



# Transportation Funding Update Transportation Alliance – 11/9/2023

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- 2024 Legislative Session
- 2023 Legislative Session Outcomes:
  - Highway User Tax Distribution Fund (HUTD) changes
  - Creation of Transportation Advancement Account (TAA)
  - Metro area sales tax
  - Capital and one-time funding
- Infrastructure Investment and Jobs Act (IIJA)

# Important Upcoming Dates




- **Early December 2023:** November forecast released
- **October 2023 – March 2024:** Governor's supplemental budget decision making
- **January 16, 2024:** Governor's capital budget recommendations submitted to the Legislature
- **March 2024:** Governor's supplemental operating budget recommendations submitted to the Legislature

# MnDOT Preliminary Capital Budget Requests – Summer 2023

\$ in 1,000s

| Rank                          | Capital Investment Requests                           | Source         | Amount           |
|-------------------------------|---|----------------|------------------|
| 1                             | Multimodal Federal Infrastructure Funding Match Needs | GF             | \$200,000        |
| 2                             | High Priority Bridges                                 | THB            | \$100,000        |
| 3                             | ARMER Tower and Building Replacements                 | GO             | \$11,000         |
| 4                             | Drain Asset Management Program                        | GF             | \$2,000          |
| 5                             | Highway Rail Grade Crossings                          | GO             | \$10,000         |
| 6                             | Local Bridge Replacement Program                      | GO             | \$160,000        |
| 7                             | Local Road Improvement Program                        | GO             | \$130,000        |
|                               |   | GF             | \$20,000         |
| 8                             | Arterial Bus Rapid Transit                            | GO             | \$50,000         |
| 9                             | Weigh Station Improvements                            | GO             | \$20,000         |
| 10                            | Truck Parking Safety Improvements                     | GO             | \$7,250          |
| 11                            | Port Development Assistance Program                   | GO             | \$42,000         |
| 12                            | Minnesota Rail Service Improvement Program            | GO             | \$10,000         |
| 13                            | Minnesota Rural Airports Program                      | GO             | \$10,000         |
| 14                            | Facilities Capital Improvement Program                | THB            | \$107,800        |
|                               |   | THC            | \$25,220         |
| 15                            | Greater Minnesota Transit Capital Program             | GO             | \$10,000         |
| 16                            | Safe Routes to School Program                         | GO             | \$1,000          |
| 17                            | Active Transportation Program                         | GO             | \$1,000          |
| <b>Total Project Requests</b> |   |                | <b>\$917,270</b> |
| <b>Funding Source</b>         |   | <b>GO</b>      | <b>\$462,250</b> |
|                               |   | <b>GF</b>      | <b>\$222,000</b> |
|                               |   | <b>THB/THC</b> | <b>\$233,020</b> |

# Revenue Updates

- MMB prepares forecast for state General Fund 
  - FY 2023 revenues up +\$739 million (+1.2%) vs. forecast
  - As of End of Session + FY 23 actuals, General Fund balance is \$2.4 billion at end of FY 24/25 biennium
- MnDOT prepares forecasts for 6 transportation funds:
  - FY 2023 Highway User Tax Distribution (HUTD) Fund revenue up \$40 million (+1.6%) vs. forecast 
    - 2 of 3 major sources (registration taxes, MVST) up vs. forecast (gas taxes down -1.8%)
  - FY 2024 revenues are also trending up
    - Estimated revenues through October up +\$6 million (0.7%) vs. forecast; up 4.8% compared to last year 

