



Transportation Funding Update Transportation Alliance – 11/3/2025

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Important Upcoming Dates

- **By December 6, 2025:** November forecast released by MMB
- **By December 13, 2025*:** November forecast released by MnDOT for seven transportation funds
*(*within one week of MMB release)*
- **October 2025 – January 2026:** Governor's capital budget decision making
- **By January 15, 2026:** Governor's capital budget recommendations for 2026 submitted to the Legislature
- **February 17, 2026:** start of 2026 Legislative Session
- **February 2026:** February forecast released
- **March 2026:** Governor's supplemental operating budget recommendations submitted to the Legislature

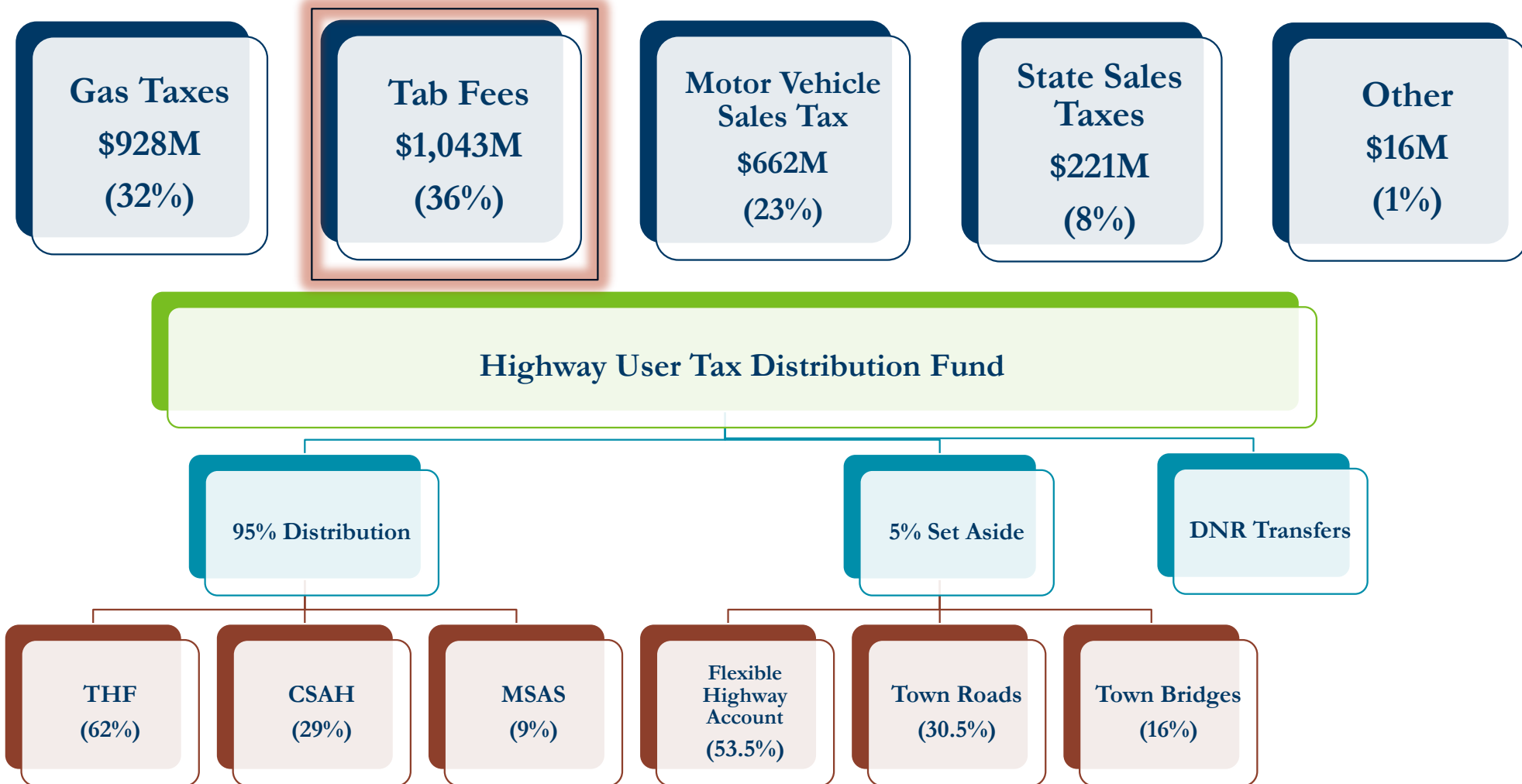
Revenue Updates State General Fund

- MMB prepares forecast for state General Fund
 - FY 2025 revenues up +\$1.3 billion (+2.1%) vs. forecast
 - FY 2026 revenues (YTD through September) down -\$90 million (-1.2%) vs. forecast
 - As of FY 25 close, General Fund balance is **\$4.9 billion at end of FY 24/25 biennium (+\$941 million)**
 - Assuming no other changes, current projected fund balance by biennium:
 - FY 24/25: **\$4.9B**
 - FY 26/27: **\$2.8B**
 - FY 28/29: **-\$0.2B** (includes \$0.8B of estimated inflation)

- MnDOT prepares forecasts for seven transportation funds:
 - FY 2025 Highway User Tax Distribution (HUTD) Fund revenue **down -\$49 million (-1.7%) vs. forecast**
 - 2 of 3 major sources (registration taxes, MVST) account for most of the variance (-\$43M)
 - **Revenues up \$172 million (+6.4%) vs. previous year**
 - FY 2026 revenues are trending slightly down
 - Revenues through October down -\$26 million (-2.6%) vs. forecast
 - **Revenues up 7.2% compared to last year**

HUTD Sources and Uses

FY 2025 Actuals = \$2.9B (55% of total state/federal)



