

# Minnesota Transportation Alliance

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## Transportation Funding in Minnesota

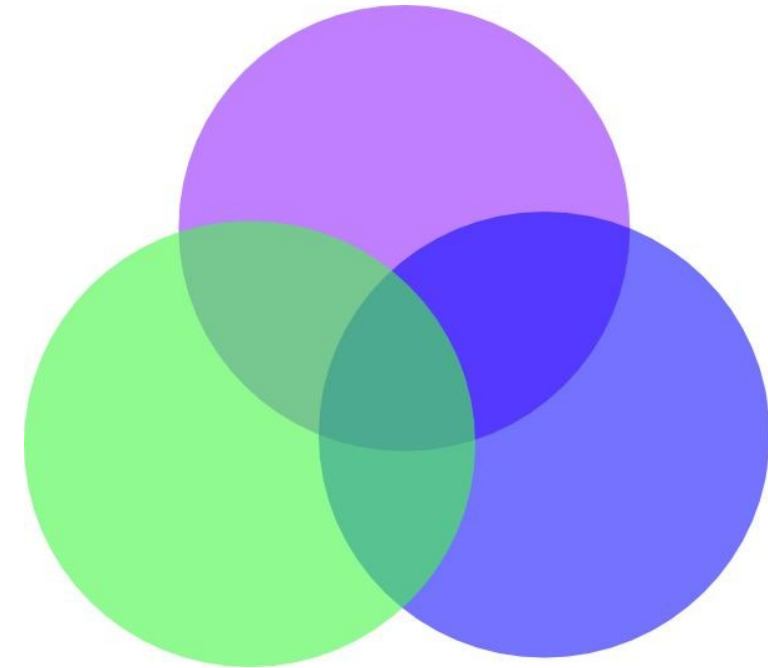
May, 2024



# Federal, State, Local Partnership

Transportation projects rely on a strong partnership between the Federal, State and Local governments.

We are benefitting from increased federal (IIJA), State (Chapter 68, 2023) and local funding.

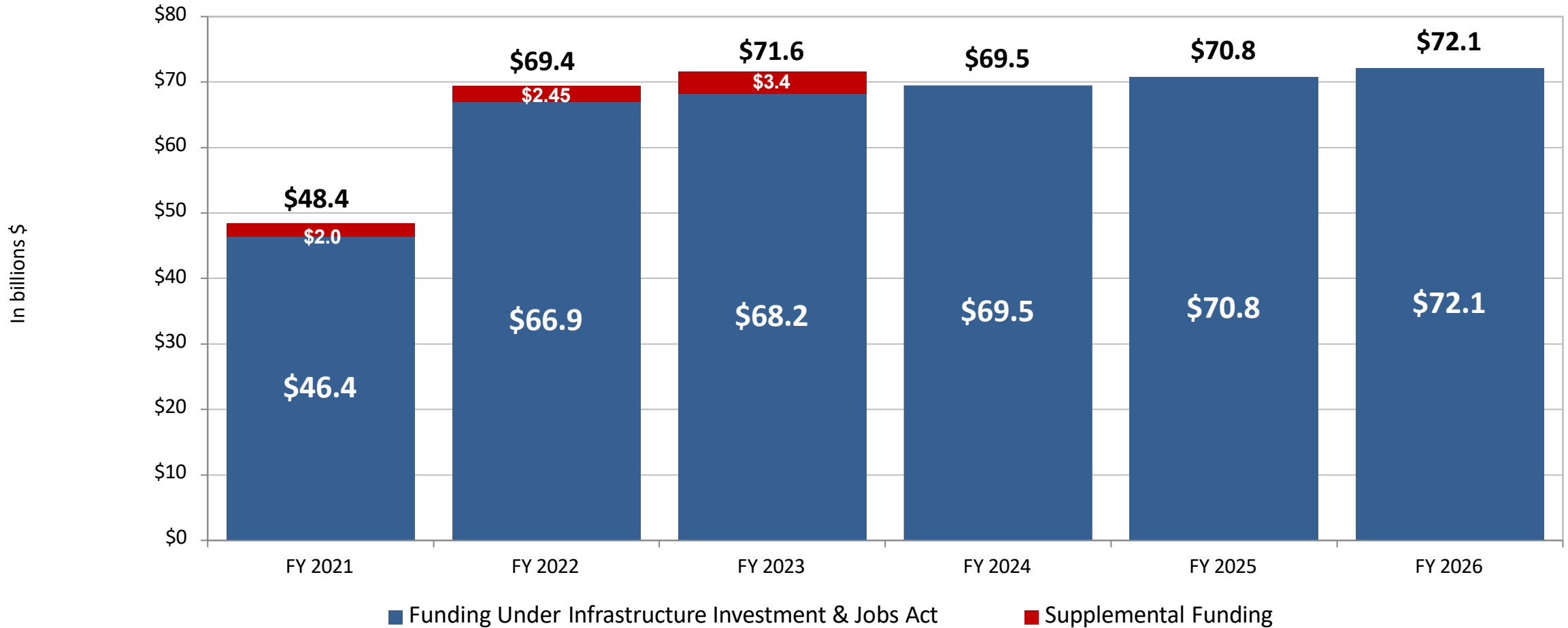


# Federal Funding

- Formula Funds
- Discretionary Grants
- Congressionally Directed Spending

# Federal-Aid Highway Investment Under the IJA

## IJA Total Highway Investment

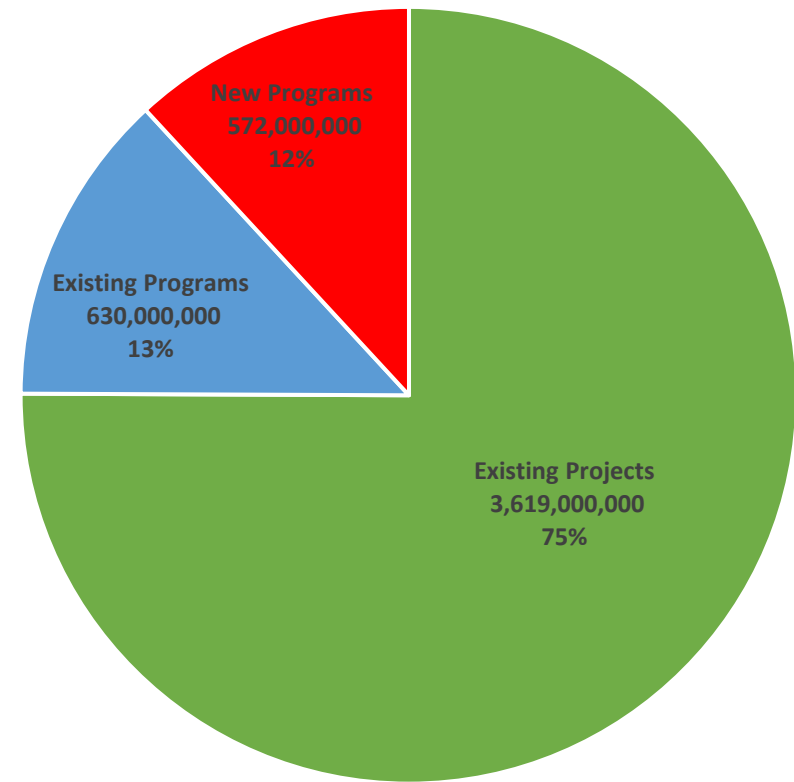


Source: FHWA final notices for annual highway program obligations and supplemental programs, Infrastructure Investment & Jobs Act

# \$4.8 Billion to Minnesota over 5 years

- \$3.6 Billion for EXISTING PROJECTS as shown in the STIP
- \$630 Million additional for EXISTING PROGRAMS
- \$570 Million for NEW PROGRAMS

