

Senators Bakk, Vickerman, Jungbauer and Saxhaug introduced—
S.F. No. 3455: Referred to the Committee on Transportation.

1.1 A bill for an act
1.2 relating to taxation; modifying the amount of gasoline fuel tax attributable to the
1.3 use of all-terrain vehicles; amending Minnesota Statutes 2004, section 296A.18,
1.4 subdivision 4.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2004, section 296A.18, subdivision 4, is amended to
1.7 read:

1.8 Subd. 4. **All-terrain vehicle.** Approximately ~~0.15~~ 0.27 of one percent of all gasoline
1.9 received in or produced or brought into this state, except gasoline used for aviation
1.10 purposes, is being used for the operation of all-terrain vehicles in this state, and of the total
1.11 revenue derived from the imposition of the gasoline fuel tax, ~~0.15~~ 0.27 of one percent is
1.12 the amount of tax on fuel used in all-terrain vehicles operated in this state.

A

**Where ATVs Are Ridden:
An Analysis of Data Collected for the Minnesota
Department of Natural Resources**

By

Gene Larimore, JackPine Coalition

Introduction

In 2005 the Minnesota legislature directed the Minnesota Departments of Natural Resources (DNR), Revenue, and Transportation to determine the percentage of highway-taxable gasoline used by ATVs for recreation, that is, for non-business purposes. The DNR hired ThomTech Design, Inc. of St. Paul to conduct a study to find out this information.

ThomTech prepared a report describing how their study was conducted and what the study results were. The DNR released this report, *Study of Annual Recreational Fuel Consumption by All-Terrain Vehicles (ATVs) Final Report*, on March 1, 2006. The report states that “the goals of the project were (1) to estimate annual recreational gas consumption by all-terrain vehicles (ATVs) and (2) to provide information to allocate gas-consumption among different ATV-facility types, including public land, trails, and forest roads; public roads right of way; and private land, trails, and roads.”

In other words, goal 1 addressed the issue of ATV gas consumption and goal 2 addressed the issue of where ATVs are ridden for recreational purposes.

Thomtech Design Study Methodology

The report states that “a single mail-out survey to meet the requirements of both goals was administered as part of the study methodology. One survey was used because the requirements of the first goal are a subset of the second goal, except for the use inside and outside of Minnesota.”

ThomTech Design convened two focus groups in order to test and refine the survey instrument that would be sent to randomly selected owners of appropriately registered ATVs. Focus group participants were selected from owners of registered ATVs in the Twin Cities area. One focus group dealt with goal 1, trying to determine how best to phrase questions regarding ATV gas consumption in the previous twelve months. The second focus group dealt with goal 2, trying to develop a set of questions intended to elicit information on where (in which county or counties) the survey respondent’s ATV was being ridden and the number of days that the ATV was used on the different types of facilities. Over two pages of a three-and-a-half-page survey instrument were devoted to capturing data regarding goal 2.

A random sample of 2,400 registered ATV owners was drawn from the DNR file of ATVs registered for recreational use and their owners. The return rate, 77% (1,775 respondents), was good for this kind of research. Some (241) of the returned surveys were not used in ThomTech’s analysis and their reasons for not using them are well described in the report. ThomTech’s analysis of data regarding goal 1 was therefore based on 1534 returned surveys.

Thomtech Design Study Results

The analysis of goal 1 data (gas consumption) shows that "Minnesota had 236,683 ATVs with recreational registrations in 2005. Based on the study results, the average ATV used about 30 gallons of gasoline annually for recreation purposes."

Inexplicably, no analysis of goal 2 data was presented. After financing the investment to prepare for capturing data on goal 2 and after spending resources to actually capture the goal 2 data, the DNR chose not to require ThomTech to analyze and report on this important information.

Why It Is Important to Know Where ATVs are Ridden

The theory behind the allocation of gas tax money to the ATV account at the DNR rests on the belief that if people are riding ATVs or other off-road vehicles recreationally, the gas tax that they pay for fuel used in their recreational riding does not need to go to the Highway User Tax Distribution Fund, which, with some exceptions, receives gas tax money from fuel used for driving on public roads. Pointing to the gas tax money that recreational ATV riders pay when purchasing fuel for their machines, advocates of recreational ATV riding have lobbied to use this money to fund trail accounts at the DNR.

There is not a good rationale for using gas taxes paid by people who are riding on their own lands or the lands of other private landowners, and transferring it for use on public trails that those riders don't use. Similarly, it is inappropriate to use gas tax dollars attributable to ditch riding for ATV trails when the Highway User Tax Distribution Fund needs those dollars to repair damage to ditches done by ATV riders.

Consequently, it is important to know how much ATV riding is done on public lands and trails versus how much is done on private lands or road right-of-ways.

Additional Analysis

When Senator Marty learned that the ThomTech report had not analyzed the data obtained in the survey regarding goal 2, he requested a copy of the entire study data set. The DNR promptly provided this data in the form of a spreadsheet. Senator Marty provided this data set to me for analysis.

The data set contained 1,534 records. These records contain the responses of 1,534 respondents to the survey. In examining these records, I found there were serious inconsistencies with the data regarding goal 2. It was obvious that large numbers of respondents had not understood the directions provided in the survey. Some respondents simply left some survey questions unanswered. Others provided answers that did not make sense. I considered a record unusable for analysis if the total riding days in the county where the ATV was most often ridden did not equal the sum of riding days on private land,

public land, and ditches in that county. One could try to figure out what the respondent intended, but there is no certain way of understanding their intent. A quick review of the rejected records did not appear to change the results significantly, so I decided to reject any response that could be challenged for lack of clarity.

Of the original 1,534 records obtained from the DNR, 553 failed my simple test and were excluded from the analysis. In other words I was left with a usable data set of 981 records, 64% of the data set I had received.

An analysis of the data from the 981 records that contain usable data reveals this breakdown* of where ATV riding days are spent:

- 72% on private lands and trails
- 15% on public road ditches
- 15% on public lands and trails

*Because of rounding, these figures do not add up to 100%.

Conclusion

This analysis of data regarding where ATVs are ridden should have been completed by the DNR because it is relevant and important for the proper allocation of gas tax funds. We completed the data analysis because it is not possible to accurately allocate those funds without this information. The analysis provides results that will surprise some readers. However, an earlier report released by the DNR in 2001 reported similar findings. That report, *An OHV Recreation Planning Tool*, showed that over half of ATV owners never use ATVs registered for recreation for riding in forests. The 2001 report also demonstrated that 10% of ATV owners accounted for 57% of all forest riding. The public and the legislature have been told for years that hundreds of thousands of ATV owners were demanding a place to ride. The analysis shows that most ATV riders have a place to ride: private property.

The analysis also shows that ATV riding on public land makes up a small portion, less than 15%, of recreational ATV riding. Consequently, the gas tax money transferred from the Highway User Tax Distribution Fund to the ATV trails account should be only 15% of the recreational gas consumed by all ATVs.

Based on the analysis of all data from the new gas tax study conducted by ThomTech Design, Inc., for the Minnesota Department of Natural Resources, it is apparent that the transfer from the Highway User Tax Distribution Fund to the DNR ATV trails account should be reduced to a total of approximately \$210,000, instead of receiving an increase.

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State of Minnesota

S.F. No. 2930 - Trunk Highway Bonding; MVST Revenue Deposit Requirements Modification

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Bonnie Berezovsky, Senate Counsel (651/296-9191) *BB*

Date: March 30, 2006

Section 1 [Highway Bonding and Appropriations]:

- ◆ appropriates \$15 million of trunk highway bond proceeds to Commissioner of Transportation for program delivery and cost of payments to landowners for highway-related land acquisition;
- ◆ authorizes the issue of \$15 million in trunk highway bonds for this appropriation;
- ◆ appropriates \$15,000 from the trunk highway bond proceeds fund to the Commissioner of Finance for bond sale expenses under **Section 1**; and
- ◆ makes the effective date for this section July 1, 2006.

Section 2 [Highway Bonding and Appropriations]:

- ◆ appropriates \$35 million of trunk highway bond proceeds to Commissioner of Transportation for program delivery and cost of payments to landowners for highway-related land acquisition;
- ◆ authorizes the issue of \$35 million in trunk highway bonds for this appropriation; and
- ◆ appropriates \$35,000 from the trunk highway bond proceeds fund to the Commissioner of Finance for bond sale expenses under **Section 2**.

Section 3 [Highway Bonding and Appropriations]:

- ◆ appropriates \$2.45 billion of trunk highway bond proceeds to Commissioner of Transportation for construction and improvement of trunk highways, and cost of payments to landowners for highway-related land acquisition;
- ◆ allows the Commissioner of Transportation to use up to \$375 million of this amount for program delivery;
- ◆ authorizes the issue of \$2.45 billion in trunk highway bonds for this appropriation; and
- ◆ appropriates \$2.45 million from the trunk highway bond proceeds fund to the Commissioner of Finance for bond sale expenses under **Section 3**.

Section 4 [Motor Vehicle Sales Tax Collection Account]:

This section requires the Commissioner of Finance to maintain in the trunk highway fund a separate Minnesota motor vehicle sales tax collection account, consisting of proceeds from the motor vehicle sales tax as allocated in **Section 5**.