# HUTD Revenues

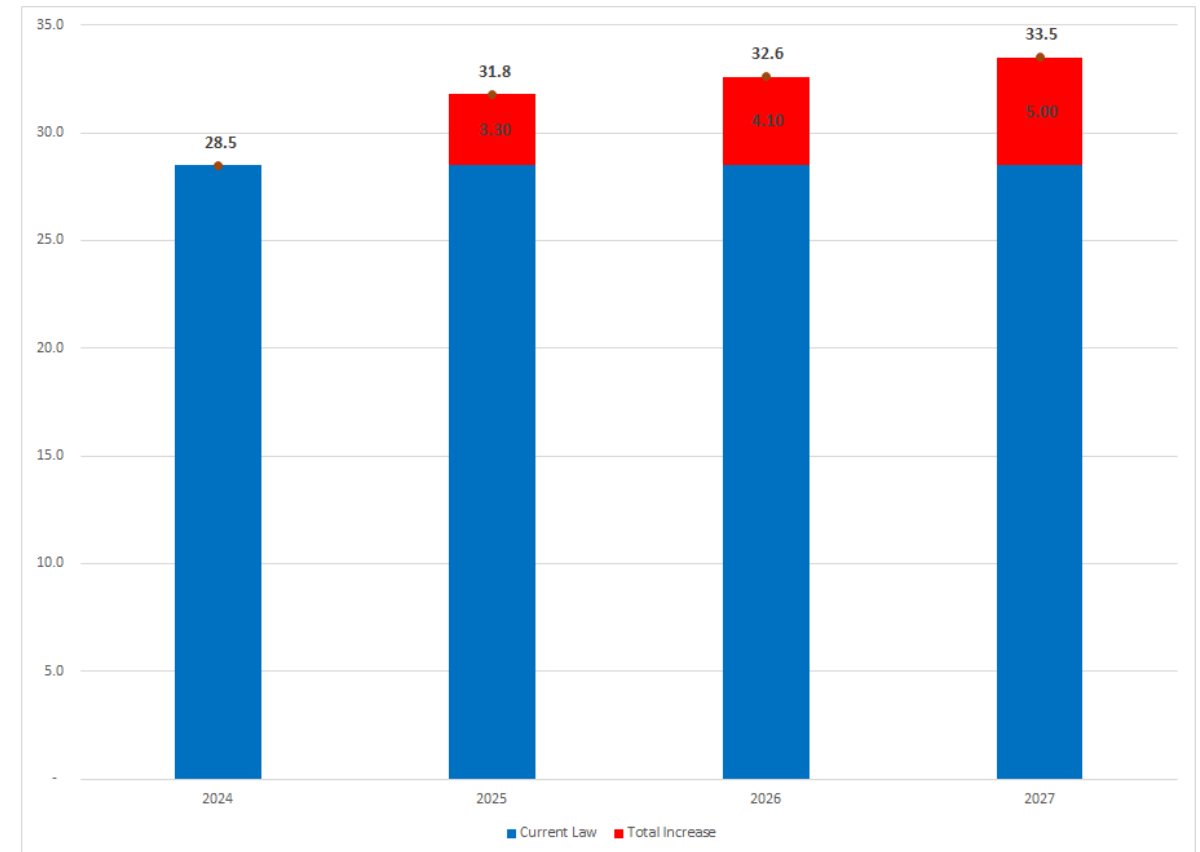
## Year-over-Year Growth Rates

| Revenue<br>(FY23 actuals in<br>\$Ms) | FY 18<br>(act) | FY 19<br>(act) | FY 20<br>(act) | FY 21<br>(act) | FY 22<br>(act) | FY 23<br>(act) | FY 24<br>(fcst) | FY 25<br>(fcst) | FY 26<br>(fcst) | FY 27<br>(fcst) |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|
| Gas tax<br>(\$882M)                  | 1.7%           | 1.3%           | -6.2%          | -3.8%          | 5.5%           | -1.2%          | 3.6%            | 3.4%            | 6.1%            | 0.4%            |
| Tab fees<br>(\$837M)                 | 3.9%           | 2.8%           | 1.1%           | 5.1%           | -3.6%          | 1.6%           | 11.8%           | 16.5%           | 9.6%            | 4.1%            |
| MVST (\$636M)                        | 2.4%           | 4.8%           | 0.0%           | 21.2%          | 0.5%           | 7.6%           | -1.9%           | 1.1%            | 3.6%            | 3.8%            |
| State sales<br>taxes (\$204M)        | 100.0%         | 6.4%           | 119.0%         | -8.4%          | 9.3%           | 3.3%           | -3.3%           | 3.4%            | 3.4%            | 3.1%            |
| Other (\$13M)                        | 23.2%          | 34.7%          | -26.1%         | -15.5%         | 18.6%          | 194.9%         | -17.3%          | -22.5%          | -17.3%          | -1.2%           |
| <b>Total<br/>(\$2,572M)</b>          | <b>6.6%</b>    | <b>2.8%</b>    | <b>2.4%</b>    | <b>3.9%</b>    | <b>1.5%</b>    | <b>2.5%</b>    | <b>4.2%</b>     | <b>7.3%</b>     | <b>6.6%</b>     | <b>2.8%</b>     |
| Feb 23                               |                |                |                |                |                | 0.9%           | 2.5%            | 1.2%            | 1.4%            | 1.2%            |