Estimated IJA Formula Funds to Minnesota  
FFY22 to FFY26



# IJA State Matching Funds

- \$216.4M in general funding to match federal discretionary grants
  - Available for all Minnesota entities that have been awarded a discretionary grant under IJA for a transportation related purpose
  - For match amount or at \$10M each, whichever is less
  - Includes IJA awards made since the law's enactment on November 15, 2021
  - Funds awarded on first come, first served basis
  - [IJA Match Program - MnDOT \(state.mn.us\)](https://state.mn.us)
- 40 applications requesting \$100M have been approved
- 8 applications were not funded due to ineligibility

# IJA State Technical Assistance

- \$2M in general funding for technical assistance for local governments and tribes
  - \$30,000 max grant award
  - 15% set aside for tribes, 15% set aside for small cities
  - Only one grant per local agency per year. Tribes may be awarded multiple grants in a year.
  - Funds awarded on first come, first served basis
  - [IJA State Program - State Aid – MNDOT](#)
- 9 applications each requesting approximately \$30,000 have been approved

# State Funding

- Highway Trust Fund
- General Fund Cash
- Trunk Highway Bonds
- GO Bonds



# Highway User Tax Distribution Fund

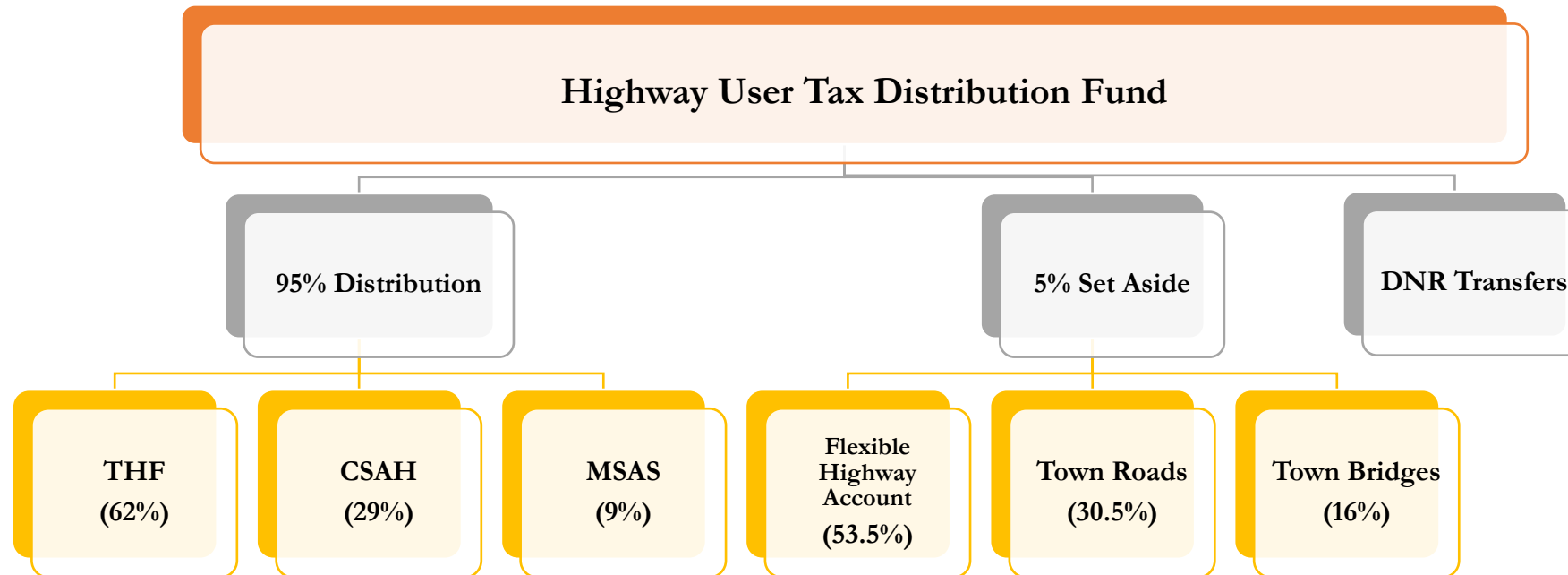
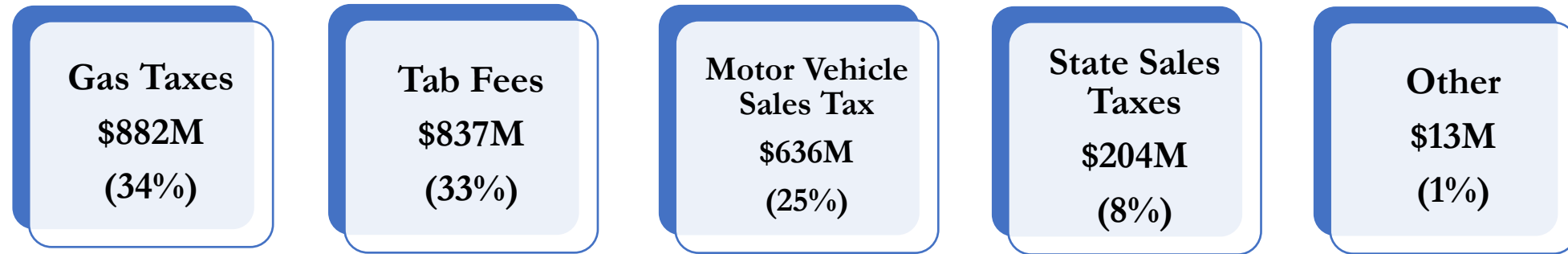
- Revenue Into the Fund
  - Fuel Tax
  - License Tab Fees
  - Motor Vehicle Sales Tax (MVST)
  - Sales Tax on Auto Parts and leased vehicles
- Federal Formula funds distributed directly into Trunk Highway Fund

- Spending Out of the Fund
  - 62% Trunk Highway Fund
  - 29% County State Aid
  - 9% Municipal State Aid

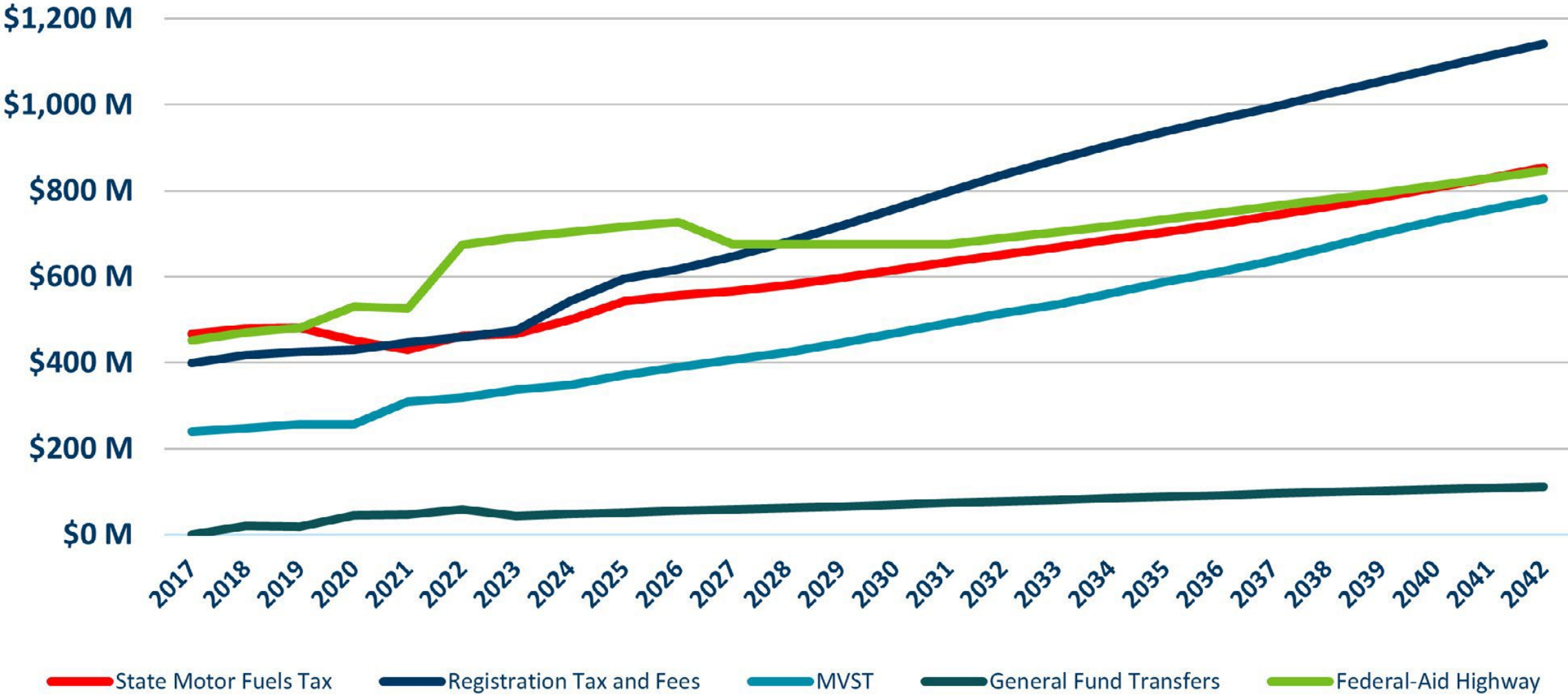
***Specified in Minnesota Constitution***

