



Minnesota Transportation Alliance

Josh Knatterud-Hubinger | MnDOT Budget Director

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Welcome to Minnesota



Minnesota Constitution

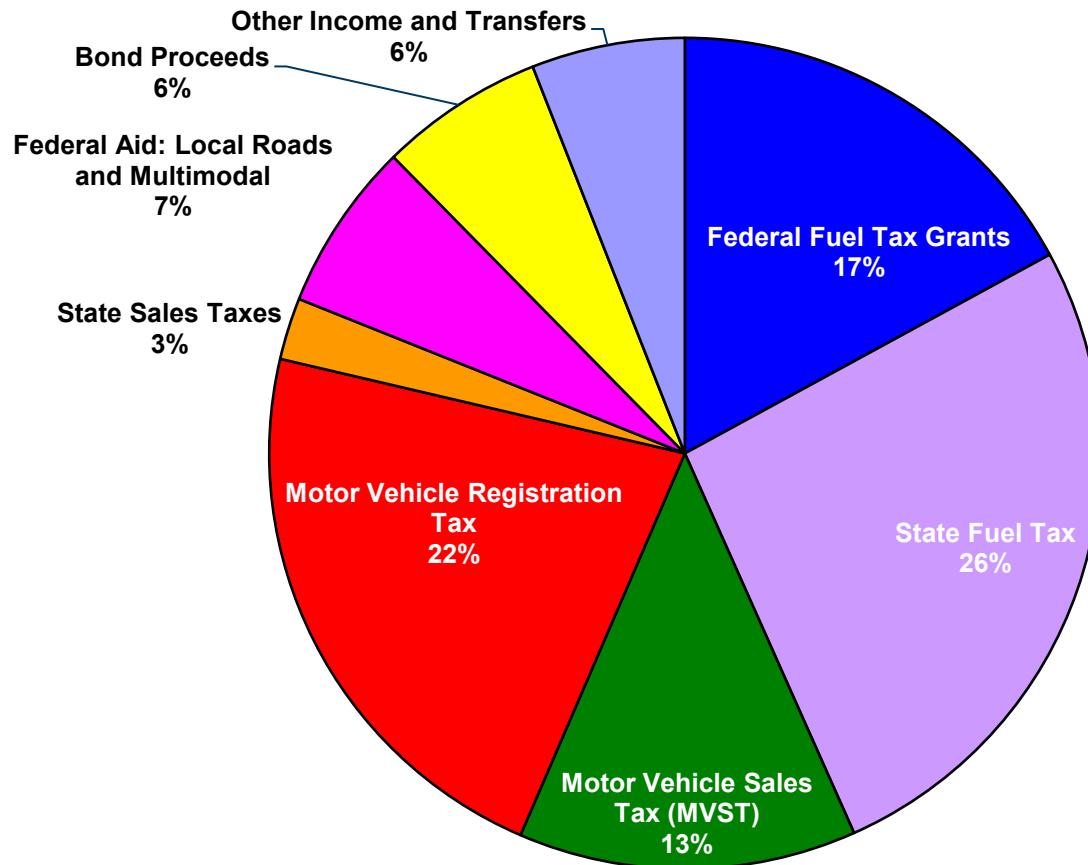
Article XIV, Public Highway System

- ▶ Establishes and defines road systems and creates funds
- ▶ Establishes ability to tax registration of motor vehicles and motor fuel
- ▶ Dedicates motor vehicle sales tax to transportation and motor fuel tax and motor vehicle registration tax to Highway User fund
- ▶ Establishes authority for legislature to issue bonds for trunk highway purposes

