

2026 Legislative Session Summary

Funding and Policy Impacts for Transportation in Minnesota



Capital Bonding Bill

The biggest impact for transportation is passage of a \$1.2 billion capital bonding bill with \$177 million for transportation programs and projects under the Department of Transportation and additional funding under BWSR and DEED.

The Capital Bonding bill (HF719) Spreadsheet and Text are available on our Alliance website: transportationalliance.com

Highlights include:

- Local Road Wetland Replacement Program - \$4.5M
- Local Road Improvement Program - \$50M of which \$3M is for townships
- Local Bridge Replacement Program - \$25M
- Highway Railroad grade crossing warning devices - \$1M
- Safe Routes to School - \$1M
- Transportation earmarked projects - \$4.550 GF cash
- Transportation earmarked local projects - \$95M GO bonds
- Trunk highway earmarked projects - \$3.6M THF cash
- Transportation Economic Development Infrastructure (TEDI) - \$2M

A total of \$185.65 million of the \$1.275 billion is directed to transportation programs and projects. The bill contains no trunk highway bonds.

A separate bill provided \$46.465M in general fund cash which includes the transportation earmarked projects shown above.

The bill also does not include funding for transit programs or projects, and it does not fund ports and waterways or rail programs. The largest share of the funding (\$420 million) is directed to water infrastructure.

Passage of a Capital Bonding bill was our top priority this year and we appreciate the funding for transportation programs and projects.

The Minnesota Transportation Alliance developed a Legislative Agenda for 2026 that focused on additional transportation dollars through passage of a capital bonding bill, protecting the gains made in 2023, promoting transportation policies that improve safety and support Minnesota communities.

The 2026 Legislative Session began on February 17th. **The Transportation Alliance hosted Transportation Day at the Capitol on February 19th** with over 100 members attending and advocating for transportation funding with key legislative leaders and committee chairs.

With a tie between Republicans and Democrats in the House and a one-vote majority for the DFL in the Senate, along with ongoing concerns about the structural balance in the general fund, expectations were low for accomplishments this year.

With an adjournment date of May 18th looming, legislative leaders and the governor agreed to an overall plan for concluding the session on May 13th that included a \$1.2 billion capital bonding bill, a new hospital reserve account, property tax relief and a one-year reduction in license tab fees.

Transportation Alliance members remained active and engaged all session - meeting with legislators, sending emails, attending committee hearings and speaking out with local elected officials.

Our members make a difference!



Tab Fees

The session began and ended with proposals to reduce the motor vehicle registration tax - specifically to go back to the tax rates and depreciation schedule that existed prior to the 2023 Transportation Funding package.

The House Transportation Committee heard legislation that would permanently cut tab fees with a price tag of \$891 million over three years. That bill did not advance to the House floor.

The Senate Transportation Committee did not hear any bills that would reduce tab fees.

The Minnesota Transportation Alliance expressed concern about any reduction in dedicated revenue.

The overall agreement among legislative leaders did include a one-year reduction of tab fees with a one-time \$254 million transfer from the general fund into the Highway User Tax Distribution Fund to compensate for the loss of dedicated tax revenue.

The capital bonding bill reduces the tax rate on the MSRP of vehicles to 1.25% for vehicle registered prior to November 16, 2020 and 1.285% for vehicles registered after that date starting January 1, 2027 and ending December 31, 2027.

For the owner of a \$25,000 vehicle, the savings is about \$72. For a \$50,000 vehicle, the renewal cost would fall by about \$145.

Transportation Policy

Numerous policy proposals were heard in both the House and Senate Transportation Committees during the session; however, the tight vote margins and lack of available dollars made it difficult for many policies to receive final passage and become law.

We have tracked the transportation issues of concern to our members, starting with a few policies that did become law.

Bills Signed into Law

Requiring the use of Electronic Positive Response (EPR)

and up-to-date contact information for Minnesota's excavation notice process.

This bill requires the operator of an underground utility facility to provide an electronic notice to the notification center regarding the status of its marking of utilities in the excavation area, and the status of a boundary survey. The Transportation Alliance supported this legislation.

Requiring best practices for suicide prevention on bridges.

Requiring implementation of suicide reduction railings on bridge projects identified as appropriate and feasible.

Permitting tow trucks to use variable message signs.

Requiring payment transparency in public contracts

The law requires a public contracting agency to provide certain information to a contractor or subcontractor regarding payment by the agency, upon written request from the contractor or subcontractor.