# HUTD Sources and Uses

## FY 2023 Actuals = \$2.6B

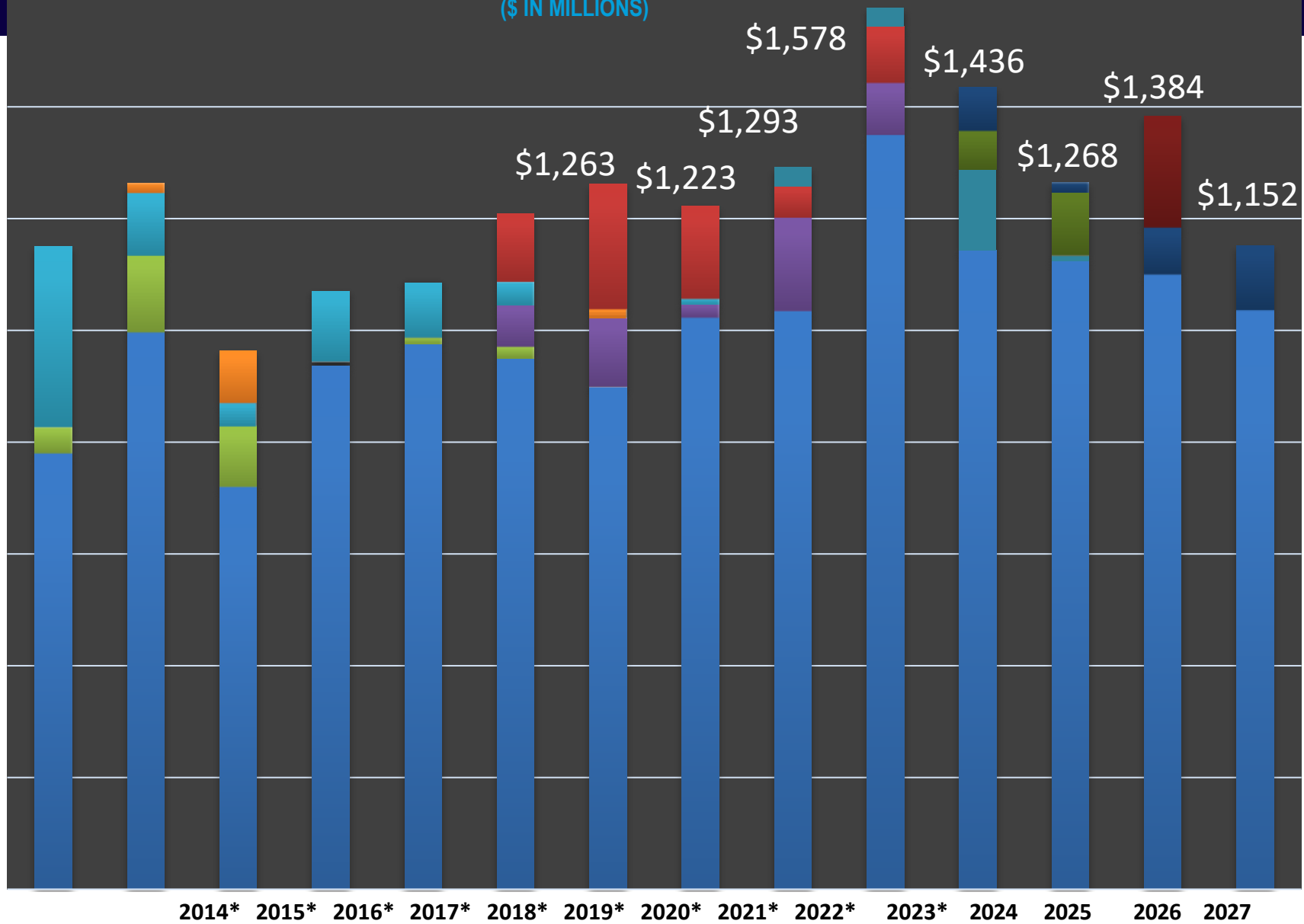


# State and Federal Revenue Trends (state highway share): Flows into Trunk Highway Fund through 2042

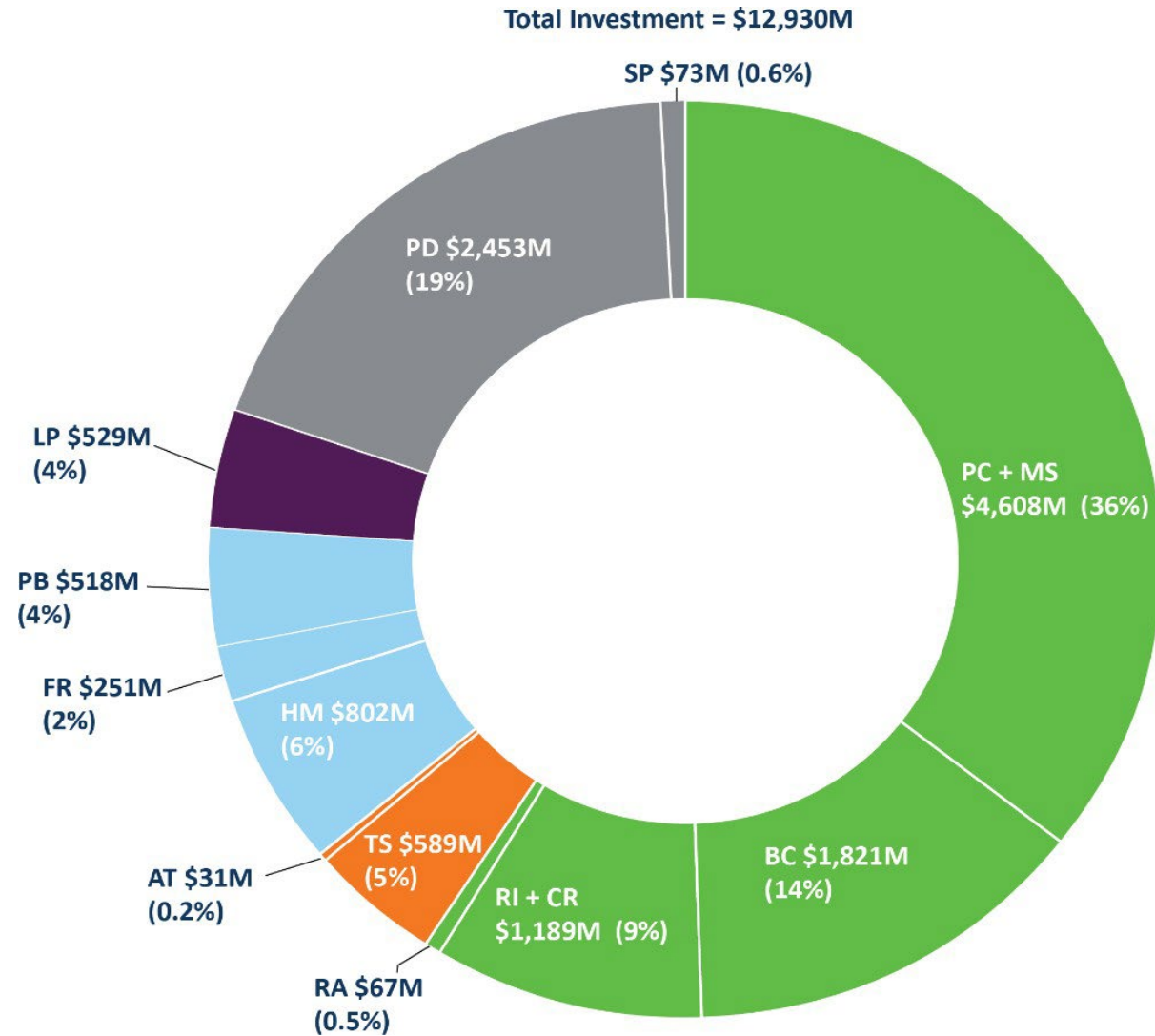


# MNDOT CONSTRUCTION SFY2024-SFY2027 OUTLOOK

(\$ IN MILLIONS)



# CHIP Investment:



# What Happened in 2023 Legislative Session

- Broad acceptance of the need:
  - 20-year long range MnSHIP estimate of funding gap for Trunk Highway system:
    - 2013: \$12B (\$600M/year)
    - 2017: \$18B (\$900M/year)
    - 2023: \$19-\$27B (\$23B = ~\$1.15B/year)
    - **Impact of 2023 bill: covered ~\$5.2B of that gap**
- IJJA
- Political trifecta
- \$17.5 billion surplus in state General Fund (~30% of biennial spend of ~\$56B)

# 2023 Session

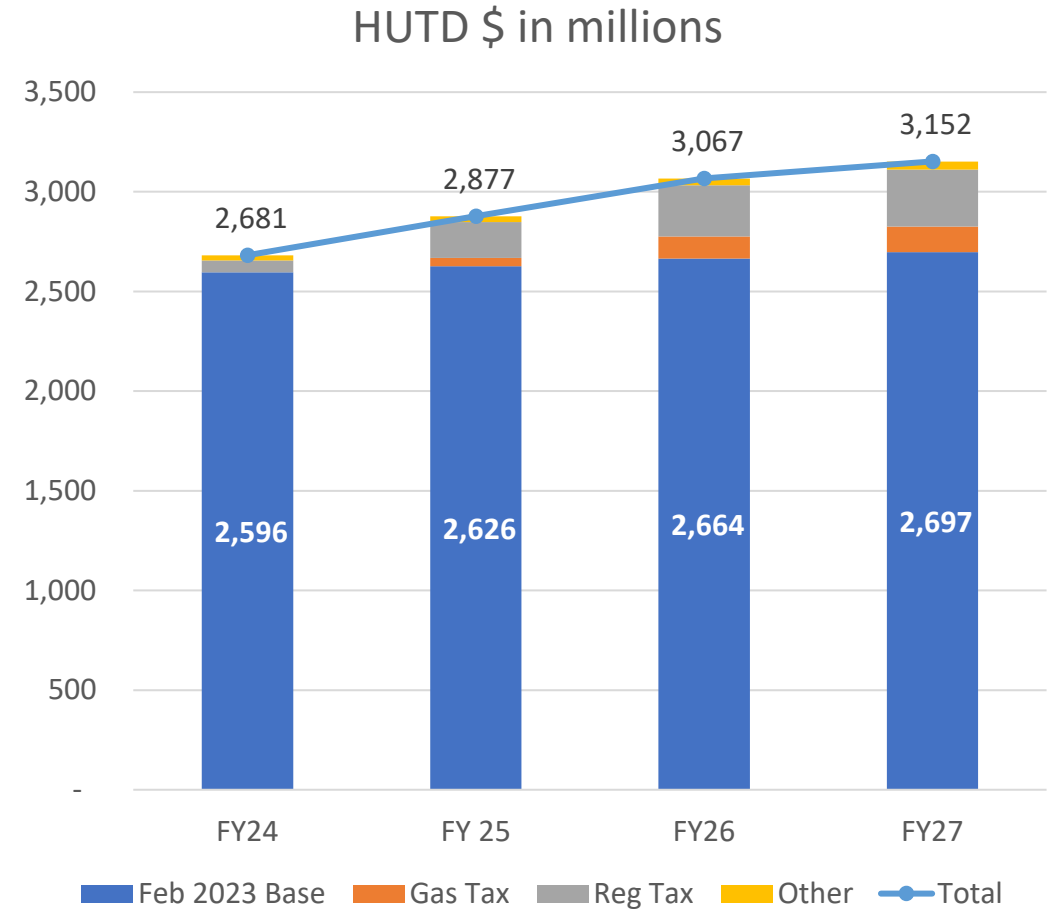
## Omnibus Transportation Budget Bill

### ➤ Revenue Increases

- Metropolitan Area Sales Tax:  $\frac{3}{4}$  cent. Distributed to Metro Transit and counties
- Tab fee increase – increase tax rate and slow depreciation schedule. Generates about \$230 million per year.