Section 5 [Deposit of Revenue]:

Paragraph (a) Specifies the deposit of revenues from the motor vehicle sales tax as follows below.

Paragraph (b) From July 1, 2003 through June 30, 2007, is the existing distribution under current law.

Paragraph (c) From July 1, 2007, through June 30, 2008, 38.25 percent to the highway user fund, 24.225 percent to the metropolitan area transit fund, 1.275 percent to the Greater Minnesota transit fund, and the remaining money to the general fund. Of the amount in this paragraph deposited in the trunk highway fund, 16.5 percent shall be deposited in the MVST collection account created in **Section 4**.

Paragraph (d) From July 1, 2008, through June 30, 2009, 44.25 percent to the highway user fund, 28.025 percent to the metropolitan area transit fund, 1.475 percent to the Greater Minnesota transit fund, and the remaining money to the general fund. Of the amount in this paragraph deposited in the trunk highway fund, 27.5 percent shall be deposited in the MVST collection account created in **Section 4**.

Paragraph (e) From July 1, 2009, through June 30, 2010, 50.25 percent to the highway user fund, 31.825 percent to the metropolitan area transit fund, 1.675 percent to the Greater Minnesota transit fund, and the remaining money to the general fund. Of the amount in this paragraph deposited in the trunk highway fund, 36.5 percent shall be deposited in the MVST collection account created in **Section 4**.

2930

March 30, 2006

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Paragraph (f) From July 1, 2010 through June 30, 2011, 56.25 percent to the highway user fund, 35.625 percent to the metropolitan area transit fund, 1.875 percent to the Greater Minnesota transit fund, and the remaining money to the general fund. Of the amount in this paragraph deposited in the trunk highway fund, 43 percent shall be deposited in the MVST collection account created in **Section 4**.

Paragraph (g) On and after July 1, 2011, 60 percent to the highway user fund, 38 percent to the metropolitan area transit fund, and two percent to the Greater Minnesota transit fund. Of the amount in this paragraph deposited in the trunk highway fund, 46.7 percent shall be deposited in the MVST collection account created in **Section 4**.

Section 6 [Contingent Effective Date]:

This section makes **Sections 2 through 5** effective upon the adoption of the proposed constitution amendment regarding MVST allocation, by the people at the 2006 general election.

KB/BB:rer

Senators Day, Robling, McGinn and Ortman introduced--
S.F. No. 2930: Referred to the Committee on Finance.

A bill for an act

1.2 relating to transportation; authorizing bonding and appropriating money for
1.3 highways; creating trunk highway motor vehicle sales tax collection account in
1.4 the trunk highway fund; modifying allocation of proceeds of motor vehicle sales
1.5 tax; removing obsolete language and making technical and clarifying changes;
1.6 amending Minnesota Statutes 2004, section 297B.09; proposing coding for new
1.7 law in Minnesota Statutes, chapter 167.

1.8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.9 Section 1. **HIGHWAY BONDING AND APPROPRIATION.**

1.10 **Subdivision 1. Appropriation.** \$15,000,000 is appropriated from the bond proceeds
1.11 account in the trunk highway fund to the commissioner of transportation for program
1.12 delivery and for the cost of actual payments to landowners for lands acquired for highway
1.13 rights-of-way, payments to lessees, interest subsidies, and relocation expenses.

1.14 **Subd. 2. Bond sale.** To provide the money appropriated in this section from the
1.15 trunk highway fund, the commissioner of finance shall sell and issue bonds of the state in
1.16 an amount up to \$15,000,000 in the manner, upon the terms, and with the effect prescribed
1.17 by Minnesota Statutes, sections 167.50 to 167.52, and by the Minnesota Constitution,
1.18 article XIV, section 11. The proceeds of the bonds, except accrued interest and any
1.19 premium received on the sales of the bonds, must be credited to a bond proceeds account
1.20 in the trunk highway fund.

1.21 **Subd. 3. Bond sale expenses.** \$15,000 is appropriated from the bond proceeds
1.22 account in the trunk highway fund to the commissioner of finance for bond sale expenses
1.23 under Minnesota Statutes, sections 16A.641, subdivision 8, and 167.50, subdivision 4.

1.24 **EFFECTIVE DATE.** This section is effective July 1, 2006.

2.1 **Sec. 2. HIGHWAY BONDING AND APPROPRIATION.**

2.2 **Subdivision 1. Appropriation.** \$35,000,000 is appropriated from the bond proceeds
2.3 account in the trunk highway fund to the commissioner of transportation for program
2.4 delivery and for the cost of actual payments to landowners for lands acquired for highway
2.5 rights-of-way, payments to lessees, interest subsidies, and relocation expenses.

2.6 **Subd. 2. Bond sale.** To provide the money appropriated in this section from the
2.7 trunk highway fund, the commissioner of finance shall sell and issue bonds of the state in
2.8 an amount up to \$35,000,000 in the manner, upon the terms, and with the effect prescribed
2.9 by Minnesota Statutes, sections 167.50 to 167.52, and by the Minnesota Constitution,
2.10 article XIV, section 11. The proceeds of the bonds, except accrued interest and any
2.11 premium received on the sales of the bonds, must be credited to a bond proceeds account
2.12 in the trunk highway fund.

2.13 **Subd. 3. Bond sale expenses.** \$35,000 is appropriated from the bond proceeds
2.14 account in the trunk highway fund to the commissioner of finance for bond sale expenses
2.15 under Minnesota Statutes, sections 16A.641, subdivision 8, and 167.50, subdivision 4.

2.16 **Sec. 3. HIGHWAY BONDING AND APPROPRIATIONS.**

2.17 **Subdivision 1. Trunk highway projects financed by state bonds. (a)**
2.18 \$2,450,000,000 is appropriated from the bond proceeds account in the trunk highway fund
2.19 to the commissioner of transportation for the actual construction, reconstruction, and
2.20 improvement of trunk highways. This includes the cost of actual payments to landowners
2.21 for lands acquired for highway rights-of-way, payments to lessees, interest subsidies,
2.22 and relocation expenses.

2.23 **(b) The commissioner of transportation may use up to \$375,000,000 of this**
2.24 **appropriation for program delivery.**

2.25 **Subd. 2. Bond sale.** To provide the money appropriated in subdivision 1 from the
2.26 bond proceeds account in the trunk highway fund, the commissioner of finance shall sell
2.27 and issue bonds of the state in an amount up to \$2,450,000,000 in the manner, on the
2.28 terms, and with the effect prescribed by Minnesota Statutes, sections 167.50 to 167.52,
2.29 and by the Minnesota Constitution, article XIV, section 11, at the times and in the amounts
2.30 requested by the commissioner of transportation. The proceeds of the bonds, except
2.31 accrued interest and any premium received from the sale of the bonds, must be deposited
2.32 in the bond proceeds account in the trunk highway fund.

3.1 Subd. 3. Bond sale expenses. \$2,450,000 is appropriated from the bond proceeds
 3.2 account in the trunk highway fund to the commissioner of finance for bond sale expenses
 3.3 under Minnesota Statutes, sections 16A.641, subdivision 8, and 167.50, subdivision 4.

3.4 Sec. 4. [167.515] MOTOR VEHICLE SALES TAX COLLECTION ACCOUNT.

3.5 The commissioner of finance shall maintain in the trunk highway fund a separate
 3.6 account designated as the Minnesota motor vehicle sales tax collection account. Money in
 3.7 the account consists of proceeds allocated to the account from the motor vehicles sales tax
 3.8 under section 297B.09. Money from the account may be spent for debt service incurred
 3.9 pursuant to sections 2 and 3.

3.10 Sec. 5. Minnesota Statutes 2004, section 297B.09, is amended to read:

3.11 **297B.09 ALLOCATION OF REVENUE.**

3.12 Subdivision 1. **Deposit of revenues.** (a) Money collected and received under this
 3.13 chapter must be deposited as provided in this subdivision.

3.14 (b) ~~From July 1, 2002, to June 30, 2003, 32 percent of the money collected and~~
 3.15 ~~received must be deposited in the highway user tax distribution fund, 20.5 percent must be~~
 3.16 ~~deposited in the metropolitan area transit fund under section 16A.88, and 1.25 percent~~
 3.17 ~~must be deposited in the greater Minnesota transit fund under section 16A.88. The~~
 3.18 ~~remaining money must be deposited in the general fund.~~

3.19 (c) From July 1, 2003, to through June 30, 2007, 30 percent of the money collected
 3.20 and received must be deposited in the highway user tax distribution fund, 21.5 percent
 3.21 must be deposited in the metropolitan area transit fund under section 16A.88, 1.43
 3.22 percent must be deposited in the greater Minnesota transit fund under section 16A.88,
 3.23 0.65 percent must be deposited in the county state-aid highway fund, and 0.17 percent
 3.24 must be deposited in the municipal state-aid street fund. The remaining money must
 3.25 be deposited in the general fund.