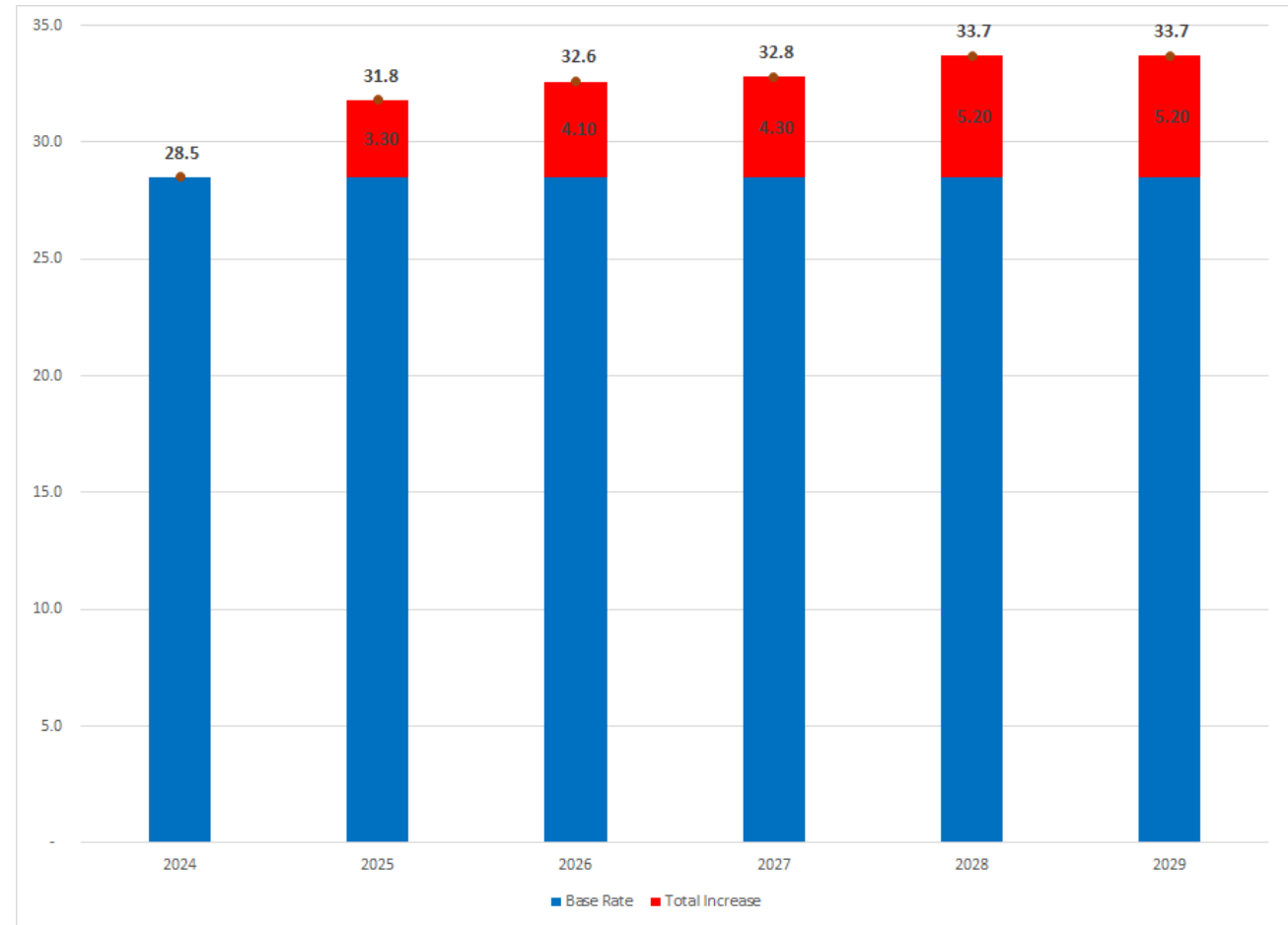
HUTD Revenues

Year-over-Year Growth Rates

Revenue	FY 20 (act)	FY 21 (act)	FY 22 (act)	FY 23 (act)	FY 24 (act)	FY 25 (act)	FY 26 (fcst)	FY 27 (fcst)	FY 28 (fcst)	FY 29 (fcst)
Gas tax	-6.2%	-3.8%	5.5%	-1.2%	0.5%	4.7%	7.9%	0.6%	0.4%	1.4%
Tab fees	1.1%	5.1%	-3.6%	1.6%	9.3%	14.1%	11.7%	5.0%	3.5%	3.5%
MVST	0.0%	21.2%	0.4%	7.6%	6.4%	-2.2%	13.0%	5.6%	5.1%	5.0%
State sales taxes	119.0%	-8.4%	9.3%	3.3%	-0.0%	8.4%	3.2%	1.0%	-5.2%	-7.8%
Other	-26.1%	-15.5%	18.6%	194.9%	33.7%	-6.8%	-5.1%	-15.7%	-6.7%	0.9%
Total	2.4%	3.9%	1.5%	2.5%	4.9%	6.4%	10.2%	3.7%	2.5%	2.8%
EOS '25						8.2%	8.4%	3.7%	2.5%	2.8%
MnDOT CCI	5.6%	-10.0%	13.3%	7.2%	0.7%	11.9%	-6.0%	3.0%	4.0%	4.0%