- MVST increase from 6.5% to 6.875%. Keeps 60/40 highway/transit split. Increases percentage for GM transit.
- Delivery Fee of \$.50 per order on orders over \$100
- Index Gas Tax – Tied to CCI with 3% cap per year.

# 2023 Legislative Session HUTD – Overall Changes

- Gas tax indexed
- Registration taxes increased
- MVST increased to 6.875% (from 6.5%)
  
- Overall, revenues increase ~17% in FY 2027 once fully phased in





# 2023 Session

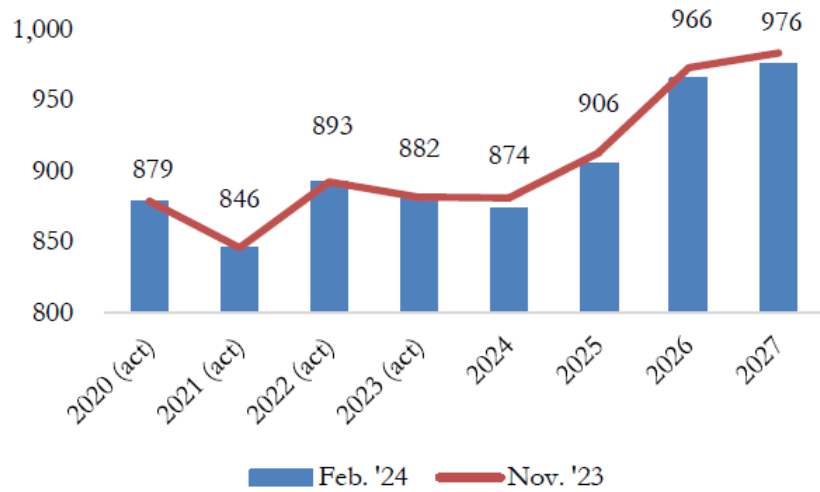
## Ongoing, Dedicated Revenue: FY24-27 – 4 Year Totals

|                            |                        |
|----------------------------|------------------------|
| <b>THF -</b>               | <b>\$787,834,530</b>   |
| <b>CSAH -</b>              | <b>\$394,562,635</b>   |
| <b>Metro Counties -</b>    | <b>\$450,078,000</b>   |
| <b>MSAS/Large Cities -</b> | <b>\$148,253,335</b>   |
| <b>Small Cities -</b>      | <b>\$ 70,360,000</b>   |
| <b>Towns -</b>             | <b>\$ 59,764,087</b>   |
| <b>GM Transit -</b>        | <b>\$ 81,972,000</b>   |
| <b>METC -</b>              | <b>\$1,739,411,000</b> |