# 2023 Legislative Session HUTD – Gas Tax

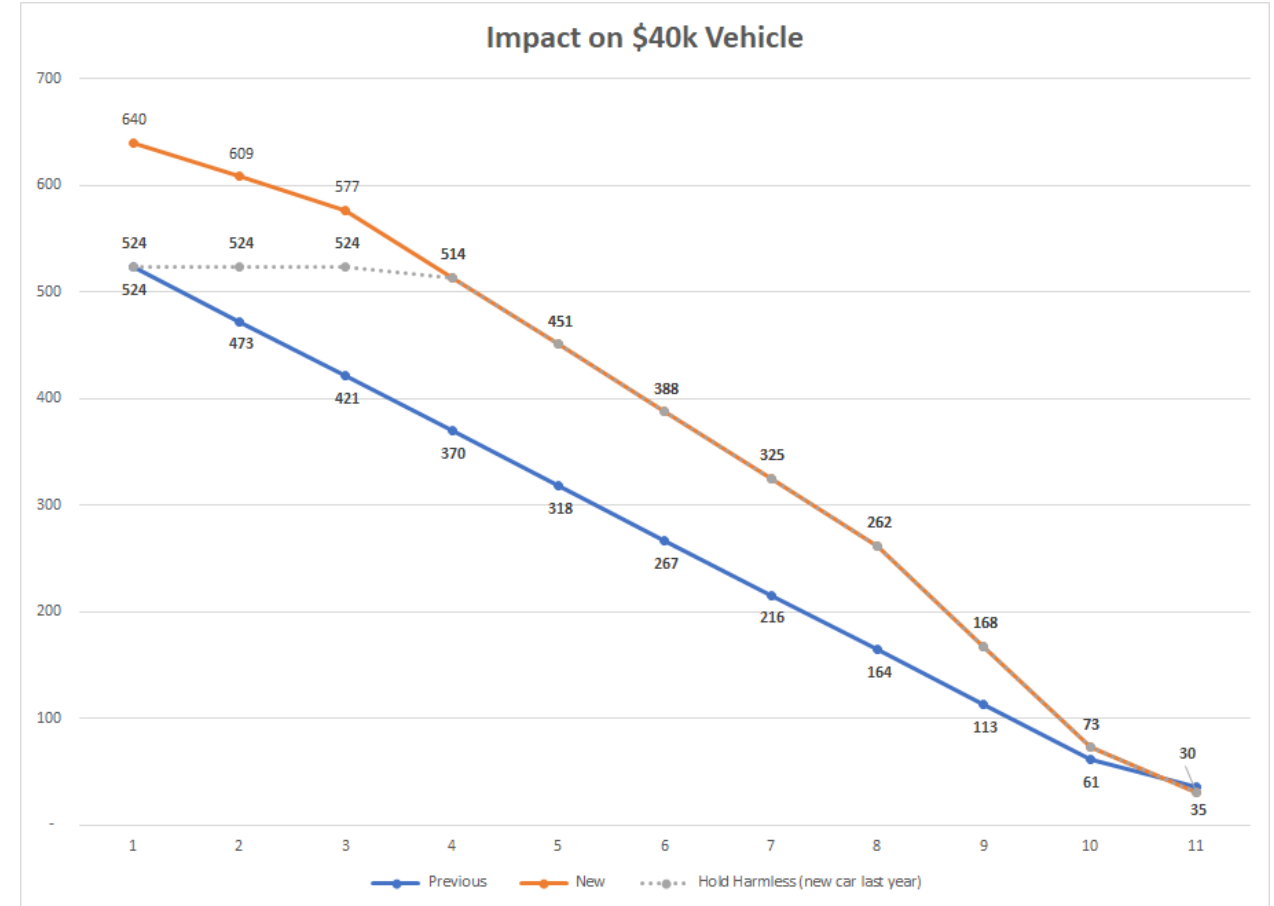
- Gas tax:

