position to issue \$700 million in new bond authorization in 2025 and \$1 billion in 2026. The Senate suggested the legislature pass a bonding bill totaling \$1.35 billion during the 2025 session and not pass a bill in 2026, but ultimately, a bill totaling \$700 million was passed. No additional authorization was included for trunk highway bonds, despite the Senate including \$100 million in trunk highway bonds as part of the Omnibus Transportation Budget bill.

For Transportation, the \$700 million bonding bill includes:

- **Local Road Improvement Program** - \$47 million
 - ◊ Township Roads - \$5 million
- **Local Bridge Replacement Program** - \$31 million
 - ◊ Major bridges - \$11 million
- **Highway Rail Grade Crossings** - \$1 million
- **Minnesota Rail Service Improvement Program** - \$1 million
- **Local Road Wetland Replacement Program** - \$5 million
- **Transportation Economic Development Infrastructure** - \$1.5 million

The waiting list for the Local Bridge Replacement Program as of May, 2025, consisted of 31 bridges requesting a total of \$13.8 million in state bridge funds for projects totaling \$21.7 million.

In 2023, MnDOT State Aid received 378 applications requesting \$417.1 million in LRIP funding for the \$103 million appropriated. In total, the LRIP Advisory Committee approved 86 projects with the \$103 million available.



Our Legislative Team

The Minnesota Transportation Alliance Legislative Committee develops our agenda each year while our contract lobbyist Brian McDaniel and Executive Director Margaret Donahoe meet with legislators, testify on bills and stay on top of the action at the Capitol on your behalf.



Advocacy/Coalitions Make a Huge Difference!

The work we do to build a diverse, statewide coalition demonstrates the importance of transportation investments and the support for increased funding.

Thank you to the members of the Minnesota Transportation Alliance for your support and your advocacy! You make it happen!

Our Work Continues to Prepare for the Future

We know that the transportation industry and community will continue to face challenges and needs. Our work will continue to focus on:

- ♦ Increasing stable, dedicated funding for transportation investments.
- ♦ Contributing to efforts to support workforce development so the industry is prepared to deliver with more funding and more projects in the pipeline.
- ♦ Advocating at both the state and federal levels for important transportation policies, including speeding up project delivery and streamlining the permitting process.
- ♦ Continuing to bring all sectors of the transportation community together with decision makers through high-quality events and meetings.

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Real People. Real Solutions.

We believe all people should live in safe, sustainable, and beautiful communities.

Infrastructure systems are fundamentally linked to the extent to which communities are able to thrive.

Infrastructure systems serving thriving communities are developed through embracing a diversity of people, thoughts, and experiences.

It is our responsibility and privilege to embrace the diversity of people, thoughts, and experiences necessary to develop infrastructure systems that serve all people.