# Constitutionally Dedicated Revenue

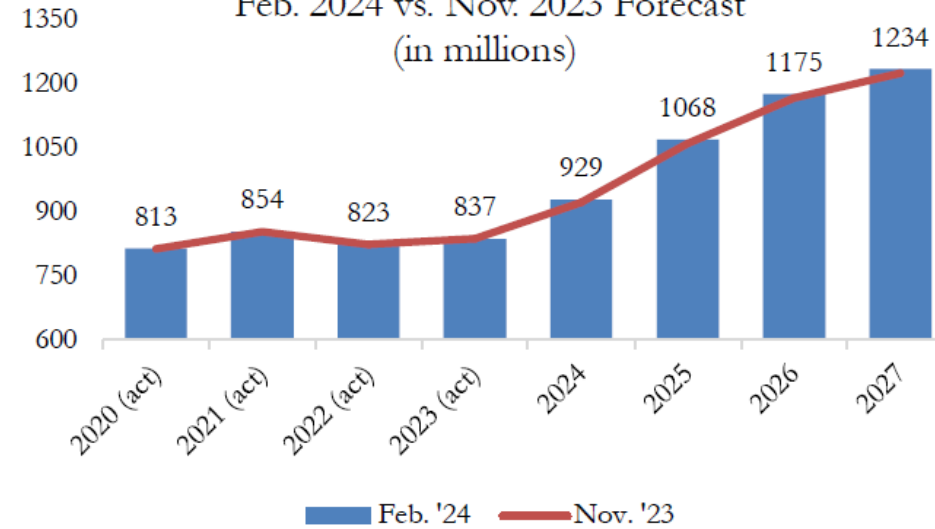
## Gas Tax Revenues

Feb. 2024 vs. Nov. 2023 Forecast  
(\$ in millions)



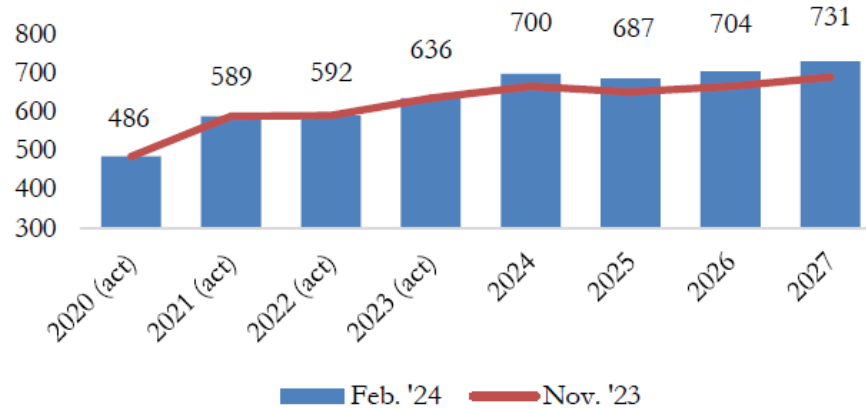
## Motor Vehicle Registration Revenues

Feb. 2024 vs. Nov. 2023 Forecast  
(in millions)

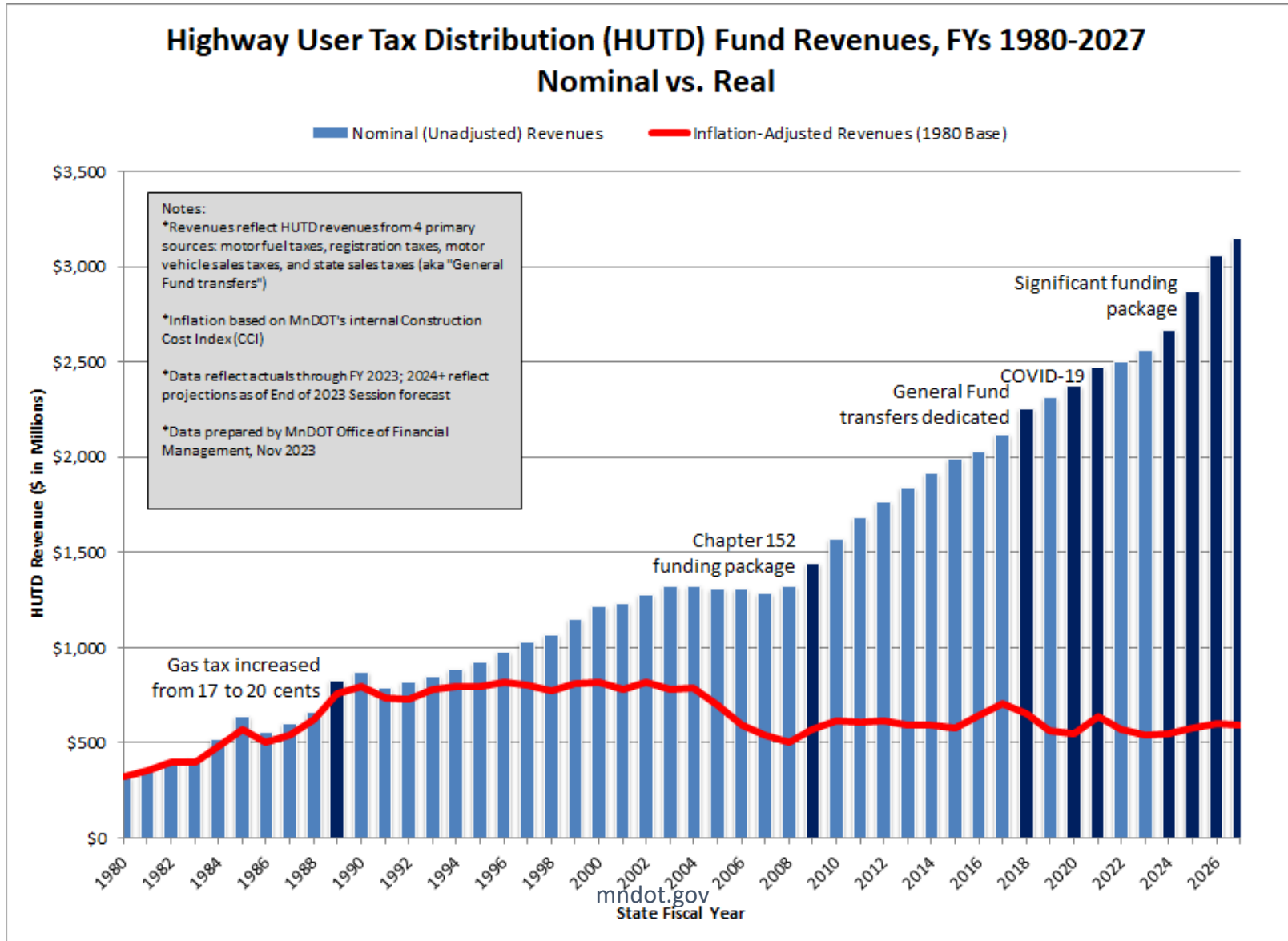


## MVST Revenues

Feb. 2024 vs. Nov. 2023 Forecast  
(\$ in millions)



# Minnesota Highway User Tax Revenue History of Annual Revenues



# 2023 Legislative Session Transportation Advancement Account (TAA)

- Dedicated funding for locals
- Funded from two revenue sources:
  - Growing portion of existing Sales Tax on Auto Parts (3.5% in FY 24; 56.5% in FY 33+)
  - New retail delivery fee starting in FY 25: \$0.50 on eligible orders of \$100+
- Total revenues:
  - FY 2024: \$11M
  - FY 2033: \$300M+
- Distributions:
  - Metro counties (36%)
    - 41.5%: active transportation/corridor safety studies
    - 41.5%: repair, preservation, rehab/limited replacements
    - 17%: transit/complete streets/mitigation
  - Counties via "normal" CSAH (10%)
  - Larger cities (15%)
  - Small cities (27%)
  - Town roads (11%)
  - Food delivery support grants via DHS (1%)

