



# Minnesota Surface Transportation Reauthorization Recommendations

## Minnesota Transportation System Funding Needs

Minnesota's infrastructure is aging, our population is increasing, freight movement is growing and safety on our roadways continues to be a concern.

From 2019 through 2023, over 2,000 people died on Minnesota roadways with traffic crashes imposing \$5.2 billion in economic costs in 2023.

The Minnesota State Highway Investment Plan (MnSHIP) estimates the funding gap for the Trunk Highway system over the next 20 years at \$17.8B.

Comparing total needs to anticipated revenues required to meet performance targets on the state and local highway systems that receive Highway User Tax Distribution Fund (HUTDF) funding results in **a total 10-year gap of an estimated \$18.7 billion or \$1.87 billion each year for the next decade.**

Transit systems in Minnesota continue to see ridership growth as they recover from the COVID pandemic. New transit systems and expanded service including new options such as expanded on-demand options in the Twin Cities Metro Area are providing important access to destinations for thousands of Minnesota residents. However, rising prices, labor shortages and limited state and local funding continue to be challenges. Federal transit funding will be critical for improving transit service throughout the state.

Ports and waterways and rail all have important infrastructure improvement needs. MnDOT has estimated \$1.1 billion in statewide freight needs for the next 20 years.

### Minnesota's Transportation System: the Backbone of the Economy

The multimodal, interconnected transportation system forms the backbone of our economy, allowing Minnesotans to travel 60 billion miles annually and moving a significant portion of the \$514 billion worth of commodities shipped to and from the state each year. The design, construction, and maintenance of our transportation infrastructure supports approximately 76,000 full-time jobs across all sectors of the state economy. Approximately 1.3 million full-time jobs in key industries like tourism, retail sales, agriculture and manufacturing are completely dependent on the state's transportation network.

A strong transportation system drives economic development, allows more people to age in place throughout the state, and supports a high quality of life.





## Federal transportation dollars provide real benefits.

Minnesota businesses and residents have benefitted from the strong federal-state-local partnership that has been instrumental in delivering transportation projects.

The Infrastructure Investment and Jobs Act (IIJA) continues to provide critical federal funding for important highway, bridge, transit and safety improvements.

**Based on formula funding alone, Minnesota expects to receive approximately \$4.8 billion over five years in Federal highway formula funding for highways and bridges.** On an average annual basis, this is about 30.2% more than the State's Federal-aid highway formula funding under the FAST Act.

Over five years, Minnesota will receive approximately \$39 million in formula funding for highway safety traffic programs, which help states to improve driver behavior and reduce deaths and injuries from motor vehicle-related crashes. On an average annual basis, this represents about a 29% increase over FAST Act levels.

**Based on formula funding alone, Minnesota would expect to receive about \$856 million over five years under the IIJA to improve public transportation options across the state.** In the first year, this represents about a 35% increase over 2021 FAST Act formula transit funding levels.

Minnesota has been successful in securing additional funding through discretionary grant programs continued or created under the IIJA. MnDOT has been awarded \$1.4 billion in grant funds through April of 2025 while local governments and tribes have received additional direct grant dollars.

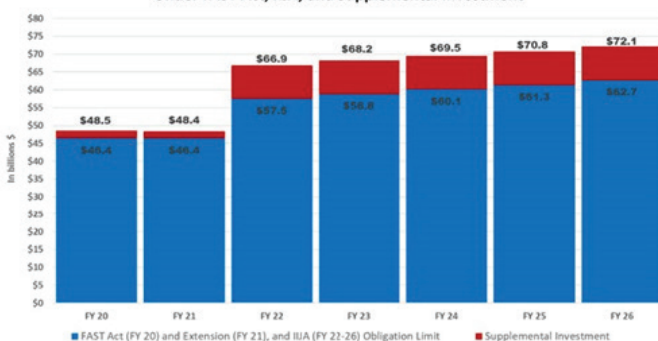
### Funding Recommendations:

Maintain and Increase Federal Funding Levels

Stable, dependable federal funding has been the key to allowing Minnesota to plan, design, build and improve our transportation system. **We support a five-year surface transportation authorization act to allow our state to efficiently plan and deliver transportation improvements.**