Nick Klisch, Redwood County, **Margaret Donahoe**, Transportation Alliance, **Brandon Nurmi**, Arrowhead Transit and **Steve Bot**, City of St. Michael testified at a House Capital Investment Committee hearing.



Transportation Policy Heard in Committee - Did not pass

- Autonomous Vehicle regulations - a number of bills were discussed that would either allow driverless vehicles or prevent them from operating. There was debate over allowing local government control or not and other issues related to the operation of autonomous vehicles. More discussion will happen next session.
- Utility Relocation Costs on Trunk Highways - legislation that would have required MnDOT to pay the cost for the remaining service life of a government-owned service utility when it must be moved to accommodate a trunk highway project was widely supported but did not make it into law this session.
- E-Moto Regulations - This bill modifies requirements related to motorized bicycles (sometimes termed mopeds) and motorcycles, including in vehicle classification, registration, dealer licenses, and restrictions on sales.
- Changes to Electric Vehicle Surcharge - During the interim, a work group met to develop recommendations for changes and improvements to the EV and hybrid vehicle fees. Changes to current law were proposed but not passed.
- Transit Service Consolidation in Twin Cities Metropolitan Area - Legislation was heard in committee to make the Metropolitan Council the exclusive comprehensive transit provider beginning July 1, 2027 and includes requirements to develop an implementation plan for transit consolidation and study of transit service in areas currently served by the suburban transit providers (i.e., opt-outs).
- Trunk Highway Expansion Restrictions - A number of bills were introduced that would change highway system process requirements for MnDOT with provisions that include limitations on trunk highway expansion projects.

2026 Bonding Bill Projects

Department of Transportation		
Local Road Improvement Fund Grants	GO/TF	\$47,000
Local Bridge Replacement Program	GO/TF	\$25,000
Local Road Improvement - Township Roads	GO/TF	\$3,000
Highway Railroad Grade Crossing-Warning Devices	GO	\$1,000
Safe Routes to School Infrastructure Program (SRTS)	GO	\$1,000
Interchange at TH 10, TH 61 and CSAH 22 in St. Paul Park	GF	\$400
Trunk Highway 610 - Hortman Memorial Signage	GF	\$750
Local Road Improvement Planning Mississippi Crossing in North Metro	GF	\$2,900
Radar Infrastructure Grants	GF	\$500
Grants to Political Subdivisions		
Anoka County - TH 65 & Bunker Lake Blvd	GO	\$4,300
Benton County - Mayhew Lake Road (CSAH 1) Safety Improvements	GO	\$3,000
City of Columbus - Hornsby Street Northeast	GO/TF	\$250
Cook County - Gunflint Trail Improvements	GO	\$1,000
Dakota County - County Road 50 Improvements	GO	\$6,000
Douglas County - I-94 and CSAH 17 Interchange	GO/TF	\$1,500
Faribault County - Welk Drive in Blue Earth	GO	\$500
City of Frazee - North River Drive	GO	\$1,850
City of Forest Lake / Washington Co. - Highway 61 Improvements	GO	\$2,755
City of Freeport - Interstate 94 Interchange	GO	\$6,000
City of Fridley - Road Extension & Bridge over BNSF Tracks	GO	\$2,000
City of Independence - Highway 12	GO	\$4,000
City of Karlstad - Municipal Airport	GO	\$6,500
City of Lake Park - Local Road	GO	\$2,000
City of Minneapolis - Pedestrian Access and Safety Improvements	GO	\$115
City of North Branch - I-35 and 400th Street Interchange Project	GO	\$1,000
City of Oakdale - Pedestrian Bridge over I-694	GO	\$3,750
Olmsted County - Interchange at CSAH 3, CSAH 5, and TH 14	GO/TF	\$5,600
Olmsted County - Interchange at CSAH 3, CSAH 5, and TH 14	THF	\$2,400
Pope County - 210th Ave Reconstruction	GO/TF	\$5,000
City of Redwood Falls - Preservation of Historic Swayback Bridge	GO	\$1,300
City of Richfield - Nicollet Avenue Reconstruction	GO	\$2,000
City of Savage - Hwy 13 Reconstruction Project	GO	\$3,000
Scott County - I-35 & CSAH 2	THF	\$1,200
City of Slayton 34th Street Reconstruction	GO	\$2,000
City of Stewartville - 15th Ave NE Improvements	GO	\$3,096
City of St. Louis Park - Oxford & Louisiana Area Infrastructure	GO	\$5,100
Stearns County - 332st Street Between CSAH 4 & CSAH133	GO	\$3,000
City of Stillwater - Washington Avenue Intersection	GO	\$4,300
City of Waconia - Trunk Highway 5 Phase 2 Reconstruction	GO	\$4,700
Washington County - County Road 19A and 100th Street South	GO	\$9,600
Washington County - CSAH 18 & CSAH 19 Intersection	GO	\$500
Grants To Political Subdivisions		
City of Osseo - Central Avenue	GO	\$586
City of St. Cloud - 5th Avenue South Downtown Project	GO	\$3,400
City of Minnetonka Beach - Streets and Utility Reconstruction	GO	\$4,540