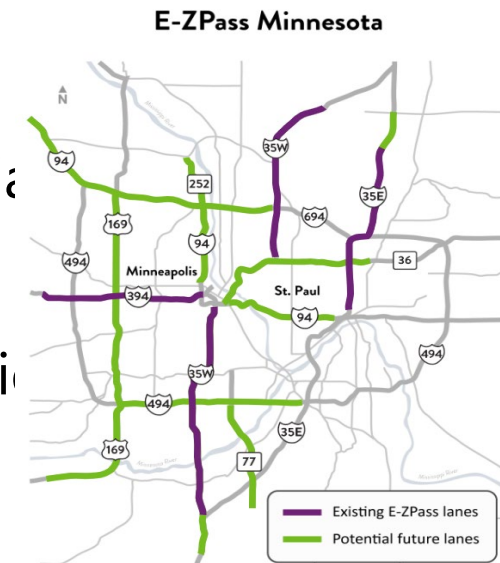
# 2023 Legislative Session

## Other Significant Transportation Funding

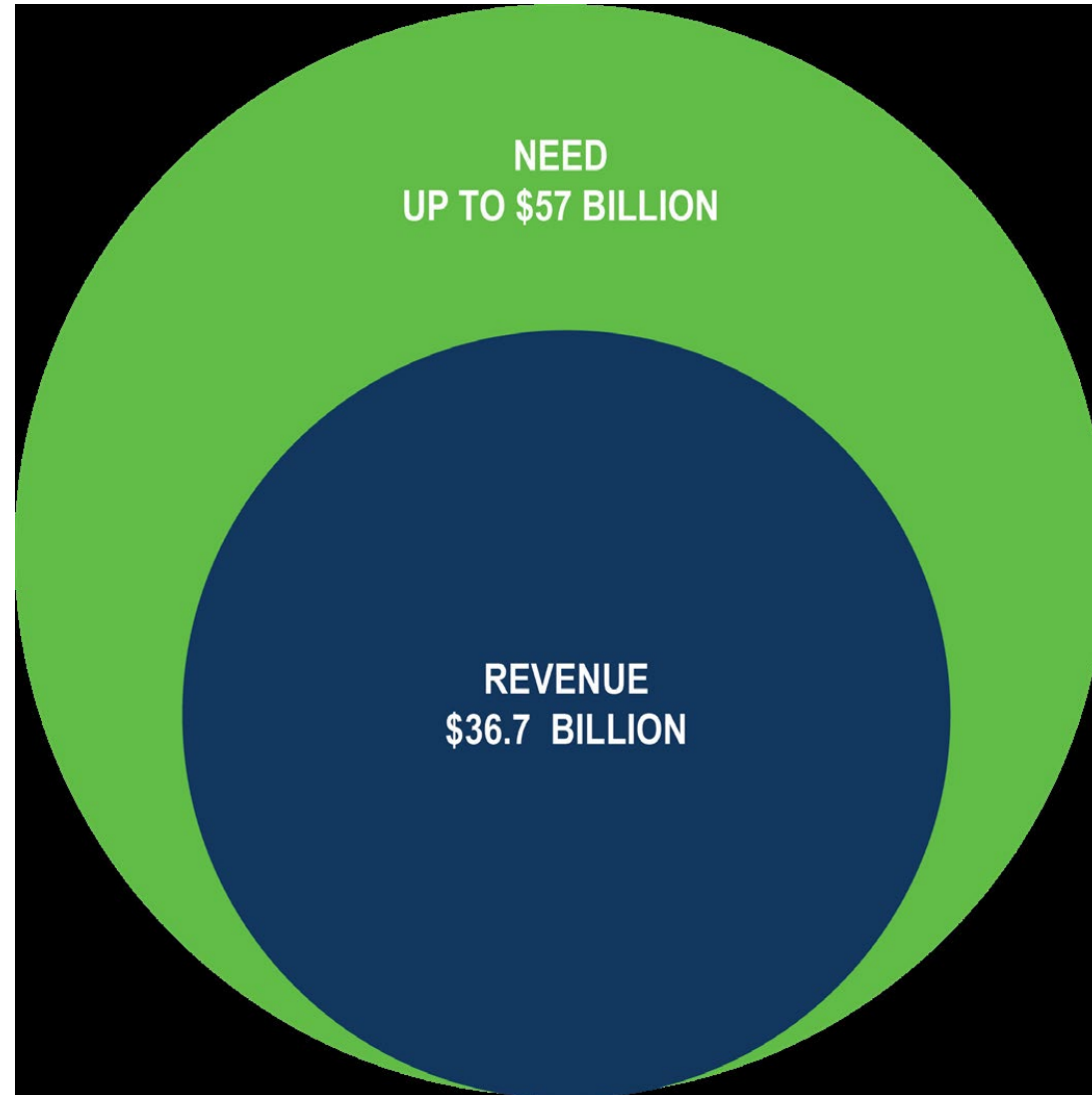
- New metro area sales tax (0.75%)
- ~\$600M/year
  - 83% to Met Council (~\$500M/year)
    - 95% for transit
    - 5% for active transportation
  - 17% to metro counties (\$100M/year)
    - 41.5%: active transportation/corridor safety studies
    - 41.5%: repair, preservation, rehab/limited replacements
    - 17%: transit/complete streets/mitigation
- Bonding/capital funding of ~\$1 billion
  - \$400M in capital bills
    - \$85M local roads
    - \$67M local bridges
    - \$18M ports
    - **36 named projects**
  - ~\$600M in Trunk Highway bonds
    - \$200M SRC (for Blatnik)
    - \$153M Corridors of Commerce
    - **\$158M for 6 named projects**
  - **Another 18 named projects in transportation bill**