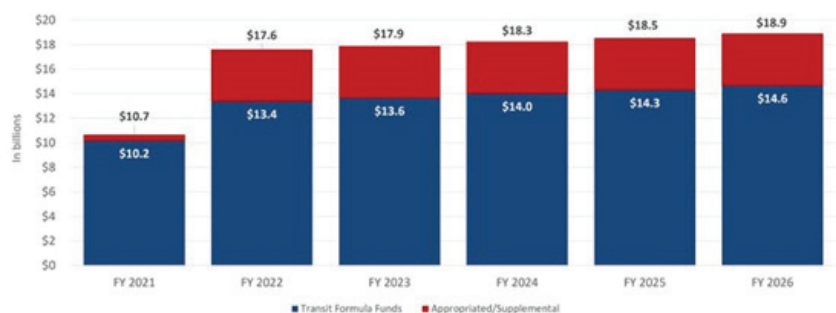
**Maintaining current funding levels plus inflation should be the baseline as a new authorization bill is developed.** We can't afford to go backward with needs increasing and inflation rising. According to the US DOT's Bureau of Transportation Statistics, the modest inflation scenario estimates a 31% loss in purchasing power for the total five fiscal years of IIJA from fiscal 2022 to 2026, reducing the \$379.3 billion in nominal dollars for highways to \$260.5 billion in real dollars.

Federal Highway Program Obligation Limitation Under FAST Act, IIJA, and Supplemental Investment



Source: FHWA and Senate Infrastructure Investment and Jobs Act.

U.S. Transit Apportionments Under Infrastructure Investment and Jobs Act (IIJA)



Source: Data is for state appropriations, and additional discretionary programs, including those appropriated from the General Fund.



## Major Discretionary Grant Awards

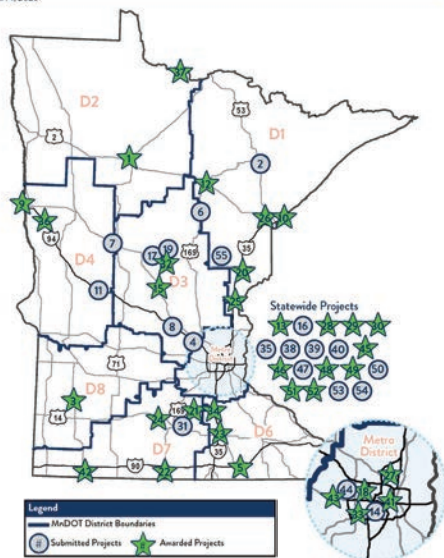
Discretionary grants are providing needed funding in many parts of the state from major bridge projects to rail, transit and highway system improvements. **Here are some of the larger project awards:**

| Project Description                   | Dist. | FFY     | Grant      | Amount Awarded |
|---------------------------------------|-------|---------|------------|----------------|
| TH197/Paul Bunyan Drive – Brainerd    | 8     | 2022    | RAISE      | \$18 million   |
| I-90 Bridge Replacement – Austin      | 1     | 2022    | INFRA      | \$25 million   |
| Downtown Moorhead Rail Separation     | 7     | 2022    | RURAL      | \$26.3 million |
| I-535 Blatnik Bridge                  | 8     | 2023/24 | INFRA      | \$1.06 billion |
| I-494 EZ Pass Project                 | 2,3,5 | 2025    | Mega/INFRA | \$138 million  |
| Robert St. Complete Streets & Viaduct | 4     | 2025    | RAISE      | \$25 million   |
| US212 Freight Mobility Project        | 6     | 2023    | RAISE      | \$10 million   |

### FFY 2022 - 2026

MDOT IIA and IRA Applications and Awarded Projects

as of April 14, 2025.