3.26 (d) ~~On and after~~ (c) From July 1, 2007, 32 through June 30, 2008, 38.25 percent of
 3.27 ~~the money collected and received~~ must be deposited in the highway user tax distribution
 3.28 fund, ~~20.5~~ 24.225 percent must be deposited in the metropolitan area transit fund under
 3.29 section 16A.88, and ~~1.25~~ 1.275 percent must be deposited in the greater Minnesota transit
 3.30 fund under section 16A.88. The remaining money must be deposited in the general
 3.31 fund. Of the amount from this paragraph deposited in the state trunk highway fund, 16.5
 3.32 percent must be deposited in the motor vehicle sales tax collection account established
 3.33 in section 167.515.

4.1 (d) From July 1, 2008, through June 30, 2009, 44.25 percent must be deposited in the
4.2 highway user tax distribution fund, 28.025 percent must be deposited in the metropolitan
4.3 area transit fund under section 16A.88, and 1.475 percent must be deposited in the greater
4.4 Minnesota transit fund under section 16A.88. The remaining money must be deposited in
4.5 the general fund. Of the amount from this paragraph deposited in the state trunk highway
4.6 fund, 27.5 percent must be deposited in the motor vehicle sales tax collection account
4.7 established in section 167.515.

4.8 (e) From July 1, 2009, through June 30, 2010, 50.25 percent must be deposited in the
4.9 highway user tax distribution fund, 31.825 percent must be deposited in the metropolitan
4.10 area transit fund under section 16A.88, and 1.675 percent must be deposited in the greater
4.11 Minnesota transit fund under section 16A.88. The remaining money must be deposited in
4.12 the general fund. Of the amount from this paragraph deposited in the state trunk highway
4.13 fund, 36.5 percent must be deposited in the motor vehicle sales tax collection account
4.14 established in section 167.515.

4.15 (f) From July 1, 2010, through June 30, 2011, 56.25 percent must be deposited in the
4.16 highway user tax distribution fund, 35.625 percent must be deposited in the metropolitan
4.17 area transit fund under section 16A.88, and 1.875 percent must be deposited in the greater
4.18 Minnesota transit fund under section 16A.88. The remaining money must be deposited in
4.19 the general fund. Of the amount from this paragraph deposited in the state trunk highway
4.20 fund, 43 percent must be deposited in the motor vehicle sales tax collection account
4.21 established in section 167.515.

4.22 (g) On and after July 1, 2011, 60 percent must be deposited in the highway user tax
4.23 distribution fund, 38 percent must be deposited in the metropolitan area transit fund under
4.24 section 16A.88, and two percent must be deposited in the greater Minnesota transit fund
4.25 under section 16A.88. The remaining money must be deposited in the general fund. Of
4.26 the amount from this paragraph deposited in the state trunk highway fund, 46.7 percent
4.27 must be deposited in the motor vehicle sales tax collection account established in section
4.28 167.515.

4.29 **Sec. 6. CONTINGENT EFFECTIVE DATE.**

4.30 Sections 2 to 5 are effective upon the adoption of the constitutional amendment
4.31 proposed in Laws 2005, chapter 88, article 3, section 9, by the people at the 2006 general
4.32 election.

Consolidated Fiscal Note – 2005-06 Session

Bill #: S2930-0 **Complete Date:** 04/04/06

Chief Author: DAY, RICHARD

Title: HWY PROJECTS BONDS; MV SALES TAX

Fiscal Impact	Yes	No
State	X	
Local	X	
Fee/Departmental Earnings		X
Tax Revenue	X	

Agencies: Transportation Dept (04/04/06)

Finance Dept (04/03/06)

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Net Expenditures					
Trunk Highway Fund			3,544	6,682	20,861
Finance Dept			3,544	6,682	20,861
Revenues					
General Fund				(55,770)	(116,220)
Transportation Dept				(55,770)	(116,220)
Municipal State Aid Street Fund				2,980	6,086
Transportation Dept				2,980	6,086
County State Aid Highway Fund				11,346	23,171
Transportation Dept				11,346	23,171
Trunk Highway Fund				20,530	41,928
Transportation Dept				20,530	41,928
Metropolitan Area Transit Fund				20,774	43,728
Transportation Dept				20,774	43,728
Greater Minnesota Transit Fund				139	1,307
Transportation Dept				139	1,307
Net Cost <Savings>					
General Fund				55,770	116,220
Transportation Dept				55,770	116,220
Municipal State Aid Street Fund				(2,980)	(6,086)
Transportation Dept				(2,980)	(6,086)
County State Aid Highway Fund				(11,346)	(23,171)
Transportation Dept				(11,346)	(23,171)
Trunk Highway Fund			3,544	(13,848)	(21,067)
Finance Dept			3,544	6,682	20,861
Transportation Dept				(20,530)	(41,928)
Metropolitan Area Transit Fund				(20,774)	(43,728)
Transportation Dept				(20,774)	(43,728)
Greater Minnesota Transit Fund				(139)	(1,307)
Transportation Dept				(139)	(1,307)
Total Cost <Savings> to the State			3,544	6,683	20,861

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

Consolidated EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: NORMAN FOSTER

Date: 04/04/06 Phone: 215-0594

Fiscal Note – 2005-06 Session

Bill #: S2930-0 **Complete Date:** 04/04/06

Chief Author: DAY, RICHARD

Title: HWY PROJECTS BONDS; MV SALES TAX

Fiscal Impact	Yes	No
State	X	
Local	X	
Fee/Departmental Earnings		X
Tax Revenue	X	

Agency Name: Transportation Dept

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
-- No Impact --					
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
-- No Impact --					
Revenues					
General Fund				(55,770)	(116,220)
Municipal State Aid Street Fund				2,980	6,086
County State Aid Highway Fund				11,346	23,171
Trunk Highway Fund				20,530	41,928
Metropolitan Area Transit Fund				20,774	43,728
Greater Minnesota Transit Fund				139	1,307
Net Cost <Savings>					
General Fund				55,770	116,220
Municipal State Aid Street Fund				(2,980)	(6,086)
County State Aid Highway Fund				(11,346)	(23,171)
Trunk Highway Fund				(20,530)	(41,928)
Metropolitan Area Transit Fund				(20,774)	(43,728)
Greater Minnesota Transit Fund				(139)	(1,307)
Total Cost <Savings> to the State				1	0

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

Bill Description

Senate File 2930 proposes authorizing a total of \$2.5 billion of trunk highway bonds and appropriating the bond proceeds to the Commissioner of Transportation "for the actual construction, reconstruction, and improvement of trunk highways," as well as for land acquisition and program delivery costs. The bill provides three separate appropriations and bond authorizations:

1. \$15 million for program delivery and land acquisition costs
2. \$35 million for program delivery and land acquisition costs
3. \$2.45 billion for "the actual construction, reconstruction and improvement of trunk highways;" up to \$375 million of this total would be allowed to be used for program delivery.

The appropriations and bond authorizations in #2 and #3 above are contingent on the constitutional amendment proposed in Laws 2005, chapter 88, article 3, section 9 being adopted by the voters in the November 2006 general election, while those in #1 are effective July 1, 2006.

The bill also provides statutory allocations of revenues from the motor vehicle sales tax, consistent with the constitutional amendment contained in Laws 2005, chapter 88, article 3, section 9 that would dedicate these revenues to the highway user tax distribution fund and to "... a fund dedicated solely to public transit assistance as defined by law." This bill would set the percentages at specific amounts, even though the constitutional amendment uses the terms "not more than 60%" and "not less than 40%." The percentages are 60% for the highway user tax distribution fund, 38% for the metropolitan area transit fund and 2% for the greater Minnesota transit fund, when the phase in is fully completed in FY 2012. Percentages in fiscal years 2008 through 2011 would be less than the amounts stated above, but the relative proportions distributed to the three funds would be about the same as the 60%, 38% and 2%.

The bill specifically prescribes that specified percentages of the trunk highway fund shares of the motor vehicle sales tax revenues would be deposited in a new account in the trunk highway fund called the motor vehicle sales tax collection account. These percentages are:

FY 2008	16.5%
FY 2009	27.5%
FY 2010	36.5%
FY 2011	43.0%
FY 2012 and beyond	46.7%

Money in this account may be spent for debt service on the bonds referenced above in #s 2 and 3.

Background

A constitutional amendment was passed by the 2005 Legislature as part of a major transportation funding bill that was vetoed by Governor Pawlenty (Laws of 2005, Chapter 88). This amendment provided that "...not more than 60 percent must be deposited in the highway user tax distribution fund, and not less than 40 percent must be deposited in a fund dedicated solely to public transit assistance as defined by law." It has a phase in from FY 2008 through 2012. An additional 10% per year, over the 53.75% allocated in current law, would be dedicated to transportation in fiscal years 2008, 2009, 2010, and 2011. In fiscal year 2012 and thereafter 100% of this revenue would be dedicated to transportation. This amendment survived the veto of the bill and will be presented to the voters at the November 2006 election, unless the 2006 legislature changes it.

Assumptions

1. Revenues attributed to the motor vehicle sales tax are those estimated in the February 2006 Economic Forecast.
2. For the purposes of this fiscal note, it is assumed that the amendment proposed in Laws 2005, chapter 88, article 3, section 9 will be adopted by the voters in the November 2006 election.

Expenditure and/or Revenue Formula

Expenditures

There are two types of expenditures that Mn/DOT would incur in conjunction with this bill.