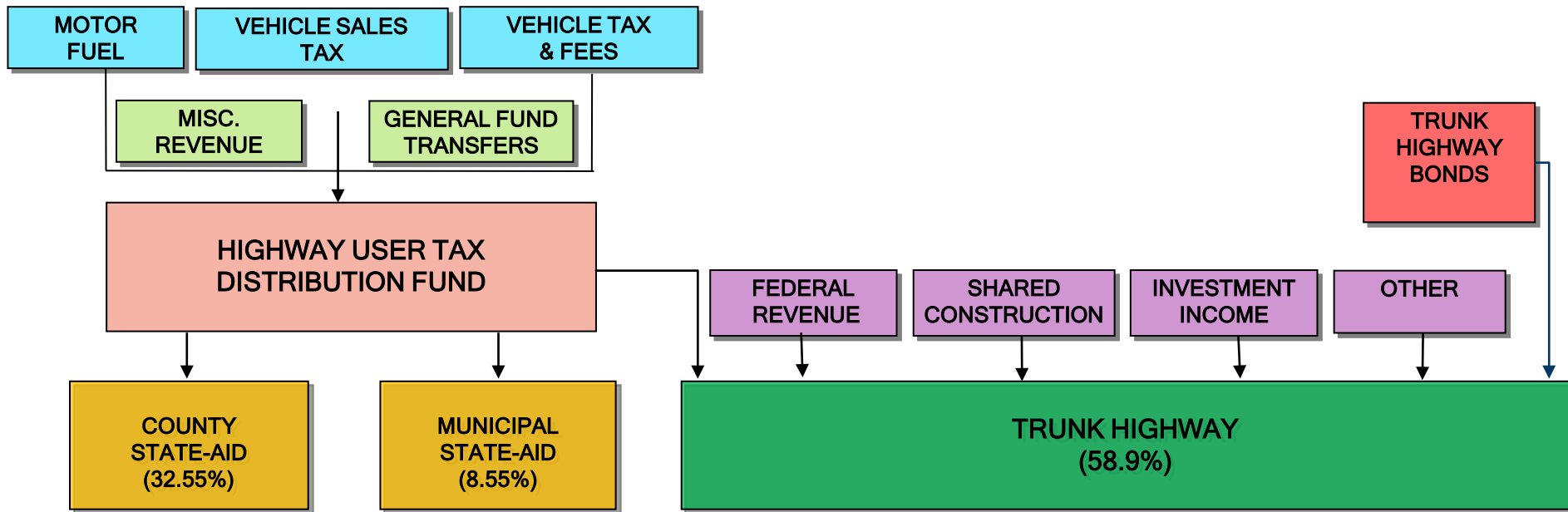
Transportation Funding Sources

FY 2018

FY 2018 Transportation Funding Sources
\$3.52 billion



MnDOT Funding Structure

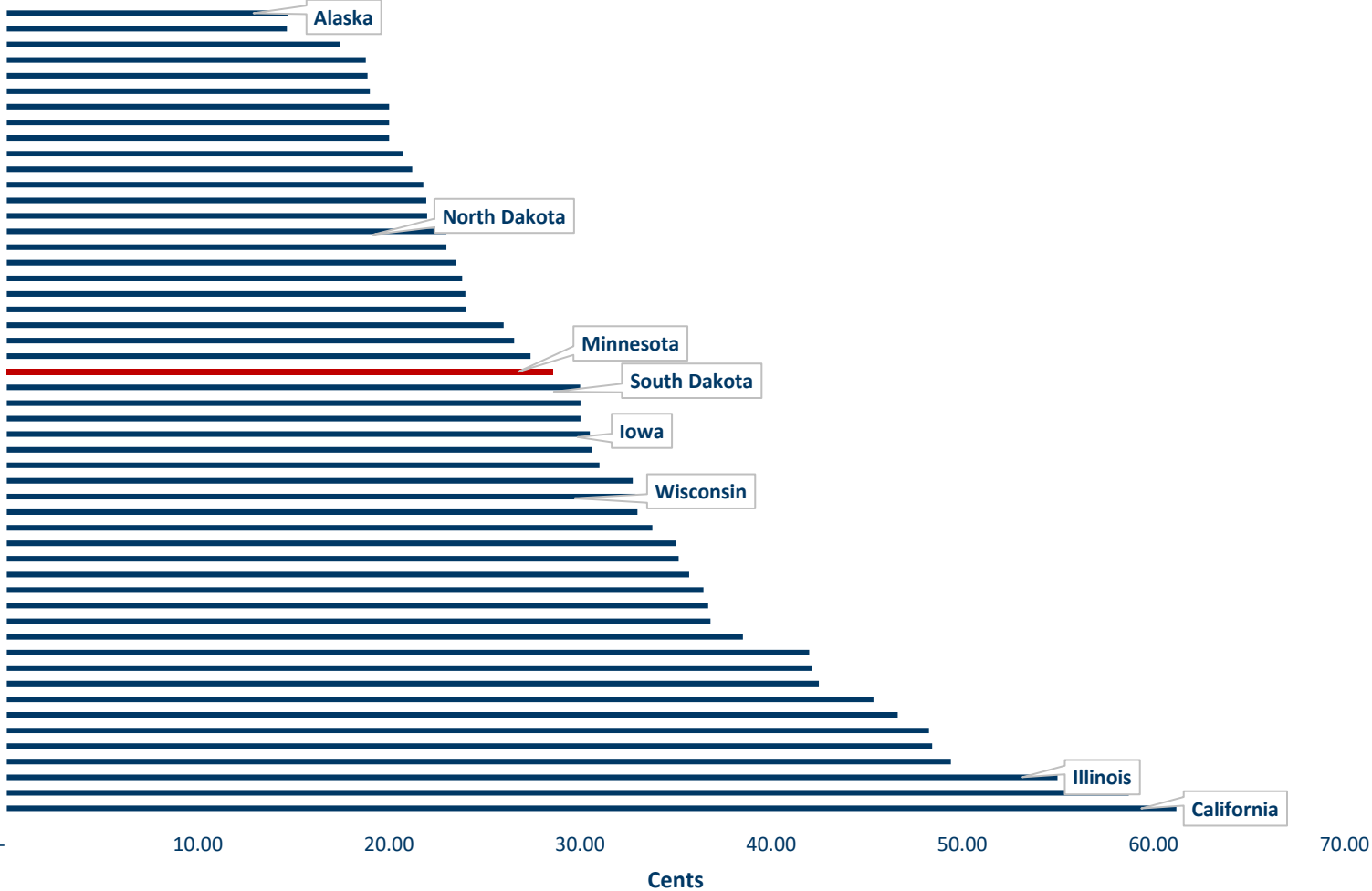


Gas Tax

- Current gas tax in Minnesota is 28.5 cents (includes 3.5 cent variable debt service surcharge)
- Gas tax was last increased in 2008 (phased in over 6 years)
- In FY 2018, 1 cent of gas tax generated \$32.5 million in revenue
- Since 2013, 32 states have enacted legislation that will or may increase gas taxes (NCSL)
- 23 states have variable gas taxes (based on inflation, prices, etc.) (NCSL)

FYs	Average Annual Growth Rate
1989-2008	2.7%
2009-2018	3.7%
2019-2023 (fcst)	0.5%
2019-2028 (fcst)	-0.4%

MN Motor Fuel Tax 29th Highest in the US



Registration Taxes (“Tab Fees”)

- For passenger vehicles, rate is “additional tax” of 1.25% of vehicle’s base value x depreciation %, +\$10
- Currently about 4.9 million passenger vehicles in MN (4 million licensed drivers)
- Average tax is ~\$140/vehicle
- Other Vehicles:
 - Motorcycles: \$10
 - Trucks and tractors: based on gross weight, ranges from minimum \$120, up to \$1,760 for 80,000 pounds
 - These “other vehicles” generate ~20% of revenues