### Transitway Project Funding

Minnesota has also benefitted from federal funds for major transit projects such as:

- Southwest LRT - \$928.84 million CIG/EPD funds
- Metro F Line BRT - \$53.4 million CIG/EPD funds
- Rochester Link Rapid Transit - \$84.9 million CIG/EPD funds

### Rural Transit Funding

Grants provided through the Low or No Emission program and Buses and Bus Facilities program are funding needed improvements in rural areas for these transit systems:

- Minnesota River Valley Transit
- Prairie Lakes Transit
- Southern Minnesota Area Rural Transit
- Heartland Express
- United Community Action Partnership
- Wadena County Friendly Ride
- Bus facilities in Austin and Waseca

## Funding important safety programs.

**Making our transportation system safer remains a core focus as too many Minnesotans are killed or injured while traveling.**

We recommend dependable, robust funding for the Department of Transportation's (DOT) safety-focused programs, such as the Highway Safety Improvement Program (HSIP), the Safe Routes to School Program, the Rural Surface Tra

nsportation Grant Program, the Safe Streets and Roads for All (SS4A) program, the Railroad Crossing

- Waive the local match requirement for local road safety projects for local jurisdictions and states by expanding the list of projects eligible for a 100 percent federal share.
- Maintain the eligibility of non-infrastructure safety activities.

Reauthorize the Railway-Highway Crossing program at current funding levels and maintain the 100 percent federal share for projects.

Recognizing that roads can be hazardous not only for the people who use them, but also for those who build them, we support programs to boost work zone safety.

### We urge Congress to:

- Preserve the IIA provision requiring the Federal Highway Administration to implement Work Zone Safety Contingency Funds, which provide funding for unforeseen safety enhancements that were identified after the project moved into the construction phase.
- Require states to include roadway worker safety advocates in the development of State Highway Safety Plans to ensure workers are treated as "vulnerable road users" along with pedestrians, cyclists and other groups.
- Ensure that states can use part of their federal funding for speed enforcement in work zones.

Formula Funds and Funding for Local Infrastructure

In Minnesota, we rely heavily on federal highway and transit formula funds and recommend that the majority of funds flow through established formula programs to ensure timely and efficient spending. At the same time, local governments own a major share of our state's infrastructure. We believe it is important to maintain direct federal funding for local infrastructure.

Discretionary grant programs like INFRA, BUILD and bridge programs have provided significant funding for Minnesota. Under the IIJA, discretionary grant programs have provided opportunities for local governments to apply directly for federal funds. Congress should also consider granting direct recipient status to MPOs for certain federal funds. Given the cost of completing grant applications, Congress should streamline the application and agreement process to eliminate redundancies and enhance clarity between applicants and US DOT.

Reducing local match requirements for federal transportation funds would also allow more economically challenged communities to access federal dollars. In addition, the application process should be streamlined and technical assistance should be provided to reduce barriers for local governments of all sizes.

The new authorization act should also allow states to transfer funds among formula program categories to ensure the right project can be funded at the right time and allow the carryover of federal funds from one fiscal year to the next to allow uninterrupted progress on long-term projects.

Increase Transportation Funding Levels

With rising costs and increasing demands on our aging infrastructure, Congress should increase highway investment to \$84.6 billion and transit investment to \$26.3 billion in FY27 and adjust upward in each year of the authorization. Congress should oppose any efforts to reduce or eliminate existing user fees unless new revenue sources fully replace or exceed lost funds. In addition, we urge opposition to any restrictions on the revenue options that states and local governments may choose to use for projects.

Stabilize the Highway Trust Fund.

The federal highway trust fund was created with the user-fee principle to ensure stable funding paid for by users of the system. However, since 2007, spending has outpaced revenue, requiring transfers of general treasury funds.

| HTF: 1957 - 2006   | HTF: 2007 - 2024   |
|--|--|
| Net user tax receipts: \$676.0 billion                   | Net user tax receipts: \$724.5 billion                   |
| Outlays: \$682.6 billion (101% of net user tax receipts) | Outlays: \$932.2 billion (128% of net user tax receipts) |
| Interest/Fines: \$30.1 billion                           | Interest/Fines: \$17.8 billion                           |
| Special bailout transfers: Zero                          | Special Bailout Transfers: \$275.5 billion               |

Eno Center for Transportation

Sometime in 2028 the Trust Fund is scheduled to run out of money again. At current law spending levels and tax receipt projections, this means that Congress will have to start bridging a **Trust Fund revenue gap of around \$40 billion per year**, either through increased revenues, decreased spending, or additional bailouts from the General Fund.