# Other Funding and Financing Tools

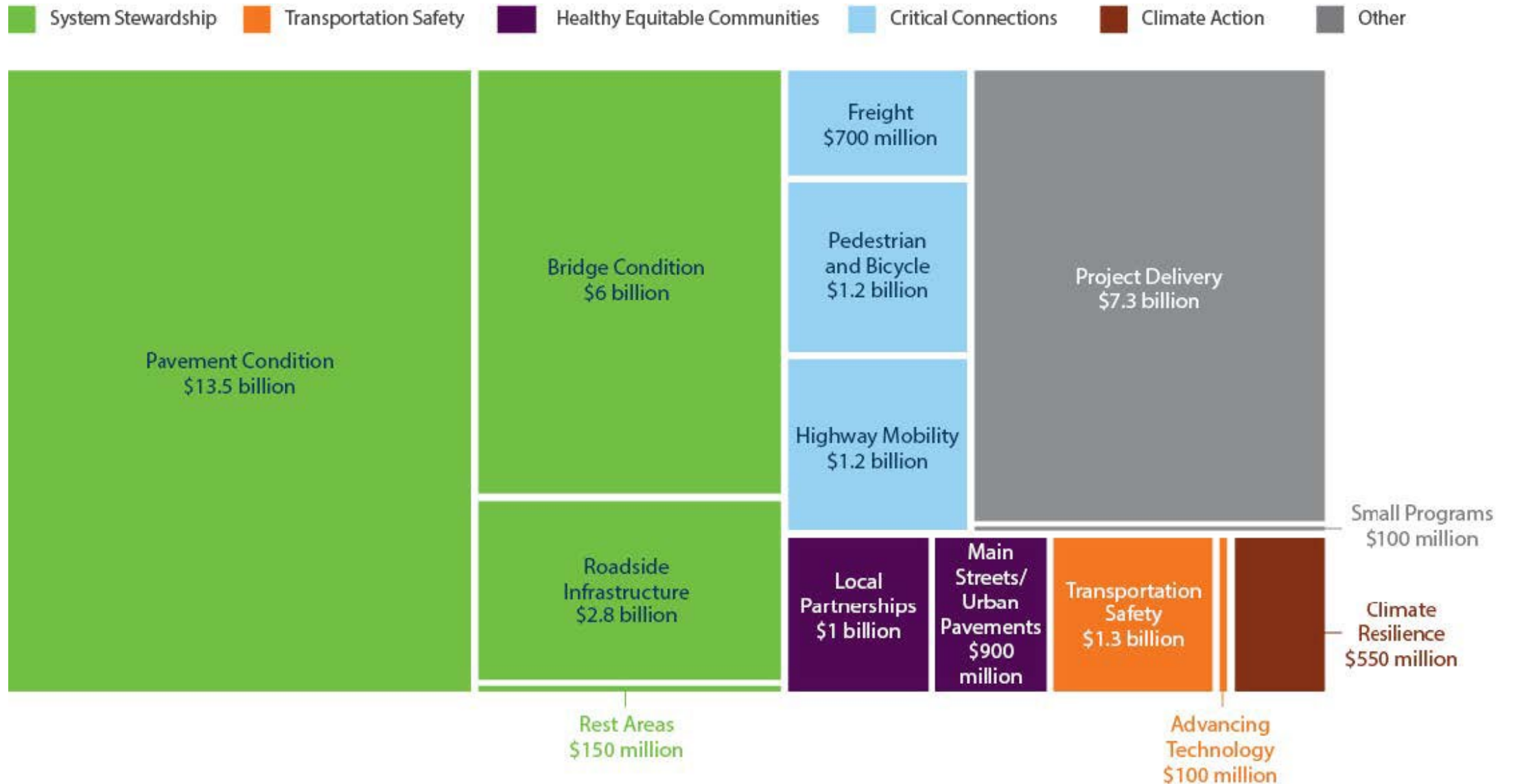
- Trunk Highway bonds
  - Since 2015, ~\$2.7B have been sold
  - Limited by both internal and enterprise debt limits
- TIFIA
  - Limited in state statute to one pilot project
  - Closed one RPI loan for \$48M (on \$98M project) for 1.8%
  - Took nearly 3 years to close
- RUC
  - Already completed numerous pilots
  - Starting new pilots with KDOT (\$3.3M STSFA grant, KDOT lead) and Via (\$3.3M STSFA grant, MnDOT lead)
- EZ Pass
  - ~120,000 active tags; 4 existing corridors totaling 46 miles in Twin Cities area and 10 potential additional corridors



# Funding Gap is Significant



# 20-Year Capital Highway Investment Direction



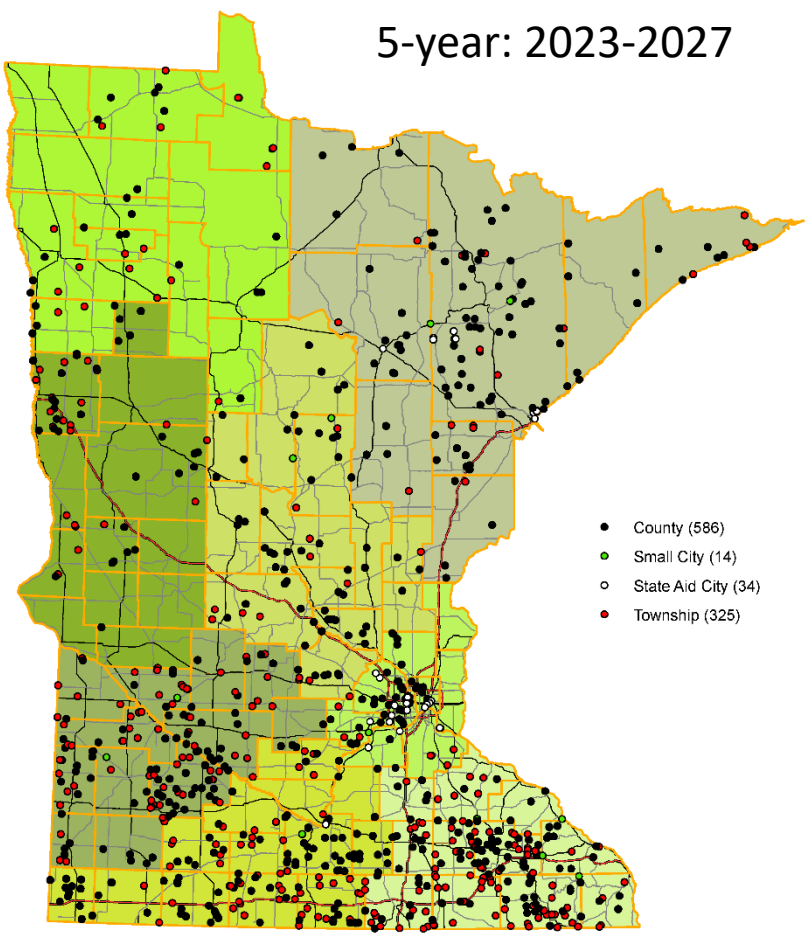
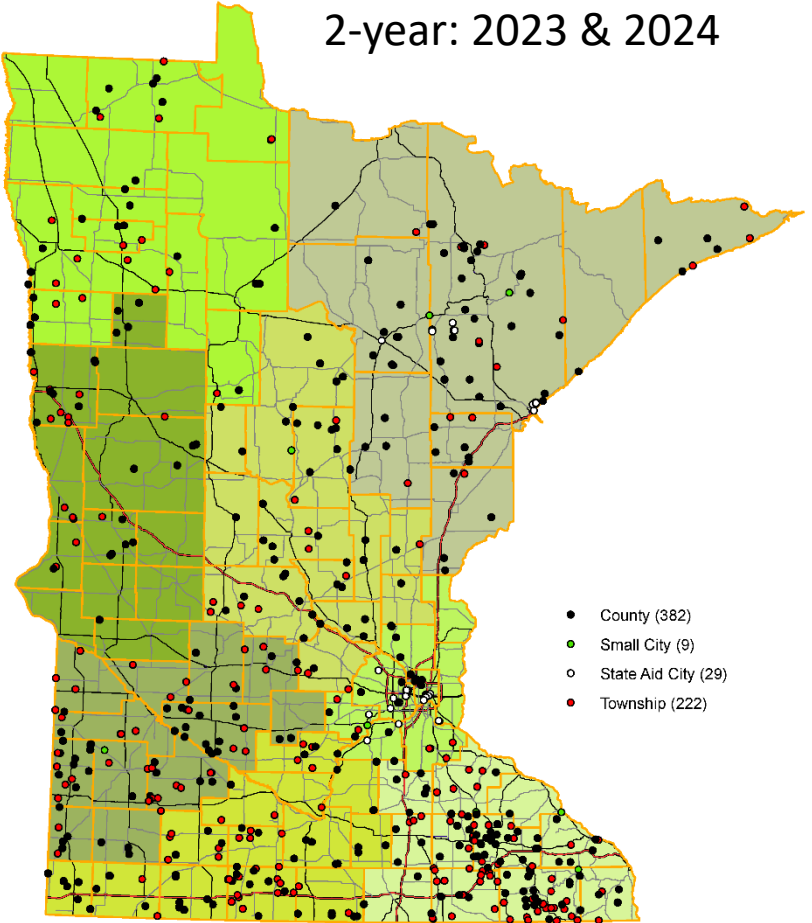