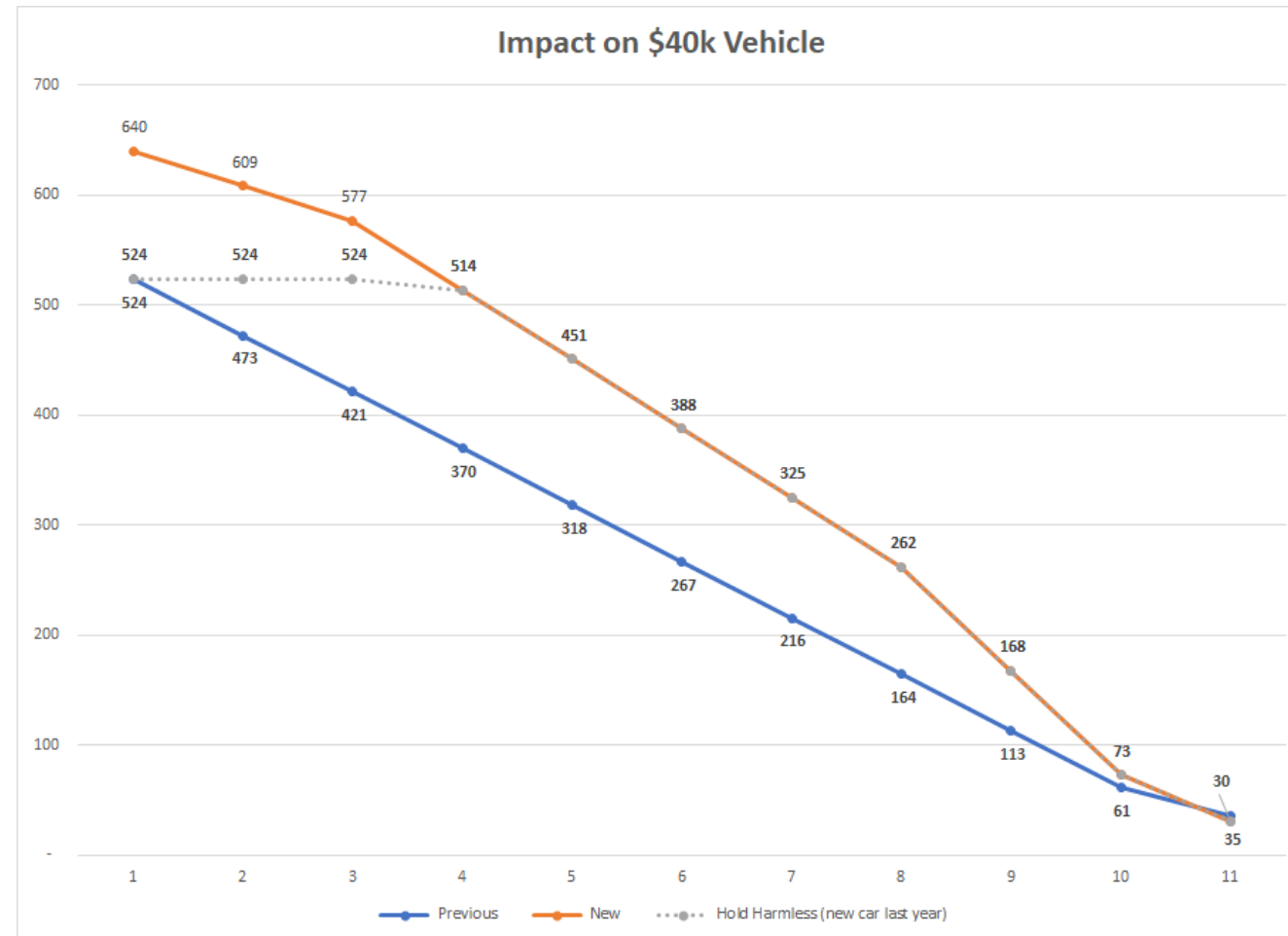
HUTD – Gas Tax

- 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: +0.2 (0.7% inflation)
 - 1/1/2028: +0.9 (11.9% inflation, capped at 3%)
 - 1/1/2029: +0.0 (-6% deflation, rate can't decrease)
 - Cumulative increase: +5.2 cents
 - Total rate in state fiscal year 2029 = 33.7 cents
 - FY 2029 additional revenue = ~\$176M