- Indexed to MnDOT Construction Cost Index (CCI)
- Estimated increases (cents):
  - 1/1/2025: +3.3 (13% inflation in FY22)
  - 1/1/2026: +0.8 (7% inflation, capped at 3%)
  - 1/1/2027: +0.9 (4% inflation, capped at 3%)
  - Cumulative increase: +5.0
- Total rate in state fiscal year 2027 = 33.5 cents
- FY 2027 additional revenue = ~\$154M



# 2023 Legislative Session HUTD – Registration Tax

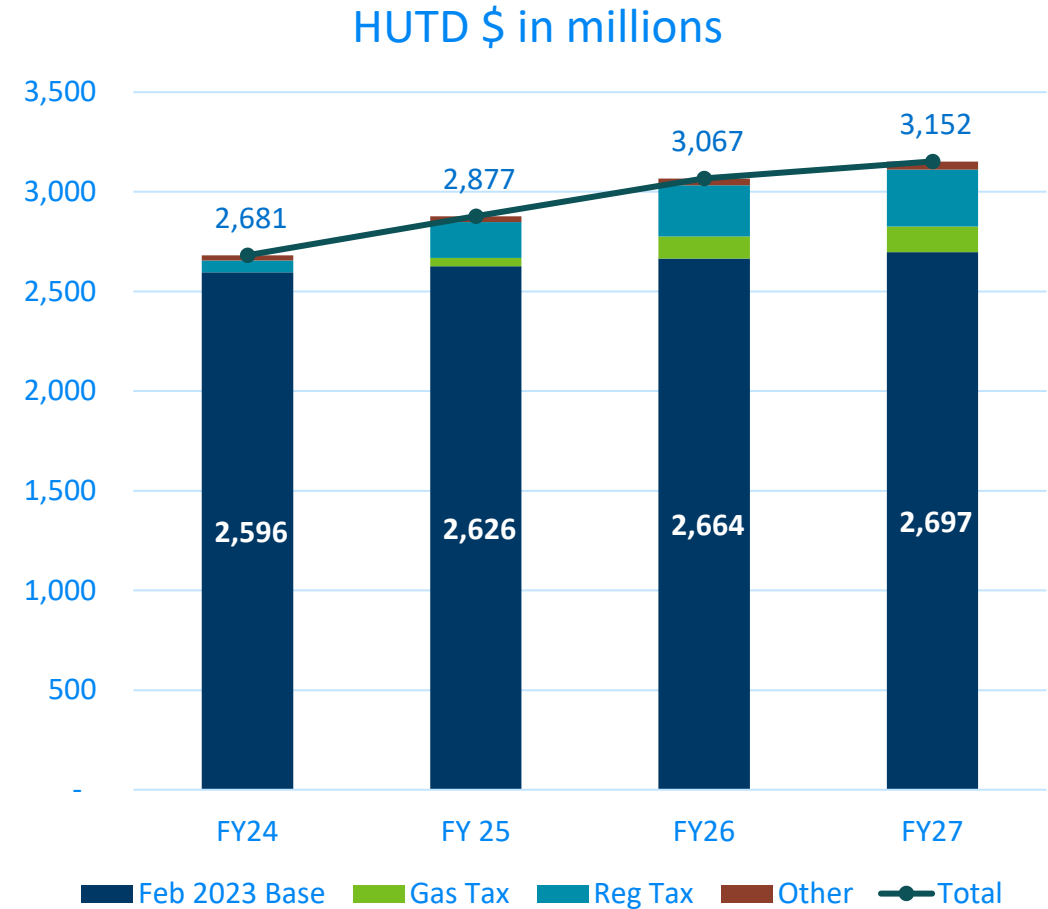
- Registration tax:
  - Rate increased to 1.575% (from 1.285%)
  - Depreciation schedule “slowed” down
  - Effective 1/1/2024
  - “Hold harmless” provision still applies
  - FY 2027 additional revenue = ~\$287M (~30% increase)