1. Program delivery costs, which consist of: (1) the costs needed to prepare various detailed engineering documents and carry out right of way acquisition, all occurring prior to contracts being awarded to private

- contractors to build the projects, and (2) the costs incurred to provide construction supervision of the private contractors once a contract has been awarded and work is underway.
2. Maintenance costs associated with the newly constructed roadways and bridges.

Mn/DOT assumes that the appropriations made in the bill, which make provisions for program delivery costs, will be sufficient to pay for all of Mn/DOT's program delivery costs associated with this bill. The appropriations for program delivery are 17% of the proposed total appropriation amount and 20.5% of the amount that would be designated for construction.

Mn/DOT assumes that ongoing maintenance costs associated with new highway infrastructure opened to traffic can be accommodated within existing maintenance budgets, since much of the construction would involve work on existing roadways and bridges, which are already being maintained by Mn/DOT.

Because of these assumptions no expenditures are being shown on the fiscal note.

Fiscal note procedures state that the expenditure of bond proceeds should not be shown on fiscal notes, and that the Department of Finance's fiscal note will show all debt service costs associated with the bonds. Mn/DOT has provided the Department of Finance with the following estimated needs for cash from bond sales, which has been used by the Department of Finance in calculating estimated debt service.

FY 2007	\$ 50 million
FY 2008	\$100 million
FY 2009	\$150 million
FY 2010	\$200 million
FY 2011	\$200 million
FY 2012 through 2017	\$300 million per year

Revenues

The statutory allocations of motor vehicle sales tax revenues would provide increased revenue for the following funds:

Highway User Tax Distribution Fund, which allocates its revenues to:

- Trunk Highway Fund
- County State Aid Highway Fund
- Municipal State Aid Street Fund

Greater Minnesota Transit Fund

Metropolitan Area Transit Fund

The state General Fund revenues would be reduced by the total amount of increases received by the funds listed above.

The changes in revenues associated with this proposal are shown in the table below (amounts to the highway user tax distribution fund are shown after distribution to the three highway funds shown above).

Note that the amount of revenue allocated to the motor vehicle sales tax collection account is very close to the total amount of increased revenue for the Trunk Highway Fund. This demonstrates the probable intent of the

Change in Revenue		
Proposed Allocations of Motor Vehicle Sales Tax Revenue		
Senate File 2930		
Dollars in Thousands	FY 2008	FY 2009
Trunk Highway Fund	\$ 20,530	\$ 41,928
Unrestricted Receipts to the Fund	\$ (201)	\$ 278
Amount allocated to Motor Vehicle Sales Tax Collection Account	\$ 20,732	\$ 41,650
County State Aid Highway Fund	\$ 11,346	\$ 23,171
Municipal State Aid Street Fund	\$ 2,980	\$ 6,086
Greater Minnesota Transit Fund	\$ 139	\$ 1,307
Metropolitan Area Transit Fund	\$ 20,774	\$ 43,728
Total Transportation Increases	\$ 55,770	\$ 116,220
Reduction to General Fund	\$ (55,770)	\$ (116,220)

author that the increased revenues to the Trunk Highway Fund be dedicated to debt service on the bonds.

Long-Term Fiscal Considerations

Senate File 2930 provides for a total of \$2.5 billion of trunk highway bond authorizations and accompanying appropriations. The bond sales projected by the Department of Transportation if this bill were enacted contemplates sales from FY 2007 through FY 2017, with \$300 million of sales from FY 2012 through 2017. Thus, the bill would provide substantial increased funds for highway construction on trunk highways and related spending through FY 2017.

Senate File 2930 also provides a phase in of increased revenues from the motor vehicle sales tax for the Trunk Highway, County State Aid Highway, Municipal State Aid Street, Greater Minnesota Transit, and Metropolitan Area Transit Funds. By FY 2012 revenues to the three highway funds from the motor vehicle sales tax would be 87.5% higher than would be the case under current law. Motor vehicle sales tax revenues for the two transit funds would also be substantially higher than under current law, 60% higher for the Greater Minnesota Transit Fund, and 85% higher for the Metropolitan Area Transit Fund.

Local Government Costs

Local Governments would receive increased revenues due to the increased revenues that would be received by the County State Aid Highway Fund and the Municipal State Aid Street Fund. All 87 counties would receive increased revenues for apportionment. In addition, township roads and bridges would receive increased revenues from the County State Aid Highway Fund, since nearly one-half of the "5% set aside funds" (the portion of Highway User Tax Distribution Fund revenues that the Legislature may allocate; currently 46.5% is allocated to townships and 53.5% to the Flexible Highway Account, used to a significant degree for county and municipal turnback projects) is allocated to township roads and bridges. All municipalities with population in excess of 5,000 (currently there are 138) would benefit from increased revenues in the Municipal State Aid Street Fund. In addition local governments in greater Minnesota would potentially receive additional transit assistance due to increased revenues in the Greater Minnesota Transit Fund.

FN Coord Signature: BRUCE BRIESE
Date: 04/04/06 Phone: 297-1203

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: NORMAN FOSTER
Date: 04/04/06 Phone: 215-0594

Fiscal Note – 2005-06 Session

Bill #: S2930-0 **Complete Date:** 04/03/06

Chief Author: DAY, RICHARD

Title: HWY PROJECTS BONDS; MV SALES TAX

Fiscal Impact	Yes	No
State		X
Local		X
Fee/Departmental Earnings		X
Tax Revenue	X	

Agency Name: Finance Dept

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
Trunk Highway Fund			3,544	6,682	20,861
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
Trunk Highway Fund			3,544	6,682	20,861
Revenues					
-- No Impact --					
Net Cost <Savings>					
Trunk Highway Fund			3,544	6,682	20,861
Total Cost <Savings> to the State			3,544	6,682	20,861

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

Bill Description

The legislation would provide \$15,000,000 of state general obligation trunk highway bond financing to provide funding for trunk highway program delivery costs effective on July 1, 2006. An additional \$2,485,000,000 of state general obligation trunk highway bonds would be authorized contingent upon a constitutional amendment to be passed by the 2006 general election. No bond authorizations have been made for the appropriations for bond sale expense.

It is assumed that \$15 million of state general obligation trunk highway bonds are sold to finance the initial capital project projects. The bonds are sold with level principal payments and mature over 20 years. The costs shown in the fiscal note are the amounts that would be required to be transferred from the trunk highway fund to the debt service fund annually for Section 2.

<u>Bond Sale Date</u>	<u>Interest Rate</u>	<u>Bonds Sold</u>
June 2006	4.40%	3,333
November 2006	4.50%	6,667
August 2007	4.70%	4,583
June 2008	4.90%	417

Debt Service Costs by Fiscal Year

2006	-0-
2007	1,063
2008	1,434
2009	1,453

Assuming the constitutional amendment passes, the contingent authorization of \$2,485,000,000 of state general obligation trunk highway bonds will be sold to finance the capital projects. The bonds are sold with level principal payments and mature over 20 years. The costs shown in the fiscal note are the amounts that would be required to be transferred from the trunk highway fund to the debt service fund annually for Section 3 of the bill.

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Bonds Sold</u>
2007	4.40%	23,333
2008	4.50%	31,667
2009	4.70%	85,000
2010	4.90%	147,500
2011	5.20%	187,500
2012	5.60%	220,000
2013	5.60%	275,000
2014	5.60%	300,000
2015	5.60%	300,000
2016	5.60%	300,000
2017	5.60%	300,000
2018	5.60%	240,000
2019	5.60%	75,000

Debt Service Costs by Fiscal Year

2006	-0-
2007	2,481
2008	5,248
2009	19,408

FN Coord Signature: PETER SAUSEN
Date: 04/03/06 Phone: 296-8372

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: PEGGY LEXAU

Date: 04/03/06 Phone: 296-6237

(B)

SF 2930: \$2.5 Billion State Highway Investment Package

Senate Transportation Finance Division, April 4, 2006

Goal: Accelerate construction of backlogged metro and statewide highway projects that address congestion, bottlenecks, bridge repairs, interregional economic corridors and safety and preservation.

\$2.5 Billion Trunk Highway Bonding Package, FY'07-'17

- \$2.5 billion in state trunk highway bond revenues available 2007-2017.
- New revenue stream – new MVST amendment revenue to TH Fund – dedicated to debt service (P &I).
- Revised from 2005 proposal to address Legislature's concerns – (1) bonding level reduced; (2) dedicated new revenue identified for debt service.

Highlighted State Highway Projects

- Mn/DOT identified 22 state highway projects for acceleration under the bonding plan.
- Four metro projects @ \$678 million; 18 Greater MN projects @ \$645 million.
- Highlighted projects reflect Mn/DOT district, local and regional priorities.
- Highlighted projects represent only \$1.3 billion of plan's investment power; \$1.2 billion yet to be programmed. More projects to come.
- By highlighting projects, voting public sees the importance of voting YES on constitutional amendment question.

Debt Service Facts

- Bonding plan will provide the Trunk Highway Fund more than \$2.3 billion in additional investment power, FY 2007-17. (See "Investment Power" charts.)
- New MVST revenues from the constitutional amendment that go to TH Fund will cover 96.2% of the plan's debt service (P&I) over the life of the plan, FY 2007-38.
- New MVST revenues will be deposited into the newly created "Motor Vehicle Sales Tax Collection Account."
- Only one-third of one percent (0.30%) of existing trunk highway fund revenues will be needed for debt service on the plan (FY 2007-38).
- A direct "new MVST for debt service" plan.