HUTD – Registration Tax

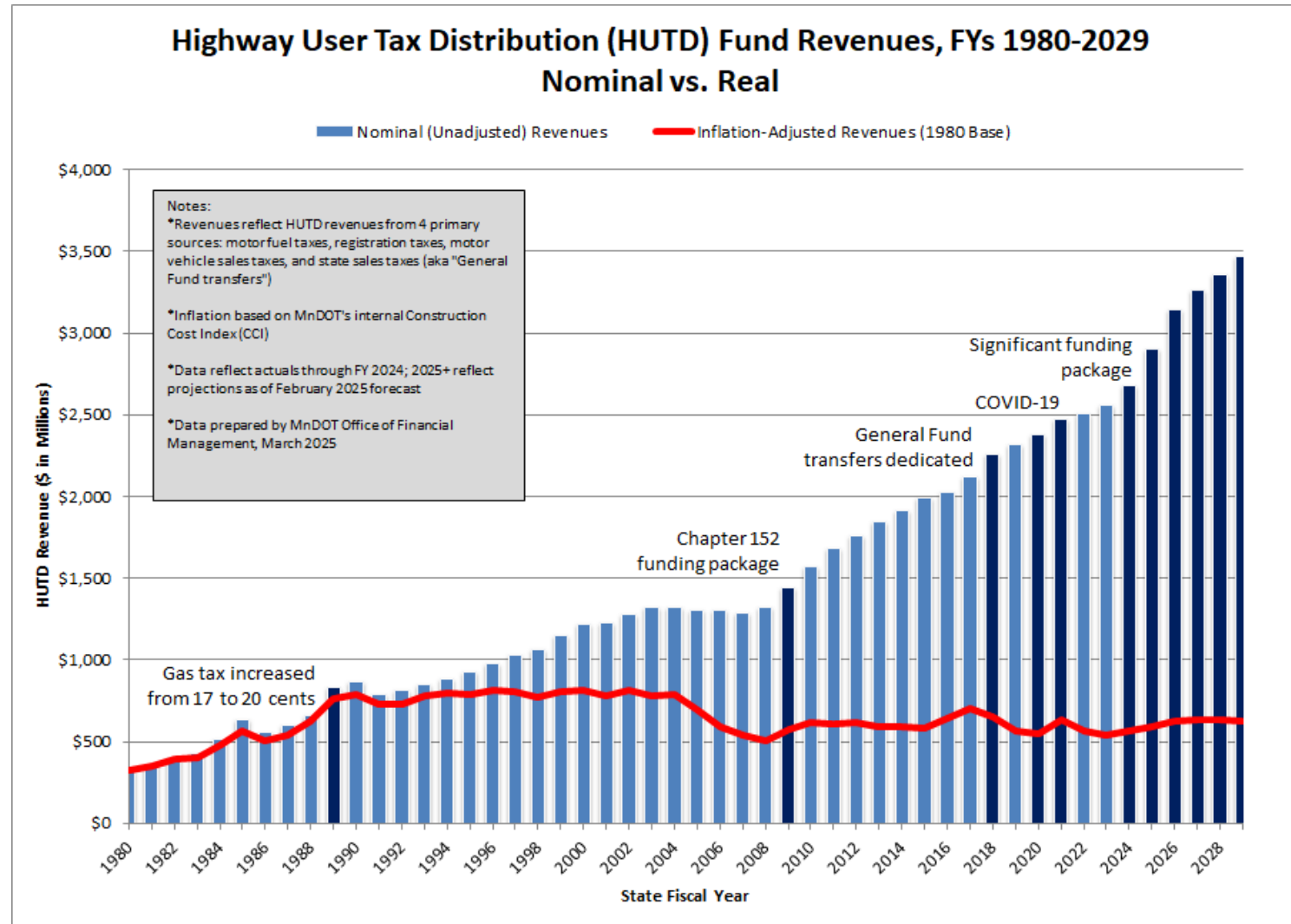
- Registration tax:
 - Rate increased to 1.575% (from 1.285%)
 - Depreciation schedule “slowed” down
 - Effective 1/1/2024
 - “Hold harmless” provision still applies
 - FY 2027 additional revenue = ~\$267M (~28% increase)