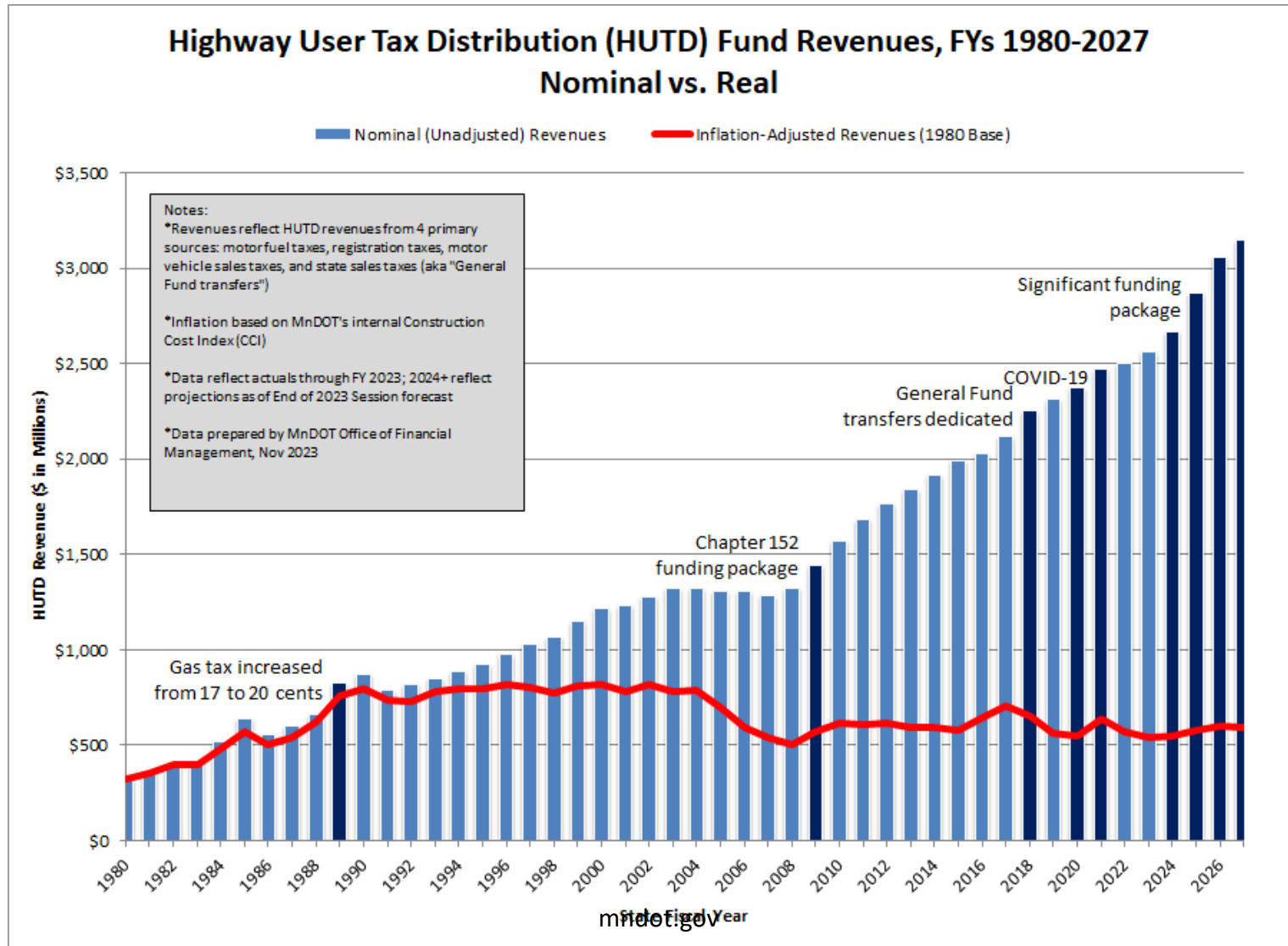


# 2023 Legislative Session HUTD – Overall Changes

- 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



# 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 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 LRIP
    - \$67M local bridges
    - \$18M ports
  - ~\$600M in Trunk Highway bonds
    - \$200M SRC (for Blatnik)
    - \$153M CoC
    - \$158M named projects

# IJA State and Local Match (current estimates)

All amounts in table below reflect rough estimates in millions:

| Program                         | Federal Funds/Year           | State/Local Match    |
|---------------------------------|------------------------------|----------------------|
| <b>FHWA – MnDOT (@70%)</b>      | <b>\$170M*</b>               | \$40M (@20%)         |
| FHWA – Locals (@30%)            | \$70M                        | \$20M (@20%)         |
| FAA                             | \$60M                        | \$7M (@10%)          |
| FTA – MnDOT portion only        | \$13M                        | \$7M (@36%)          |
| <i>Discretionary programs**</i> | <i>\$450M (@2% of total)</i> | <i>\$112M (@20%)</i> |
| <b>Grand Total</b>              | <b>\$760M</b>                | <b>\$185M</b>        |

***\*Need additional budget authority from state legislature via increased direct appropriations (unlike typical LAC process for federal funds).***

***Total need for 22/23 biennium = \$315.5M***

***\*\*Estimates of Minnesota's portion of the many new and expanded discretionary grant programs are for illustrative purposes only***

# Federal Funds Updates

- Looming federal government shutdown after November 17<sup>th</sup> (minimal expected impacts to transportation)
- August redistribution:
  - FY 2023: \$122M (~1.5% of total)