- Cumulative debt service on the plan (P&I, FY 2007-38) = \$3.96 billion.
- New MVST revenues for TH Fund (FY 2007-38) = \$3.81 billion.
- Debt Service not covered by new MVST = \$149 million (0.3% of TH Fund revenues, FY 2007-38).
- FY 2007-29: Debt service requires 100% of new MVST to TH Fund (+) only 11% of TH Fund growth over FY 2005 base.
- FY 2030-38: Less than 50% of new MVST revenue to TH Fund needed for debt service.

- Peak Year: In FY 2017, debt service on bonding plan (+) existing and otherwise proposed debt will require 11% of existing Trunk Highway Fund revenues.

Benefits of Bonding for Trunk Highway Improvements

- Save high and volatile inflation costs on projects.
- Construction inflation running anywhere from 8-12% depending on region and construction commodity.
- State financing on bonding @ approximately 5% or less. Most recent TH bond sale was 10/05 @ 3.90%.
- Deliver user benefits earlier: congestion relief, safety, economic development.
- TH bonding authorized in 2000, 2001 and 2003 totaling \$220 million directed at “Moving Minnesota” projects – 25 roadway, interchange and bridge projects – which were advanced 113 years.
- \$400 million in TH bonding passed in 2003 and authorized in 2004 was applied to 11 “Bond Accelerated Projects,” which were advanced 65 years.

How a Project Benefits from Bonding Acceleration

Project A is estimated to cost \$200 million in FY '08 dollars, but is not scheduled for construction until 2020. Accounting for 8% construction inflation, the construction cost estimate for the project in 2020 will be approximately \$500 million.

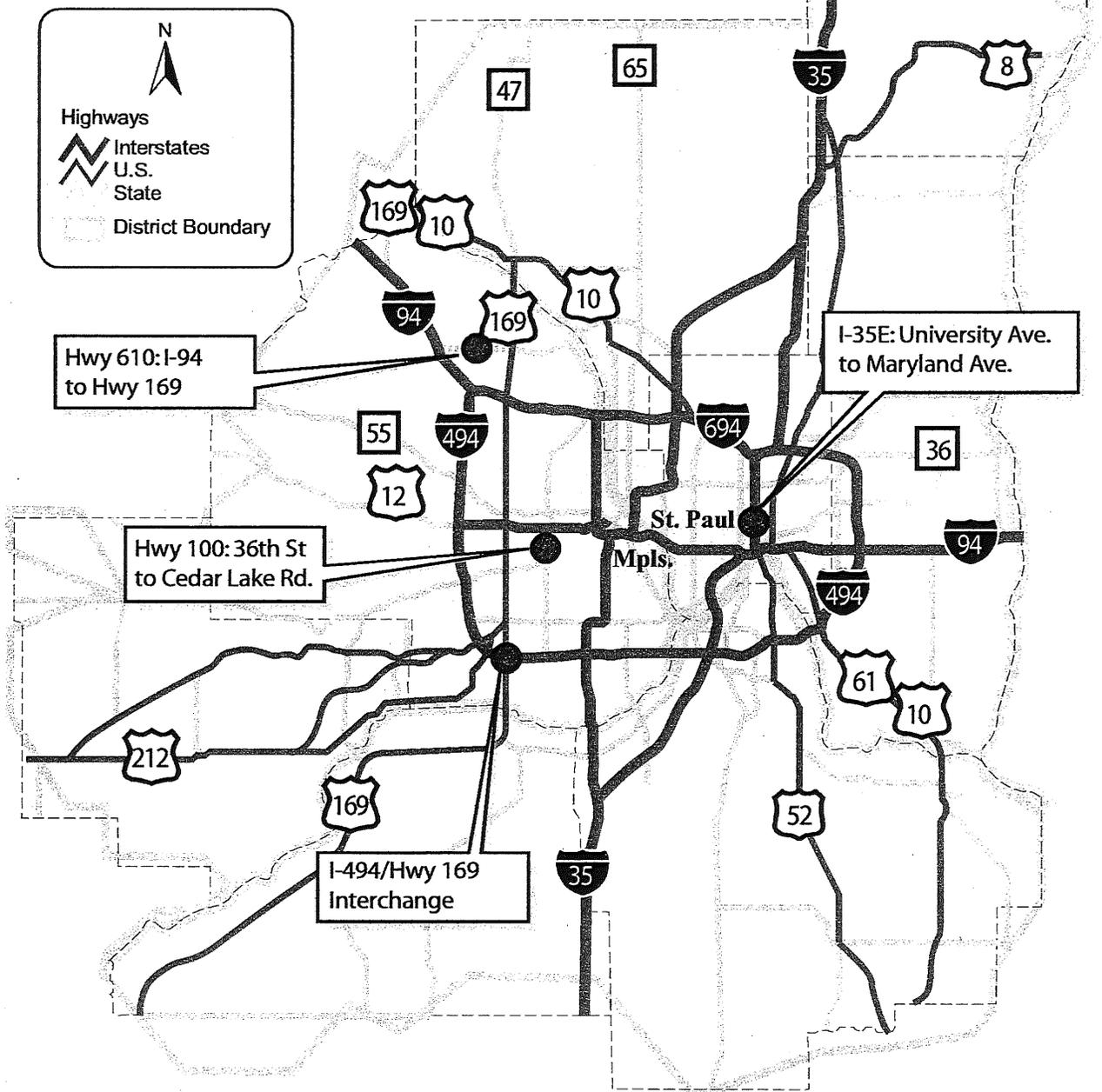
However, if the state builds Project A in 2008 with bond funds, and retires the debt over the 20-year life of the bonds, the state will pay a total of \$316 million in P&I, saving nearly \$200 million in inflation costs.

Moreover, accelerating the construction of Project A will provide congestion relief, safety improvements and benefits to the economy 12 years ahead of schedule.



The Pawlenty-Molnau 2006 Transportation Investment Proposal

Metro Bond Projects*

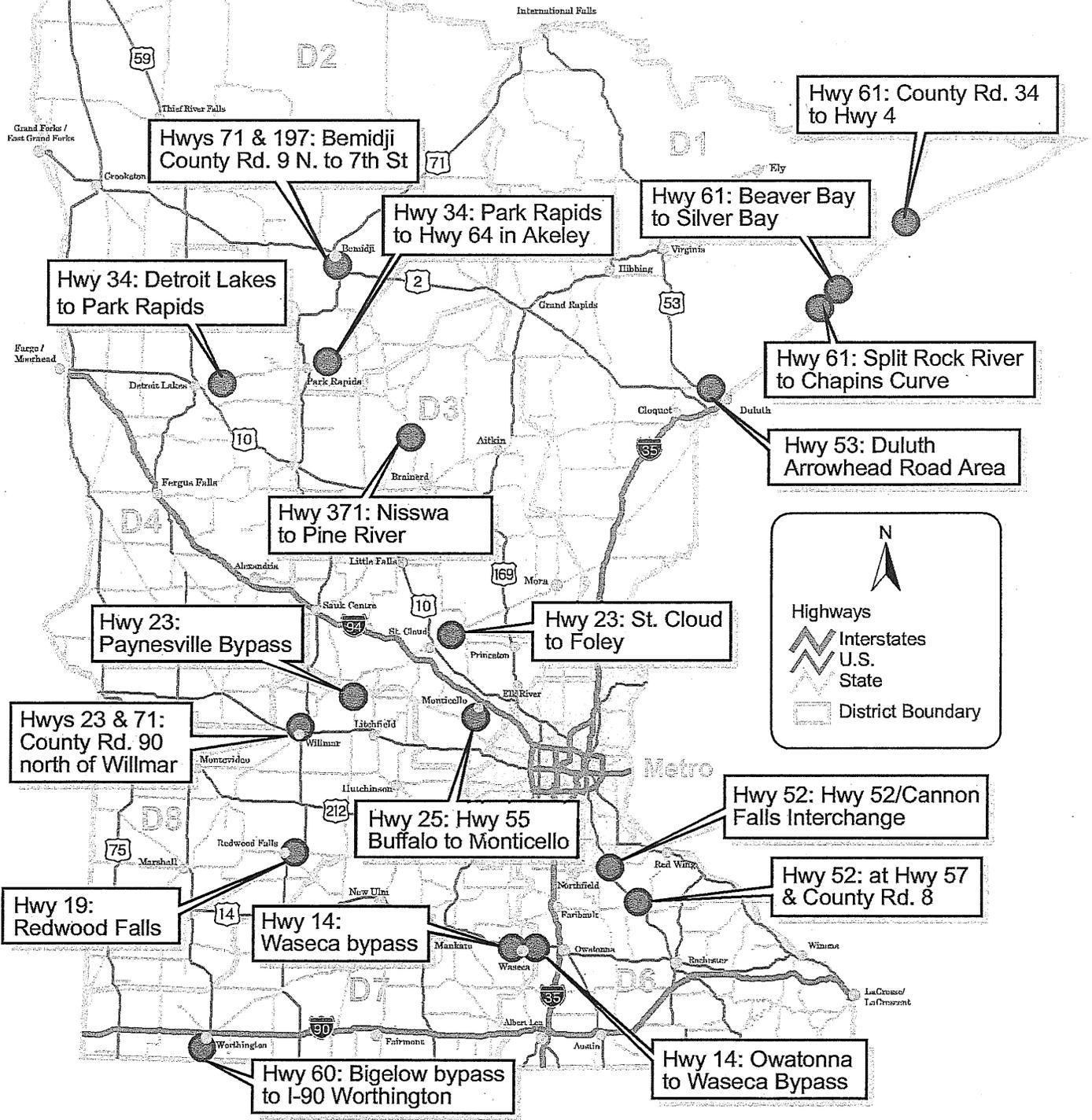


*These projects plus the Statewide Bond Projects represent about half of the plan's investment power.