Registration Taxes

- Tax rate:
 - 1.575% of MSRP (as of 1/1/2024)
 - Was 1.2875% of MSRP
- Total vehicles:
 - 6.67M (\$163/vehicle)
 - 5.62M personal use vehicles (\$168/vehicle)
 - 1.05M “other” (\$136/vehicle)
 - 700k commercial
 - 241k recreational
- Electric vehicles:
 - 55,113 (1.0% of passenger vehicles)
 - 5,254 in 2019 (48% CAGR over six years)
 - 6.0% of new vehicle purchases
 - \$75 surcharge in addition to other taxes
 - ~\$4.1M in additional revenues
 - If MSRP > ~10%, EVs contribute more taxes in total than comparable ICE vehicle (right now ~15%)
 - Surcharge increased effective 1/1/2026
 - 0.5% of MSRP, depreciated over 11 years like reg tax
 - Minimum of \$150 (minimum of \$100 on or after 7/1/2027)
 - Also applies to PHEVs – all amounts at 50% of EVs

Minnesota Highway User Tax Revenue History of Annual Revenues



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 (actual)
 - FY 2025: \$36M (actual)
 - Retail delivery fee = \$19.9M
 - FY 2029: \$136M
 - FY 2033: \$300M+ (~\$255M, 82%, auto parts)
- 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%)

2026 Legislative Session Capital Budget Requests

- Focus of 2026 Session will be capital budget aka bonding bill
- Current MMB policies limit total available amount at ~\$1.0B (due to 25 Session change, debt service for future bonding no longer included)
- Limited by Guideline #3, requiring bonds to be repaid in timely manner (40% within five years, 70% within 10)
- Under just Guidelines #1 and #2, total limit would be \$2.8B
- TH GO Bonds count against these limits

- Preliminary agency requests:

Project Title	Priority Ranking	Funding Source	2026
Local Bridge Replacement Program	1	GO	\$ 160,000
Local Road Improvement Fund Grants	2	GO	\$ 150,000
		GF	\$ 4,500
High-Priority Pavement Projects	3	THB	\$ 200,000
Port Development Assistance Program	4	GO	\$ 45,000
Drainage Asset Management Program	5	GO	\$ 2,000
		GF	\$ 6,000
Greater Minnesota Transit	6	GO	\$ 10,000
Highway Railroad Grade Crossing-Warning Devices Installation & Replacement	7	GO	\$ 10,000
Weigh Station Improvements	8	THB	\$ 20,000
Minnesota Rail Service Improvement Program	9	GO	\$ 20,000
Minnesota Rural Airport Program	10	GO	\$ 10,000
Revolving Hangar Loan Program	11	GF	\$ 10,000
Livable Communities Pilot Program	12	GO	\$ 5,000
Facilities Capital Improvement Program	13	THB	\$ 30,000
		THC	\$ 5,000
ARMER Radio Communication Tower and Building Replacement	14	GO	\$ 11,500
Safe Routes to School Infrastructure Program (SRTS)	15	GO	\$ 10,500
		GF	\$ 2,500
Active Transportation	16	GO	\$ 780
		GF	\$ 220
Transportation Building Consolidation and Remodel	17	GO	\$ 5,000
		THC	\$ 15,000
Electric Vehicle Infrastructure Program	18	GF	\$ 5,000
Total Project Requests			\$ 738,000
General Obligation Bonds (GO) Total			\$ 439,780
General Fund Cash (GF) Total			\$ 28,220
Trunk Highway Bonds (THB) Total			\$ 250,000
Trunk Highway Cash (THC) Total			\$ 20,000

Federal Funds Updates

- FFY 2026 obligation authority for FHWA = ~\$788M (1.7% of national total)
- Continuing resolution, if/when passed, will limit total amount available on a pro-rata basis e.g. through October ~\$70M
- Able to manage difference with minimal impacts using Advance Construction
- August redistribution:
 - FY 2025: \$100M (~1.3% of total)
 - FY 2024: \$117M (~1.3% of total)
 - FY 2023: \$122M (~1.5% of total)

Questions?

Thank you!

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