  - FY 2022: \$189M (~3.1% of total)

# IIJA Discretionary Grant Awards

- Already two years into IIJA!
- Summary of Minnesota recipients to date:
  - 53 grant awards totaling ~\$320M
  - Average grant award of \$6.0M
  - 28 grants are for \$2M or less
  - Largest grant award to date = \$26.3M to city of Moorhead (Rural grant program, for Moorhead grade separation project)
    - Locals/misc: 31 for ~\$204M (64% of \$)
    - MnDOT: 6 for ~\$64M (20% of \$)
    - Airports: 8 for ~\$35M (11% of \$)
    - Tribes: 8 for ~\$17M (5% of \$)

# IJA Discretionary Grant State Match Funds Overview

- \$216.4 million of state general funds available
- Provided by 2023 legislature in transportation budget bill ([MN Laws of 2023, Chapter 68](#))
- Funds available until June 30, 2027
- Program criteria largely established by legislature



# IIJA Discretionary Grant State Match Funds Eligibility

- Eligibility:
  - IIJA grant recipient in Minnesota (have to have been awarded federal IIJA grant **first**)
  - Transportation-related purpose
  - Funds available for non-federal match requirements, up to maximum of \$10 million
  - Submit simple application via dedicated website (<https://www.dot.state.mn.us/iija-match/index.html>)
  - If eligible, approved monthly on a first-come basis until funds are depleted
  - State grant requirements will apply

# IJA Discretionary Grant State Match Funds Update

- Website (<https://www.dot.state.mn.us/iija-match/index.html>) and application went live on September 15<sup>th</sup>
- In October, approved 1<sup>st</sup> round of matching grants for 13 projects totaling \$43M
- Future applications will be approved on a rolling monthly basis

# Questions?

**Thank you!**

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