The 2026 Capital Bonding bill included significant funding for transportation programs and projects that the MN Transportation Alliance advocated for throughout the session.

Language in the bill requires political subdivisions that submit a grant request through MMB to state whether it has a plan for maintaining and preserving the project. This is effective January 1, 2027.



Capital Bonding Needs in Transportation

- Local Bridge Replacement Program - \$160 million - \$200 million (GO bonds)
- Local Road Improvement Program - \$150 million - \$200 million (GO bonds); (\$4.5M cash)
- Local Road Wetland Replacement Program - \$18.5 million GO bonds and \$16.5 million GF (Base funding should be included in the biennial state budget for this program)
- Corridors of Commerce - \$400 million (Trunk Highway Bonds)
- Bus Rapid Transit/Busway Capital Improvements - \$75 million (GO Bonds)
- Greater MN Transit Capital - \$10 million (GO Bonds)
- Port Development Assistance Program - \$45 million (GO Bonds)
- Minnesota Rail Service Improvement Program - \$20 million (GO Bonds)
- Highway Railroad Grade Crossing Devices - \$10 million (GO Bonds)
- Safe Routes to School - \$10 million (GO Bonds)
- Electric Vehicle Infrastructure Program - \$5 million (GF)

Additional Funding Options

For the Road Maintenance fee or retail delivery fee
- remove the \$100 price threshold, over which, orders are exempted from the fee.

Accelerate the full dedication of the revenue from the sales tax on auto repair parts so that all of the revenue is fully dedicated as quickly as possible.

Explore innovative funding options including appropriate EV and hybrid fees as well as a Road User Charge that will compensate for reduced revenue from the fuel tax in the future.

Continue providing funds to match federal transportation and infrastructure dollars and to allow Minnesota to compete effectively for discretionary grant funds.

Continue funding from the Trunk Highway Fund for the Corridors of Commerce program and the Transportation Economic Development (TED) program.



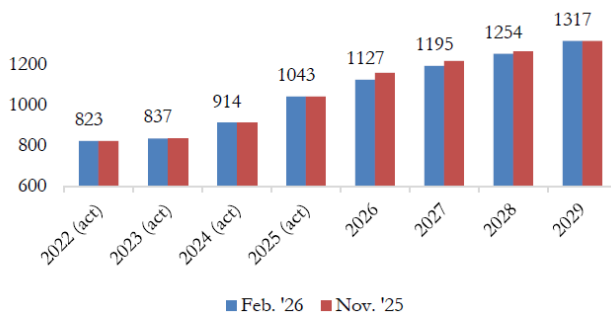
\$1.888 Billion in additional revenue since 2023

Impact of 2023 Funding Increases

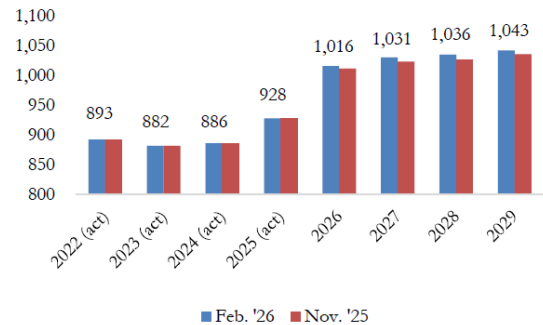
We continue to see the positive impacts from the 2023 Transportation Funding package.