## 2024 Session

- Capital Bonding Bill
- Supplemental Budget Bill
- Policy Issues

Fighting  
perception that  
transportation  
was taken care of  
in 2023

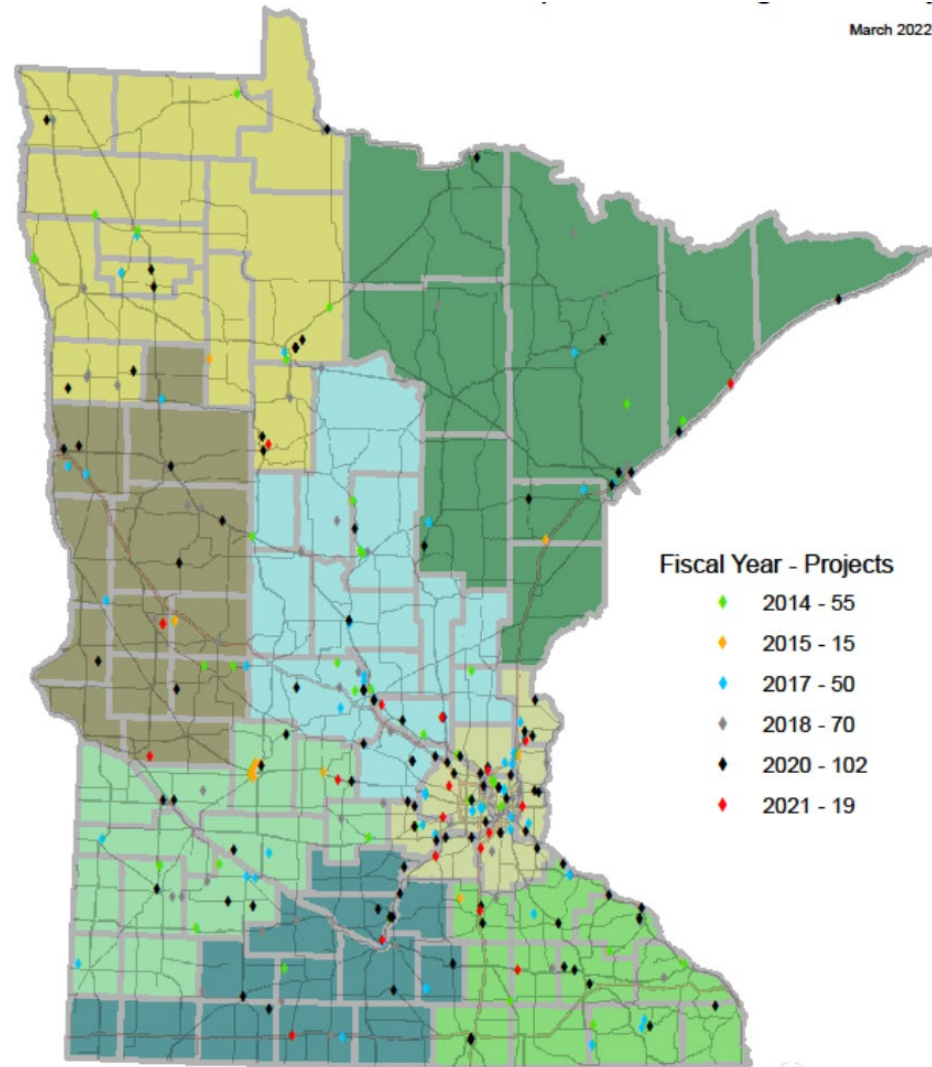
# LBRP – Master Bridge Replacement Priority List



# Local Road Improvement Program

- 2023 LRIP Legislative Funding - \$102.967M
  - \$84.954M – GO Bonds, C72 A1 S16 Subd. 2
    - Of this amount, at least \$6M must be for grants to townships
  - \$18.013M – General Funds, C68 A1 S2 Subd. 4(c)(2)
  - \$102.967M – total
- 2023 LRIP Solicitation
  - Counties, state aid cities, small cities, townships, tribes eligible
    - Small cities and townships require county sponsor
  - Maximum Award: \$1.5M

# LRIP – Location History (2014 – 2021)



2014-2021

# Transportation Alliance Legislative Platform

- Local Bridge Replacement Program - \$160 million - \$200 million
- Local Road Improvement Program - \$150 million (\$20M cash) - \$250 million
- Local Road Wetland Replacement Program - \$10 million GO bonds and \$16.5 million GF
  - (Base funding should be included in the biennial state budget for this program)
- Bus Rapid Transit/Busway Capital Improvements - \$75 million GO
- Greater MN Transit Capital - \$10 million
- ABRT Corridor Improvement Program - \$50 million
- Port Development Assistance Program - \$42 million
- Minnesota Rail Service Improvement Program - \$10 million
- Highway Railroad Grade Crossing Devices - \$10 million
- Safe Routes to School - \$1 million
- Active Transportation - \$1 million

# Additional Funding Requests

- Increase the annual electric vehicle fee from \$75 to \$150 or implement a per kilowatt hour fee on electricity used to fuel vehicles.
- For the transportation delivery fee, remove the \$100 price threshold for orders 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 prior to FY2033.
- Explore innovative funding options including 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 for the Corridors of Commerce program and the Transportation Economic Development (TED) program.

# 2024 Session Progress

- 2024 is not the Budget Year – The 2-year budget was passed in 2023.
- The focus of even-numbered sessions is traditionally getting a bonding bill passed.
- The February forecast projects a surplus of \$3.7 billion for FY24-25 and a deficit of \$1.5 billion for FY26-27.
- The policy deadlines have passed and the focus has now shifted to funding, bonding and tax issues.
- A supplemental budget is common now in non-budget years.

# 2024 Session Progress

- **Transportation Policy Bill (HF3436)** – Conference committee met and agreed to final language of the bill.
  - Includes various policy issues with no fiscal impact
  - Corrects some provisions from last session
- **Transportation Finance Bill (SF5284)** - Passed by Transportation Committees, Finance Committees and moving to the floor in the House and Senate.
  - Includes an additional \$2 million in general fund dollars
  - Re-directs some of the funding provided to match IJA discretionary grants to fund Small Cities Assistance and other needs
  - Re-directs some of the construction funding for the Blue Line to a new antidisplacement fund.



# House and Senate Draft Bonding Bills

## **MnDOT**

- \$37.7 M for Major Local Bridge Program – for local bridges with a total project cost over \$7 million.
- \$8M for Port Assistance program
- \$3.862M Local Road Wetland Replacement program

## **DEED**

- \$2M – Transportation Economic Development Infrastructure
- \$2M – GM Business Development Public Infrastructure Grants

## **Admin**

- \$1.8M – THF Capitol Complex Security Upgrades

# 2024 Session Progress

## **Capital Investment Committees in House and Senate**

- Toured the state during the interim to view projects
- Held hearings over the last two months on projects and programs
- Considered state agency requests
- Released draft bill with \$980 million in GO bonds/\$40 million GF cash
- Taking testimony and letters on specific provisions
- Planning to pass bill out of committee this week

# Talk To Your Legislators!

- Legislators care most about hearing from constituents.
- Talk about local issues and projects
- Chairs of Capital Investment Committee:
  - Senate Chair Sandy Pappas (DFL-St. Paul)
  - Senate Lead Karin Housley (R-Stillwater)
  - House Chair Rep. Fue Lee (DFL-Minneapolis)
  - House Lead Rep. Dean Urdahl (R-Grove City)
- Chairs of Transportation Committees:
  - Senator Scott Dibble (DFL-Minneapolis)/ Lead Senator Jasinski
  - Rep. Frank Hornstein (DFL-Minneapolis)/Lead John Petersburg

# Talk To Your Legislators!

- Senate Majority Leader – Erin Murphy (DFL-St. Paul)
- Senate Minority Leader – Mark Johnson (R-East Grand Forks)
  
- House Speaker – Melissa Hortman (DFL-Brooklyn Park)
- House Majority Leader – Jamie Long (DFL-Minneapolis)
- House Minority Leader – Lisa Demuth (R-Cold Spring)

[www.leg.state.mn.us](http://www.leg.state.mn.us)

# Be Part of Something Big!



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## **Federal Funding/Session Wrap Up**

*Wednesday, July 24th*

Location:

WSB Engineering ~ WSB University Room 10am to 1:30 pm

[www.transportationalliance.com](http://www.transportationalliance.com)