We recommend that Congress act to stabilize the federal highway trust fund and should consider:

- Raising or indexing the existing revenue streams such as the excise tax on gasoline and diesel, user fees on heavy vehicles and sales taxes on trucks, trailers and truck tires.
- Creating new revenue sources including a new fee on electric and hybrid vehicles or a tax on alternative fuels such as electricity.
- Redirecting revenue generated by existing federal sources into the Highway Trust Fund including custom duties and other revenues.
- Exploration of a road usage charge.
- Imposition of a freight fee on vehicles that use the roadways to deliver consumer goods modeled after the delivery fee established in Minnesota.
- National registration fee collected annually on all personal and commercial vehicles that varies by vehicle weight.

## Support strong funding for Minnesota Transit

Through transit formula funds and project-specific funding, federal dollars have had a major impact on important transit system additions as well as the stability of transit operations all across Minnesota. Transit systems rely on federal funds to make new service a reality and to maintain and repair transit assets.

Federal funding levels should be strengthened with increases in formula-based funding from the Mass Transit Account of the Highway Trust Fund plus proportional increases for general fund transit programs.

Congress should maintain **full funding for FTA formula grant programs** as authorized under the IIJA and provide 80 percent federal share for all formula grants whether for operating or capital assistance.

**Provide robust, predictable funding for the Capital Investment Grants program.** More and more businesses are locating near reliable high frequency transit to increase their potential employee pool. A robust federal investment leverages state and local dollars that invest in community redevelopment.



**We urge extension of project development to three years.** Agency costs prior to entry in project development are not eligible for federal reimbursement, so the current two-year time frame forces agencies to absorb more early planning and NEPA costs. The two-year time frame has been set in law for decades while project planning has become exponentially more complex since then.

Increased funding should be provided to the Buses and Bus Facilities program (Section 5339) with at least 75 percent to the formula program with an increased base amount allocated to each state.

FTA recipients and subrecipients should be allowed to retain all of the proceeds from the sale or disposition of vehicles acquired with FTA financial assistance when they commit to using these proceeds for capital replacement. Congress should pass legislation to make the IRS code's charitable mileage rate for volunteer drivers the same as the mileage rate for non-taxed reimbursable business travel with the rate adjusted annually.

Congress should codify the current Public Transportation Agency Safety Plan exemption for section 5310 and 5311-only providers and provide funding for systems that receive Urbanized Area Formula funds (Section 5307) and have 100 or fewer vehicles in peak revenue service to implement safety plans.





# Efficiency recommendations for transportation dollars.

## Streamline Project Delivery and Permitting

Transportation improvements and environmental stewardship can work together. Their synergy can yield significant benefits, such as reduction in traffic congestion; protection of wetlands and waterways; innovative use of recycled materials; development of low carbon construction products; improved environmentally focused design, construction, and maintenance specifications; and utilization of modernized, cleaner equipment and construction practices.

As Congress works to develop a new surface transportation authorization act, we recommend:

- Federal regulations should minimize duplicative and redundant requirements in the planning and permitting process.
- Where needed, federal environmental agencies should modernize their regulations, incorporating contemporary data, technology, and methods of communication.
- In addition, those agencies should fully implement project delivery reforms in existing law, such as One Federal Decision. Congress should require all federal agencies to demonstrate tangible process on implementation of the One Federal Decision codified under the IIJA.
- Expand the use of categorical exclusions (CEs) for all federal-aid highway and transit projects under \$10 million.
- Preserve existing exclusions of the Buy America policy on paving-related materials and establish meaningful “de minimis” thresholds while imposing a compliance surcharge when needed.

The National Environmental Policy Act (NEPA) plays an important role integrating relevant environmental regulations and natural resource protections, as well as addressing stakeholder concerns relating to the planning, design, and delivery of transportation projects. However, the NEPA process has grown inefficient, requiring an average of five to seven years for completion.