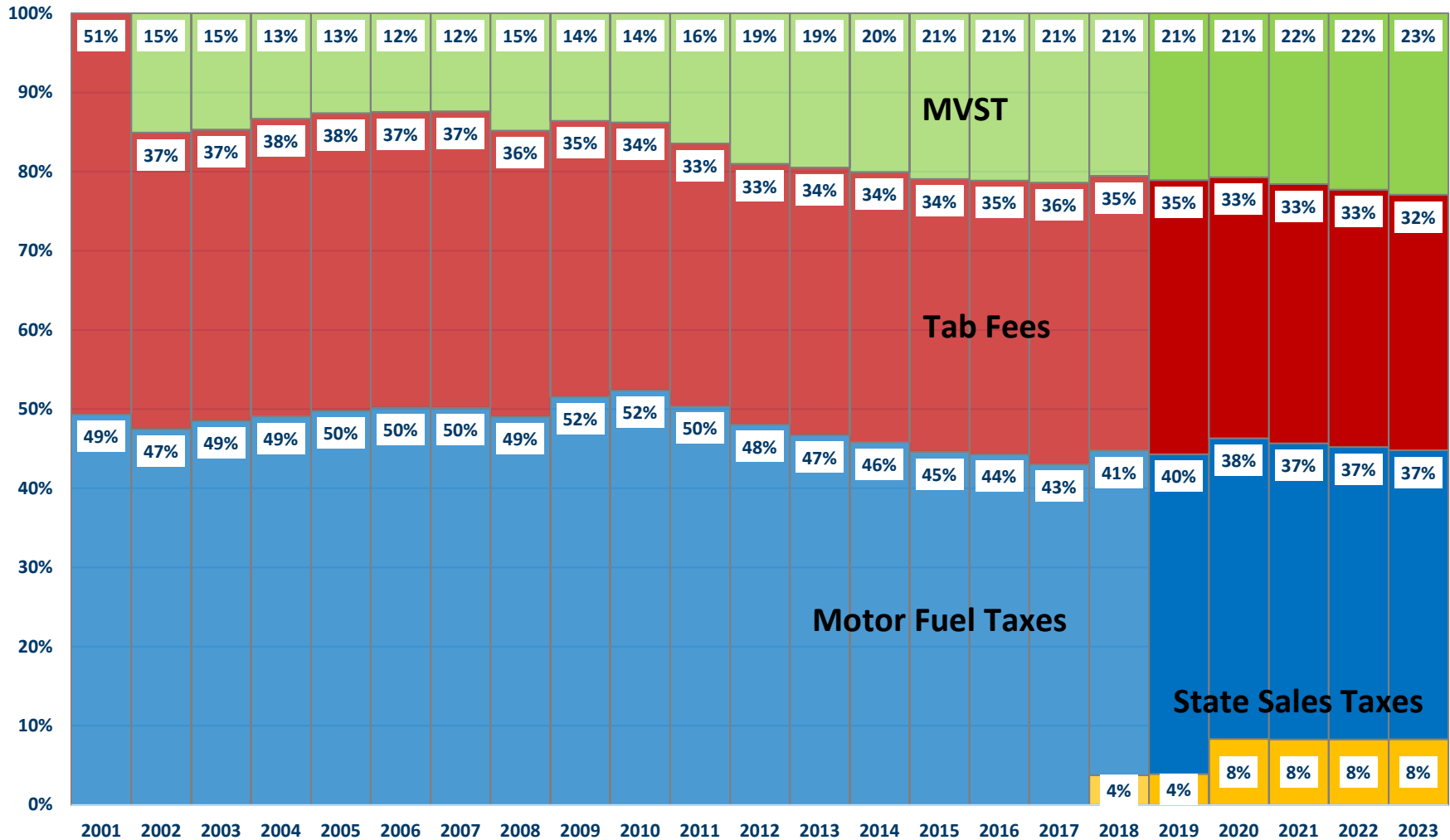


Other Revenue Sources

- Motor Vehicle Sales Taxes
 - Rate is 6.5% of purchase price
 - Constitutionally dedicated to transportation purposes by amendment in November 2006
- Motor Vehicle Lease Sales Taxes
 - Rate is 6.5% of lease price
- State Sales Taxes (new in FY 2018)
 - Auto Parts: in FY 2020+, **fixed** \$145.6M, ~50% of total
 - Rental Cars (6.5% sales tax + 9.2% fee): ~\$50M/year

Percent of Total Revenues

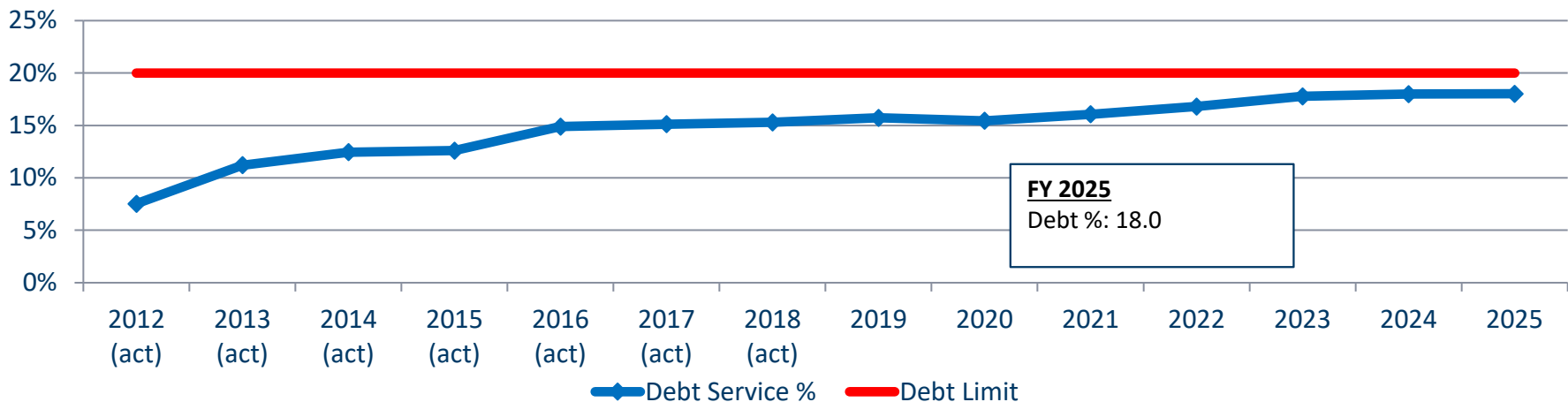
FY 2001-2018 Actuals, 2019-2023 Based on Feb. 2019 Forecast