The Pawlenty-Molnau 2006 Transportation Investment Proposal

Statewide Bond Projects*



*These projects plus the Metro Bond Projects represent about half of the plan's investment power.

Sample Priority Projects for Acceleration - \$2.5 Billion TH Bonding Proposal

District	Policy	T.H.	Miles	Project Description	Preliminary Estimate 2005 Dollars* (\$ Millions)	Current Year Planned Construction	Earliest Advance Letting Date (FY)
1	6 - Trade Center Mobility/Congestion	53	1.0	Duluth Arrowhead Road Area capacity improvements	\$11.1	2015	2011
1	7 - Safety (IRC) Preventive	61	3.4	Reconstruct and shoulder widening, 1/4 Mi. N. of Split Rock R. to Chapins Curve S of Beaver Bay	\$8.1	2016	2010
1	7 - Safety (IRC) Preventive	61	3.8	Reconstruct and shoulder widening, from 6.2 to 10.0 mi N of Tofte (Co. Rd. 34 to CSAH 4)	\$8.6	2018	2010
1	7 - Safety (IRC) Preventive	61	3.0	Reconstruct and shoulder widening, Beaver Bay to Silver Bay	\$9.3	2016	2010

District 1 subtotal \$37.1

2	7 - Safety (Non-IRC) Corrective	71 & 197	6.0	Bemidji (Hubbard CSAH 9) north to 7th St	\$11.0	2015-17	2010
2	7 - Safety (Non-IRC) Preventive	34	16.5	Park Rapids to E Jct TH 64	\$8.2	2013	2010

District 2 subtotal \$19.2

3	7 - Safety (IRC) Preventative	25	7.8	2 to 4 Lane Expansion from TH 55 in Buffalo to beginning 4 Lane in Monticello	\$34.0	2013	2009
3	7 - Safety (IRC) Preventive	371	17.0	2 to 4 Lane Expansion from CSAH 18 in Nisswa to TH 84 in Pine River	\$90.0	2012 (Stage I) & 2016 (Stage II)	2009
3	7 - Safety (IRC) Corrective	23	8.2	2 to 4 Lane Expansion from TH 25 in Foley to TH 95 E of St Cloud	\$25.0	2010	2008

District 3 subtotal \$149.0

4	1 - System Preservation 7 - Safety (IRC) Preventative	34	30.5	Pavement Reclaim, Shoulder Widening & Passing Lanes	\$20.2	2010	2008
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District 4 subtotal \$20.2

*Note: 2005 dollars; R/W costs included.

Sample Priority Projects for Acceleration - \$2.5 Billion TH Bonding Proposal

District	Policy	T.H.	Miles	Project Description	Preliminary Estimate 2005 Dollars* (\$ Millions)	Current Year Planned Construction	Earliest Advance Letting Date (FY)
6	7 - Safety (IRC) Preventive	14	11.2	US 14 expansion, Owatonna to Waseca Bypass, including I-35 / US 14 Interchange	\$70.0	2017	2008
6	7 - Safety (IRC) Preventive	52	1	at TH 57/ CR 8 Interchange, Hadar	\$30.0	2023	2012
6	7 - Safety (IRC) Preventive	52	2.0	US 52, Cannon Falls Interchange, Remove 2 signals	\$40.0	2015	2011

District 6 subtotal \$140.0

7	7 - Safety (IRC) Preventive	14	7.0	Waseca bypass/four-lane construction and interchanges - Paving/Bridges	\$60.0	2008-2014	2008
7	7 - Safety (IRC) Preventive	60	8.0	Four-lane reconstruction from Bigelow bypass to I-90 Worthington	\$53.0	2015-2023	2010

District 7 subtotal \$113.0

8	5 - Regional Mobility (IRC)	23	7.5	Paynesville Bypass	\$35.0	2015	2009
8	7 - Safety (IRC) Preventive	23/71	1.0	CR 90 N of Willmar Construct interchange w/ frontage roads	\$7.0	2017	2012
8	6 - Trade Center Mobility/Congestion	19	1.0	Redwood Falls (5-lane widening)	\$12.0	2014	2011

District 8 subtotal \$54.0

*Note: 2005 dollars; R/W costs included.

February 1, 2006

Sample Priority Projects for Acceleration - \$2.5 Billion TH Bonding Proposal

District	Policy	T.H.	Miles	Project Description	Preliminary Estimate 2005 Dollars* (\$ Millions)	Current Year Planned Construction	Earliest Advance Letting Date (FY)
Metro	6 - Trade Center Mobility/Congestion	169	2.0	Reconstruct Interchange at I-494	\$145.0	After 2015	2008
Metro	6 - Trade Center Mobility/Congestion	610	5.0	I-94 to TH 169 - Construct new 4-lane freeway.	\$160.0	After 2015	2009
Metro	6 - Trade Center Mobility/Congestion	100	1.8	36th St to Cedar Lk Rd. - 4-lane to 6 lane freeway	\$145.0	2014	2010
Metro	6 - Trade Center Mobility/Congestion	I-35E	1.5	University Ave. to Maryland - 4-lane to 6-lane freeway, reconstruct Cuyuga Bridge and Interchange	\$110.0	2014	2008

Metro subtotal \$560

Greater MN subtotal \$533

Statewide Project Grand Total \$1,093 million

Program Delivery & Construction Management
(21% of Project Cost) \$229 million

Grand Total \$1,322 million

Remainder of \$2.5 Billion Program Uncommitted \$1,178 million

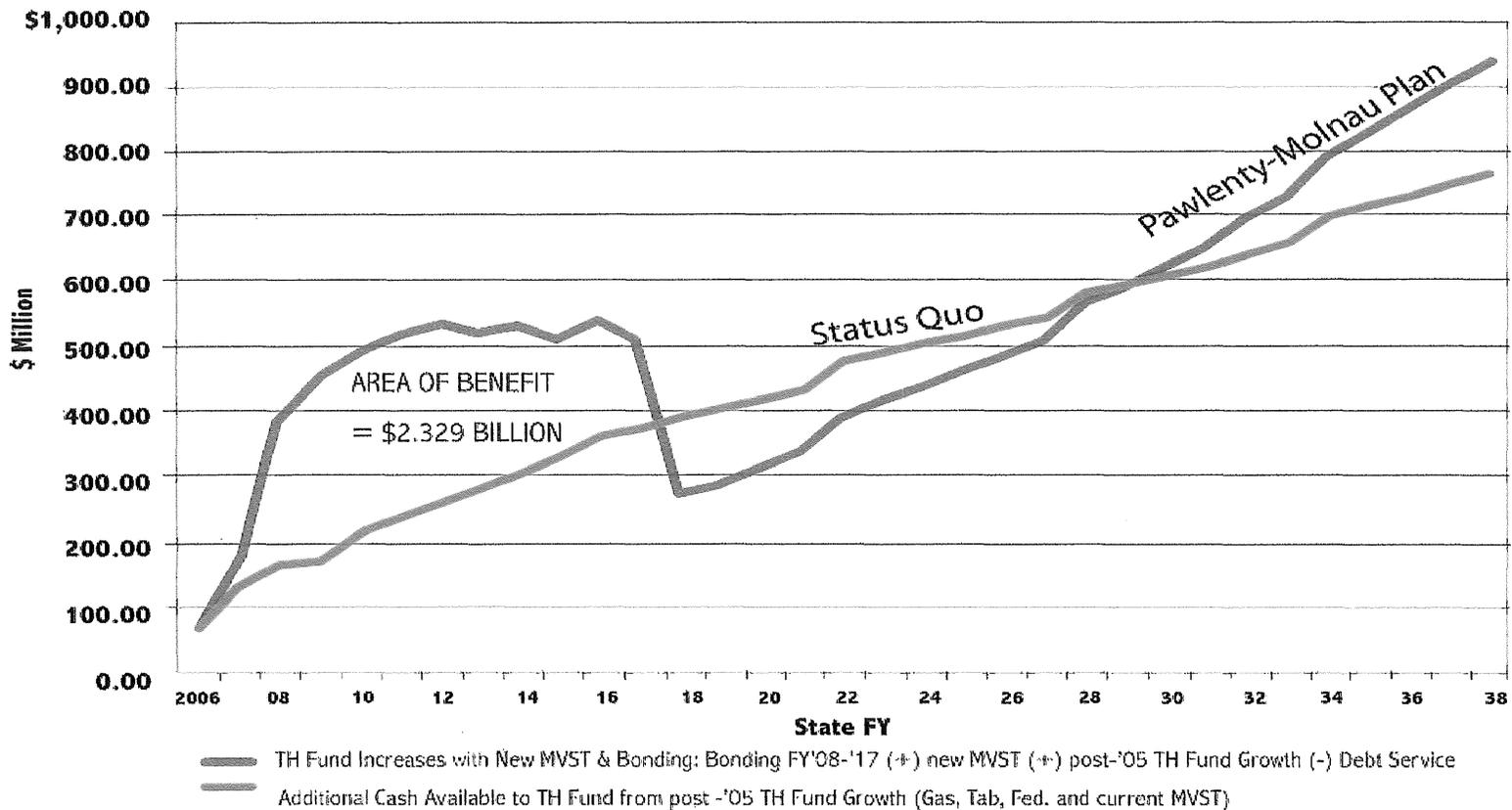
*Note: 2005 dollars; R/W costs included.