- The 0.75% Twin Cities regional transportation sales tax has generated approximately **\$1.39 billion** as of mid-2026. This total includes roughly \$433million collected in 2024, \$473 million in 2025, and forecasted collections of \$487million for 2026. The distribution provides Metropolitan Council (83%) and Metropolitan Counties (17%) additional revenue for highway and transit needs.
- Increase in the motor vehicle registration tax (license tab fees) - revenue jumped from \$837M in 2023 to \$1,127M in 2026, an increase of **\$290 million**.
- Gas tax increase - revenue has gone from \$882M in 2023 to \$1,016 in 2026, an increase of **\$134 million**.
- Increase in Motor Vehicle Sales Tax (MVST) - revenue increased from \$636M in 2023 to \$660 in 2026, an increase of **\$24 million**.
- Electric Vehicle Surcharges enacted in 2023 have generated **\$6 million** in revenue so far.
- The new Retail Delivery Fee has brought in a total of **\$44 million** to date.

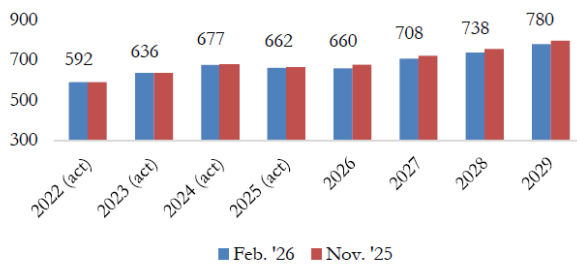
Motor Vehicle Registration Revenues
Feb. 2026 vs. Nov. 2025 Forecast
(in millions)



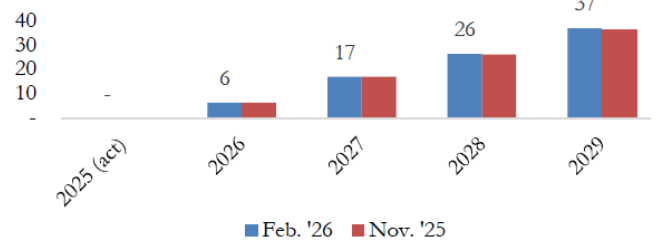
Gas Tax Revenues
Feb. 2026 vs. Nov. 2025 Forecast
(\$ in millions)



MVST Revenues
Feb. 2026 vs. Nov. 2025 Forecast
(\$ in millions)



Electric Vehicle Surcharges
Feb. 2026 vs. Nov. 2025
(\$ in millions)



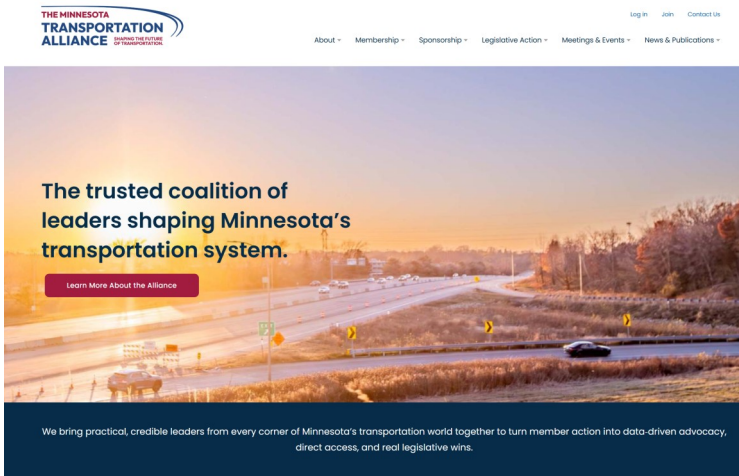
2026 Major Election Year

Another factor at play during the 2026 Legislative Session was the upcoming November elections.

In Minnesota, the following federal and state offices will be on the ballot:

- US Senate Seat
 - US House (8 Districts)
 - MN Governor/Lt. Governor
 - MN Senate (67 seats)
 - MN House (134 seats)
- MN Secretary of State
 - MN State Auditor
 - MN Attorney General

To date, 25 legislators have announced that they are retiring from office. Another 7 House members are running for the Minnesota Senate, and 11 legislators are running for another office. That's 43 legislators who will not be returning to their current seats.



With transportation funding and policy at stake, the Minnesota Transportation Alliance will be hosting **Regional Transportation Forums with local legislators and candidates.**

Visit our Alliance website for details:
www.transportationalliance.com



These local events focus on transportation needs and projects in particular areas of the state with local transportation leaders describing highway, road, bridge and transit system trends and future needs.





THE MINNESOTA TRANSPORTATION ALLIANCE

**SHAPING THE FUTURE
OF TRANSPORTATION.**

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