Debt Summary

Bond Overview

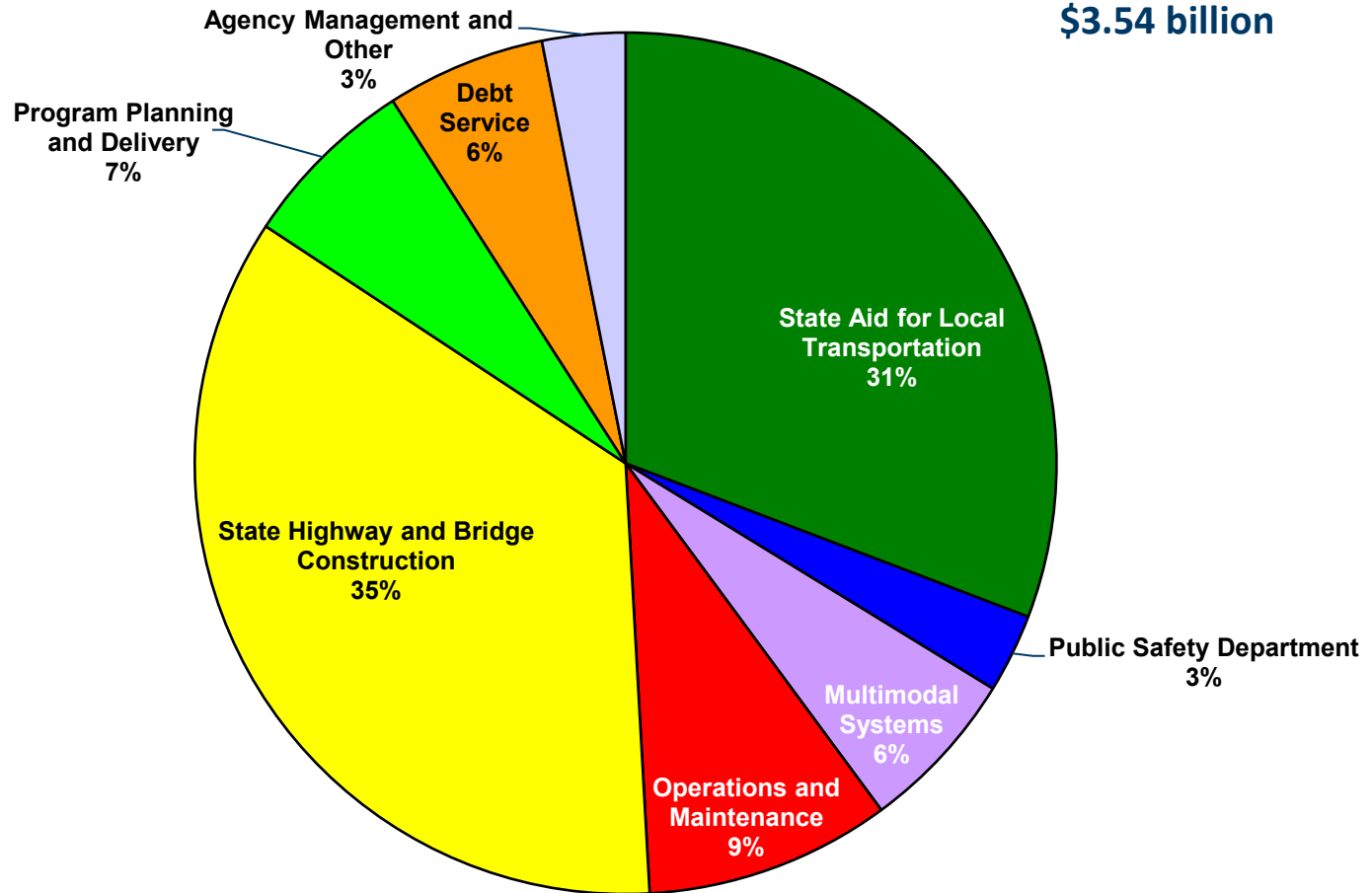
- \$4.3 billion trunk highway bonds authorized since 2000
 - Includes \$416M authorized in 2018 and \$940M authorized in 2017
- \$2.9 billion bonds sold since 2000
- Internal MnDOT policy stating annual debt service costs cannot exceed 20% of annual Trunk Highway state revenues