February 1, 2006

Investment Power: Unadjusted

Additional Investment Power v. Additional Cash Resources

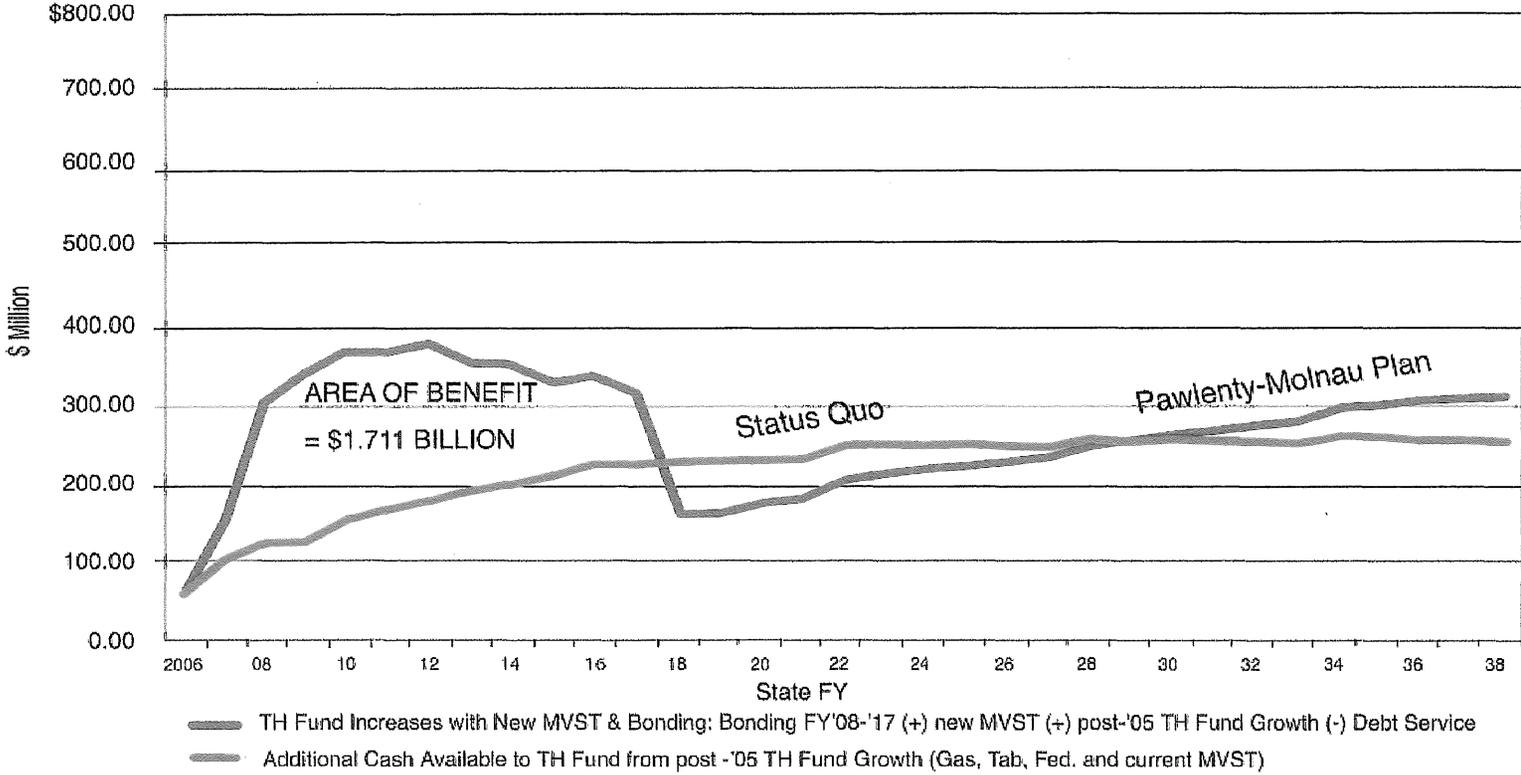
\$2.5 Billion Bond Package - Unadjusted Dollars



Investment Power: Adjusted

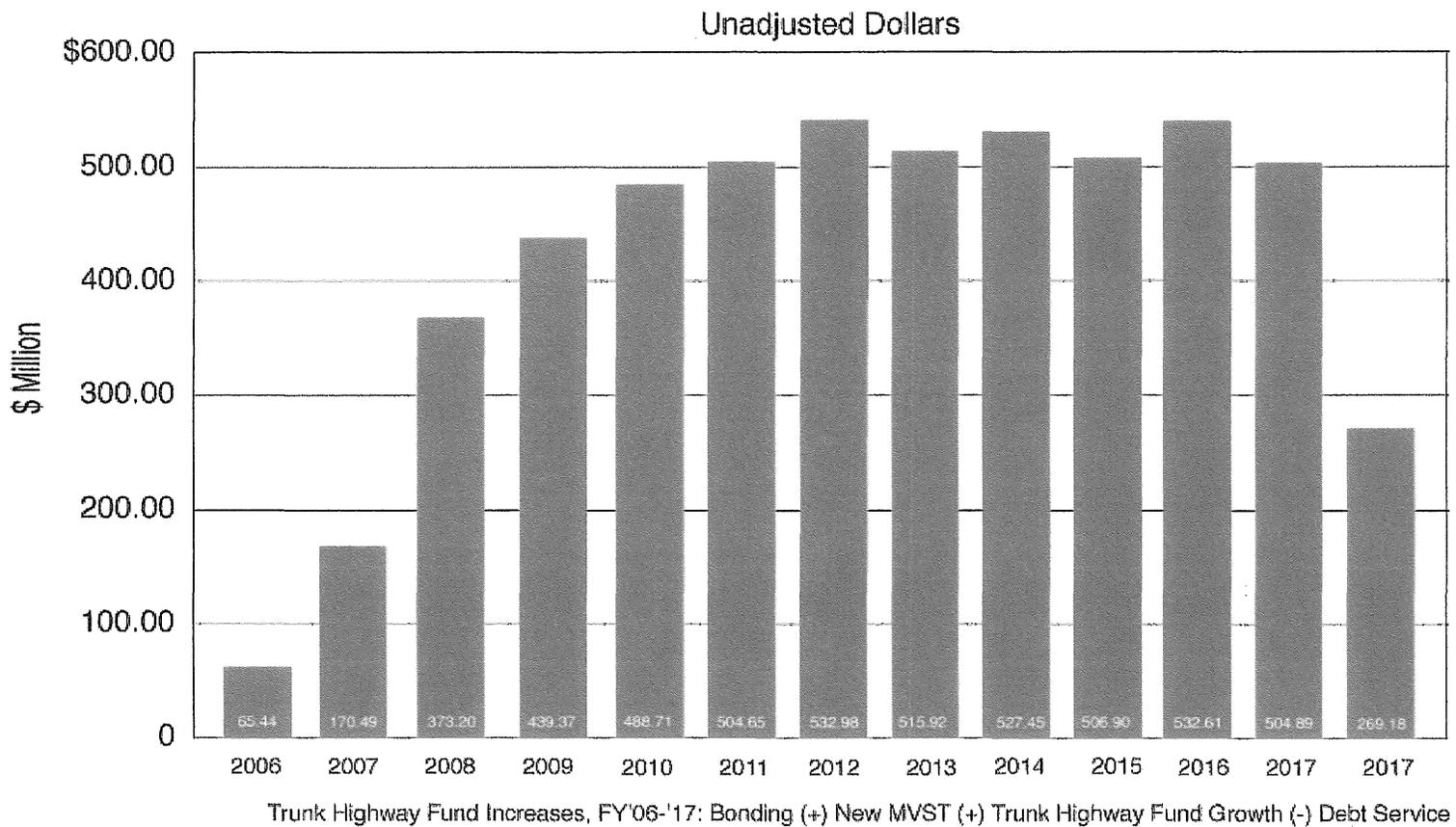
Additional Investment Power v. Additional Cash Resources