### We recommend:

- Linking the planning and environmental processes by identifying potential project challenges and developing mitigation strategies before initiating NEPA will save time and money during project development.
- Allowing use of the project sponsor’s statement of purpose and need for all federal approvals and directing permitting agencies to give that document substantial deference during the approval process.
- Minimizing harm to disadvantaged communities and promoting greater connectivity and opportunity as part of the transportation planning process.
- Making NEPA assignment permanent after the initial five-year audit period, eliminating the need for periodic reapplication.
- Enabling meaningful stakeholder participation by email, phone, virtual communication and meetings platforms, social media or other technologies in meeting environmental review and community engagement requirements.
- Supporting increased delegation of NEPA reviews to states, including expanding Surface Transportation Block Grant eligibility to cover state costs associated with taking on NEPA assignment.
- Providing additional flexibility for preventive maintenance, exempting instances involving no or minimal ground disturbance from detailed environmental analysis and clearing these activities programmatically without separate NEPA documentation.
- Clearly defining Waters of the United States (WOTUS) to exclude roadside ditches to prevent unnecessary permitting hurdles.

# Support innovation and technology.

Congress should expand eligibility to fund technology and institute procurement flexibility across all modes with an emphasis on the safe and efficient movement of people and goods. We also recommend sustained support for research, development and technology transfer activities that drive innovation for our state.

We support increased funding for Advanced Digital Construction Management Systems (ADCMS) grants, building on the program’s results in leveraging technology to streamline design and construction.

## Support Research for Transportation in Minnesota

Congress should increase investment for research, technology and education programs, including University Transportation Centers. The University of Minnesota Center for Transportation Studies continues to produce important projects and findings in collaboration with public-sector, industry, and academic partners.

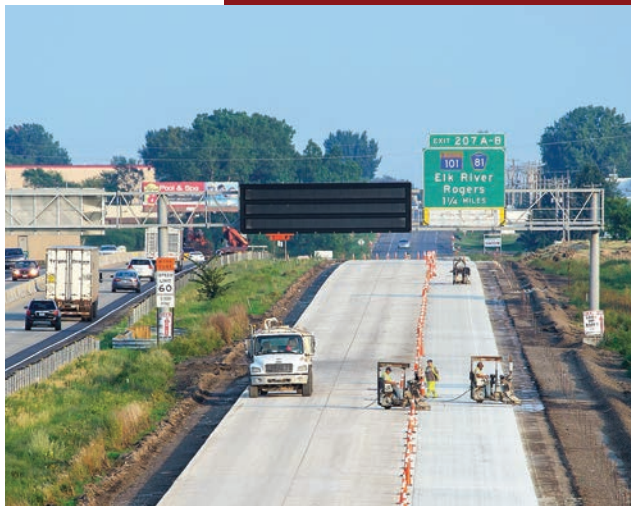
Examples of work done by CTS in 2024 include a project recognizing the need for a more customized approach, when it comes to asphalt mixes. Working with the Minnesota Local Road Research Board, U of M researchers created an optimized asphalt mixture for building tougher rural roads. A better asphalt mixture could improve service life—and reduce costs and improve driver safety.

CTS and partners were awarded \$6 million by the Federal Transit Administration to design and lead a new Mobility, Access and Transportation Insecurity: Creating Links to Opportunity Program (MATI). The award from FTA provides the team with the ability to engage people on the community level to provide real-world solutions to transportation insecurity.

### Workforce Development

Improving the safety and mobility of our transportation system requires a highly-trained and sufficient workforce. Investments in workforce development will allow for timely delivery of high-quality projects.

**Congress should require US DOT to assess and report on how states use highway formula funds to support workforce development** activities to support the adoption of best practices and a workforce that will grow into the future.



# Minnesota Surface Transportation Reauthorization Recommendations

**These consensus recommendations are from a diverse collective of voices from the Minnesota Transportation Alliance, composed of :**

- Local governments
- The transportation industry
- Labor and construction companies
- Local businesses
- Transit system providers
- Modal advocates
- MnDOT and other state agencies

**Thank you for taking these recommendations into consideration.**



The Minnesota Transportation Alliance



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