Transportation Funding Uses

FY 2018

FY 2018 Use of Transportation Funding
\$3.54 billion



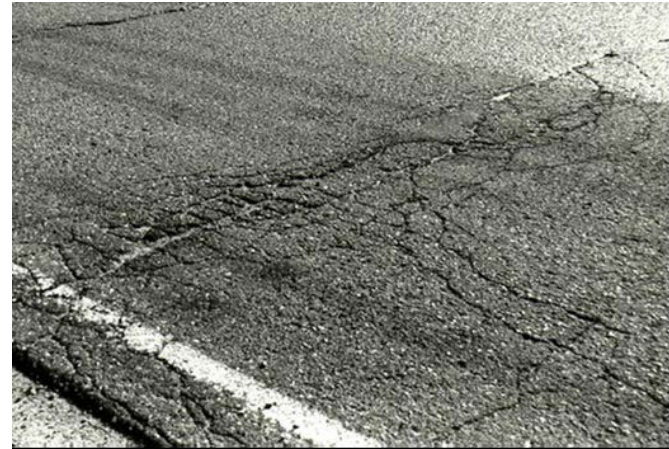
Growing Needs

- Freight truck traffic to increase 40% by 2040
- Nearly 1 million new Minnesotans by 2050
- Projected growth in vehicle miles traveled to increase 21.3% by 2040
- Connected, automated and electric vehicles



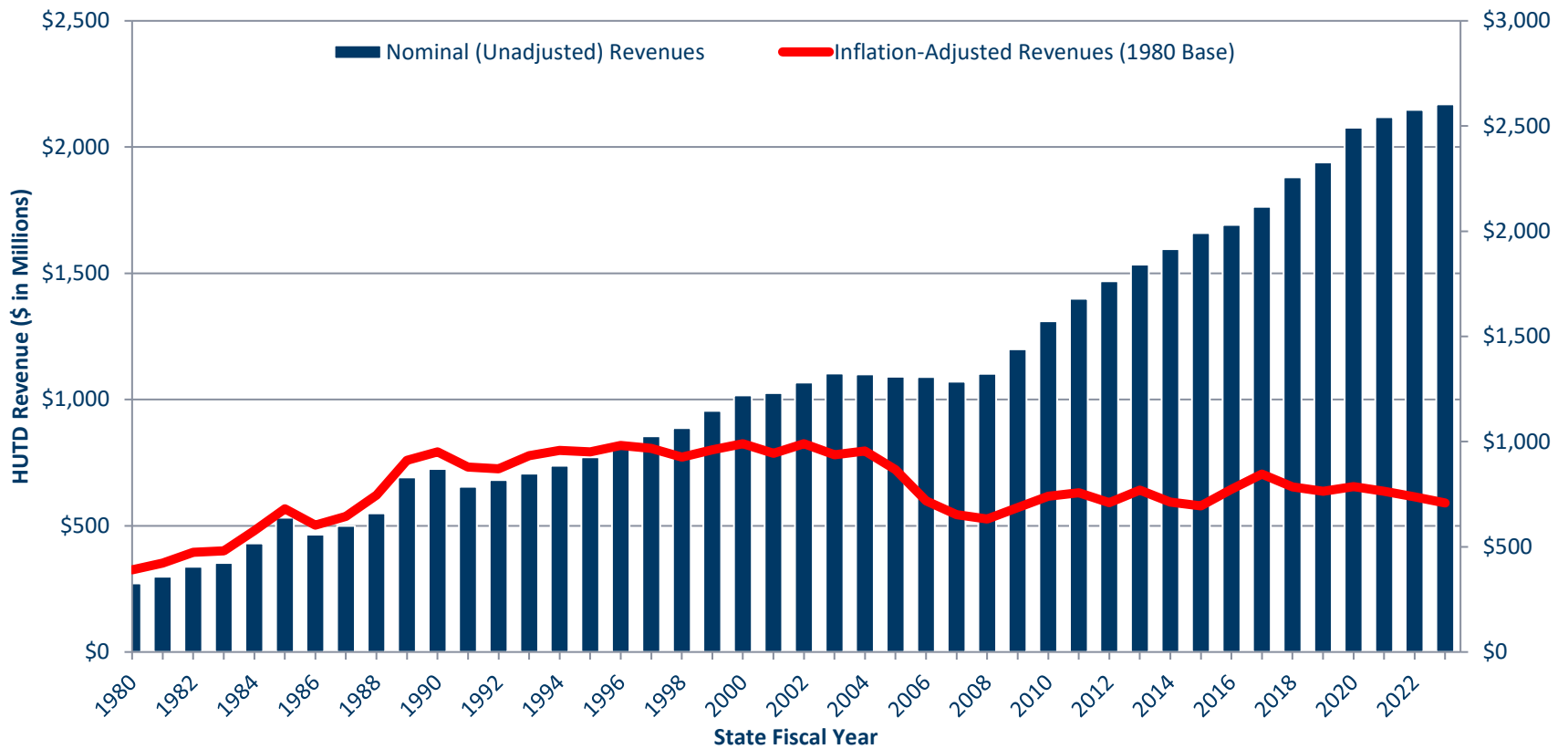
Funding Shortfalls

- More than 50% of Minnesota state roadways are 50 years old or older, and 35% of state bridges are in the same age range
- Increasing deterioration of pavement and bridges
- Little expansion to address population and economic growth
- Reduction in high priority services delivered
 - Snow and ice
 - Repair potholes
 - Bridge inspection and maintenance



Inflation Adjusted HUTD Revenues

Highway User Tax Distribution (HUTD) Fund Revenues, FYs 1980-2023 Nominal vs. Real



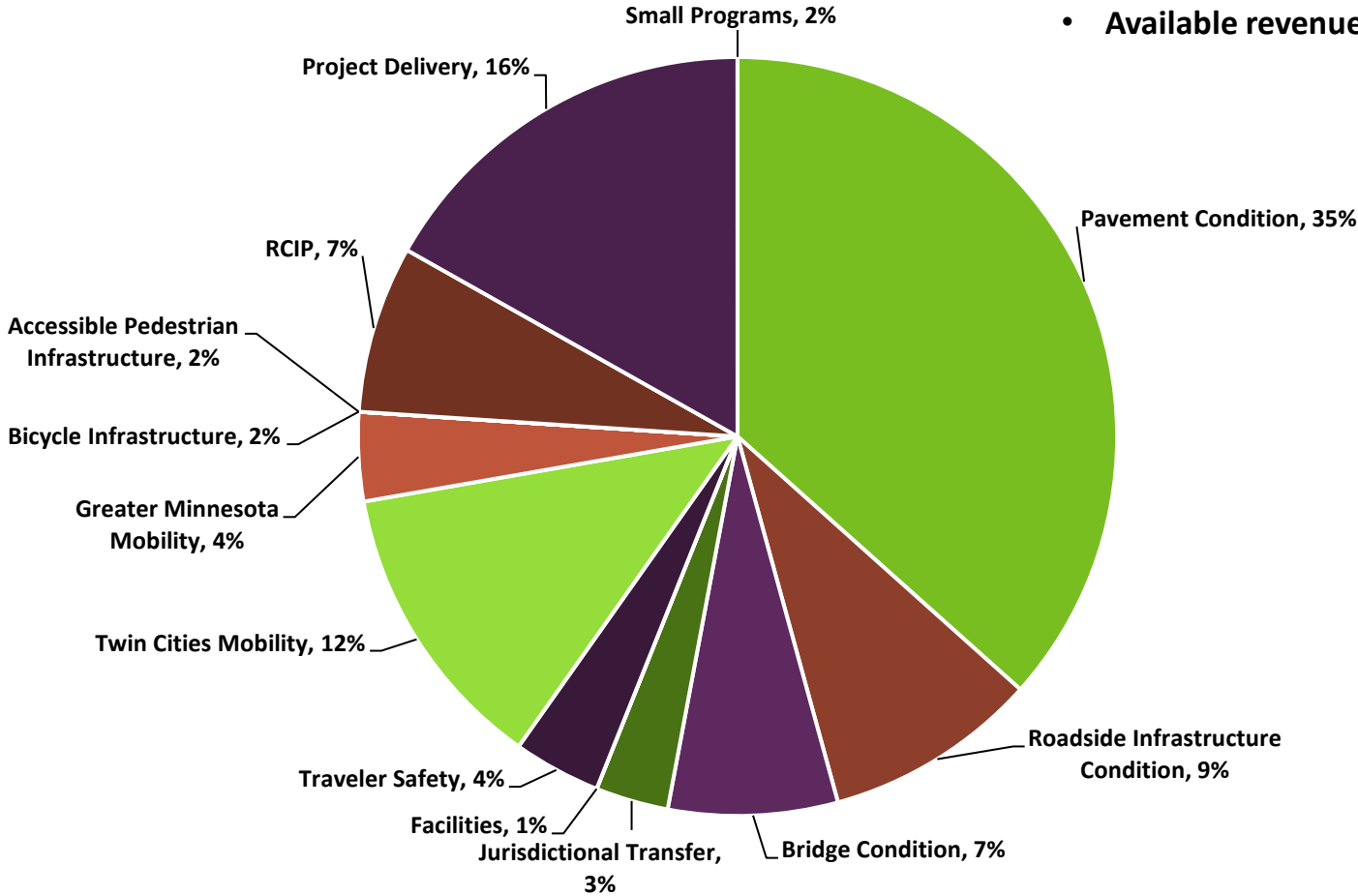
Growth Trends over Next 20 Years

Source	Estimated Growth Rate	Source
Revenue		
Current HUTD Revenues	1.9%	2018-37 MnSHIP
Federal Revenues	2.2%	2018-37 MnSHIP
Auto Parts (New)	0%	Fixed in Statute
Rental Taxes (New)	2%	DOR forecast
MVLST (New)	3%	DOR forecast
Expenditures		
Operations and Maintenance	3.2%	2018-37 MnSHIP
State Road Construction	4.4%	2018-37 MnSHIP

\$18B funding gap over 20 years (\$900M/year)

Transportation Needs Next 20 years

- Transportation needs = \$39B
- Available revenue = \$21B



Governor Proposed a Comprehensive Funding Plan (Similar Proposals Since 2015)

- Initiating a 20 cent gas tax increase
- Indexing the gas tax to inflation
- Increasing the registration tax
 - Tax rate from 1.25 percent to 1.5 percent
 - Base tax fee from \$10 to \$45
 - Change the depreciation schedule
- Increasing the motor vehicle sales tax from 6.5 percent to 6.875 percent
- Authorizing \$2 billion in trunk highway bonds

2019 Session

- Several budget adjustments to ensure existing operations and activities can continue in future years
- Many of these increases are meant to maintain previous **one-time funding** as ongoing **base funding** in the years ahead

(\$ in thousands)

Activity	FY 18-19	FY 20-21	\$ Change	% Change
Maintenance & Operations	670,431	728,111	57,680	8.6%
Program Delivery	452,439	452,007	(432)	(0.1%)
Planning & Research	66,556	62,417	(4,139)	(6.2%)
State Road Construction	1,887,111	1,863,577	(23,534)	(1.2%)
Agency Services	89,642	108,264	18,622	20.8%
Buildings	57,927	91,209	33,282	57.5%



Snow and Ice Contingency

- New statutory contingency language in FY 2018
 - Once Snow and Ice costs for the biennium exceeded 110% of budget, allowed to use additional needed funds from the Trunk Highway Fund balance
 - FY 2018-19 biennium:
 - Budget was \$150 million (\$75 million/year), also set aside \$15 million for additional 10%
 - Requested additional \$12.9 million in contingency funds
- Language changed in 2019 session, so in future years can use additional funds each year after exceeding 100% of budget

What's Next

- DBUF
 - \$1 million federal grant to develop a reliable and secure DBUF model that can be integrated with state revenue systems
 - Leveraging partnerships with Shared Mobility providers to demonstrate DBUF collections with existing onboard technologies
 - Chart path forward for wider implementation
- Electric vehicles and PHEV
 - Currently ~5,000 EVs and ~5,000 PHEVs (10,000, or 0.2% of total fleet)
 - EVs sold increased from 294 in 2015 to 1,866 in 2018 (**85%** annual growth rate)
 - Data from Alliance of Automobile Manufacturers [dashboard](#)
- CAV-X
 - CAV-X Office dedicated to:
 - Public engagement
 - Industry partnerships
 - Research, testing, and pilots
 - Strategic plan

Thank you again!

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