\$2.5 Billion Bond Package - Adjusted Dollars



Investment Power Impacts

Funding Amounts Added to FY'05 Trunk Highway Base of Approx. \$1.1 Billion



Debt Service Schedule: \$2.5 Billion Highway Bonding Proposal									
(3/10/06: Updated for Feb. 06 Forecast)									
(Bond Issuance: \$50 mil. FY07, \$100m FY08, \$150m FY09, \$200m/yr. FY10-11, \$300m/yr. FY12-17)									
FISCAL YEAR	New MVST For TH Fund	Debt Service On \$2.5 Bil. Bond Plan	New MVST Account in TH Fund	Total TH Fund W/out new MVST	TH Fund (no new MVST) for Debt On Gov's Plan	% of TH Fund for Debt Service	Other Debt Service Existing and Proposed Small Cap. Projects	Total Debt: Existing & Proposed Not Covered by new MVST	% of TH Fund for Total Debt Not Covered by new MVST
2007	\$0.00	\$3.54	\$0.00	\$1,184.69	\$3.54	0.30%	\$54.21	\$57.75	4.87%
2008	\$20.56	\$6.88	\$13.68	\$1,221.57	\$0.00	0.00%	\$55.18	\$55.18	4.52%
2009	\$42.00	\$20.86	\$34.82	\$1,238.60	\$0.00	0.00%	\$56.18	\$56.18	4.54%
2010	\$63.82	\$31.43	\$67.21	\$1,281.11	\$0.00	0.00%	\$58.13	\$58.13	4.54%
2011	\$86.50	\$61.80	\$91.91	\$1,306.93	\$0.00	0.00%	\$56.48	\$56.48	4.32%
2012	\$101.87	\$72.75	\$121.03	\$1,333.08	\$0.00	0.00%	\$54.83	\$54.83	4.11%
2013	\$103.91	\$116.04	\$108.90	\$1,359.56	\$0.00	0.00%	\$53.18	\$53.18	3.91%
2014	\$105.99	\$128.93	\$85.96	\$1,384.23	\$0.00	0.00%	\$51.53	\$51.53	3.72%
2015	\$108.11	\$174.19	\$19.88	\$1,409.19	\$0.00	0.00%	\$49.88	\$49.88	3.54%
2016	\$110.27	\$183.48	\$0.00	\$1,444.45	\$53.33	3.69%	\$48.22	\$101.55	7.03%
2017	\$112.47	\$226.50	\$0.00	\$1,460.02	\$114.03	7.81%	\$46.57	\$160.60	11.00%
2018	\$114.72	\$227.81	\$0.00	\$1,475.89	\$113.09	7.66%	\$44.93	\$158.02	10.71%
2019	\$117.02	\$231.93	\$0.00	\$1,492.08	\$114.91	7.70%	\$43.28	\$158.19	10.60%
2020	\$119.36	\$219.31	\$0.00	\$1,508.60	\$99.95	6.63%	\$41.63	\$141.58	9.38%
2021	\$121.75	\$212.77	\$0.00	\$1,525.45	\$91.02	5.97%	\$39.99	\$131.01	8.59%
2022	\$124.18	\$206.20	\$0.00	\$1,572.63	\$82.02	5.22%	\$36.88	\$118.90	7.56%

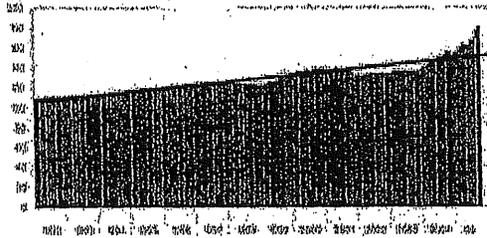
FISCAL YEAR	New MVST For TH Fund	Debt Service On \$2.5 Bil. Bond Plan	New MVST Account in TH Fund	Total TH Fund W/out new MVST	TH Fund (no new MVST) for Debt On Gov's Plan	% of TH Fund for Debt Service	Other Debt Service Existing and Proposed Small Cap. Projects	Total Debt: Existing & Proposed Not Covered by new MVST	% of TH Fund for Total Debt Not Covered by new MVST
2023	\$126.66	\$199.59	\$0.00	\$1,590.16	\$72.93	4.59%	\$32.55	\$105.48	6.63%
2024	\$129.20	\$192.93	\$0.00	\$1,605.68	\$63.73	3.97%	\$30.49	\$94.22	5.87%
2025	\$131.78	\$186.20	\$0.00	\$1,621.53	\$54.42	3.36%	\$22.14	\$76.56	4.72%
2026	\$134.42	\$178.84	\$0.00	\$1,637.71	\$44.42	2.71%	\$12.06	\$56.48	3.45%
2027	\$137.11	\$170.89	\$0.00	\$1,654.23	\$33.78	2.04%	\$3.40	\$37.18	2.25%
2028	\$139.85	\$160.77	\$0.00	\$1,696.11	\$20.92	1.23%	\$0.24	\$21.16	1.25%
2029	\$142.65	\$150.59	\$0.00	\$1,713.34	\$7.94	0.46%	\$0.00	\$7.94	0.46%
2030	\$145.50	\$134.16	\$11.34	\$1,730.93	(+) \$11.34	0.00%	\$0.00	(+) \$11.34	0.00%
2031	\$148.41	\$120.98	\$38.77	\$1,748.91	\$27.43	0.00%	\$0.00	\$27.43	0.00%
2032	\$151.38	\$100.75	\$89.40	\$1,767.26	\$50.63	0.00%	\$0.00	\$50.63	0.00%
2033	\$154.40	\$85.64	\$158.16	\$1,786.01	\$68.76	0.00%	\$0.00	\$68.76	0.00%
2034	\$157.49	\$62.85	\$252.80	\$1,830.16	\$94.64	0.00%	\$0.00	\$94.64	0.00%
2035	\$160.64	\$48.63	\$364.81	\$1,849.72	\$112.01	0.00%	\$0.00	\$112.01	0.00%
2036	\$163.85	\$27.61	\$501.05	\$1,869.70	\$136.24	0.00%	\$0.00	\$136.24	0.00%
2037	\$167.13	\$15.40	\$652.78	\$1,890.11	\$151.73	0.00%	\$0.00	\$151.73	0.00%
2038	\$170.47	\$2.57	\$820.68	\$1,910.97	\$167.90	0.00%	\$0.00	\$167.90	0.00%
TOTALS	\$3,813.47	\$3,962.82		\$50,100.61	\$149.35	0.30%	\$891.98	\$1,041.33	2.08%

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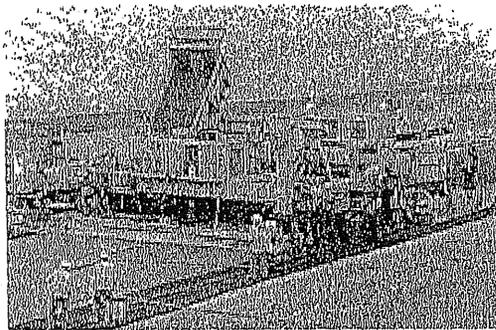
on toll roads, turnpikes, toll bridges, toll tunnels & road pricing

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NEWS ARCHIVES BACKGROUND



Producer Price Index for
Highway & Street
Construction, Bureau Labor
Statistics - line shows
longterm trend from 1992 at
2.8%.



Concrete paving on new
VA288 in Richmond - pic
Roads to the Future website

2006.02.07

Rampant inflation in highway construction materials costs in US

Highway materials prices rose in the US a staggering 12.6% in 2005 according to estimates by the Bureau of Labor Statistics, close to four times the pace of inflation generally - the CPI went up 3.4% based on Dec 2005 over Dec 2004.

Asphalt led the components with a 15% rise, but rises in prices were widespread. Cement prices were up 12.6%, concrete 12.2%, block and brick 8.9%, sand gravel and stone 9%. Only steel was down - by 9.9%. That decline was from very high prices in 2004.

Cost of construction machinery and equipment went up 4.7%.

The trends reflect the continuing boom in the US economy and global influences from higher levels of construction activity in China and India and pressure on production capacity. The decline in the US dollar is also a factor in raising import prices in \$ terms.

The crude oil price rises affects asphalt directly as a oil refinery output. Oil and natural gas price increases work their way into other items like cement via the importance of energy in their production. Natural gas prices in the US have rocketed up independently of world trends due to environmental limits on drilling for new gas wells as the old are used up. Local opposition to the construction of docks for gas-carrying ships has prevented us alleviating local shortages with imports.

The producer price index for materials of course doesn't cover another cost element of new highway construction - land prices.

A fifth increase in 2 years

2004 and 2005 have seen the leap upward in costs according to the BLS. 2004 saw the overall highway & street construction producer price index rise 8.5%, so with 2005's 12.6%, there has been a rise of a more than fifth (22%) in costs in just two years.

Will they continue?



Work at Westpark Tollway and Grand Central Parkway west of Houston - pic houstonfreeway.com website

Longterm the trend of the index has been 2.8% per year or a tad below consumer prices, the BLS estimates.

Whether the present surge in highway materials prices is a one-time event or continues probably depends on two things:

- whether producers can build new capacity or are blocked by environmentalists and nimbies
- whether the US maintains confidence in the dollar or it falls and we pay more for imports

The producer price index while looming largest in new construction also affects the cost of materials needed for maintenance including repaving, bridge repairs and the like.

Pertinent to toll debate

These cost facts are pertinent in discussion of toll rates, when you have politicians trying to keep tolls frozen at a dollar and cent level established a decade or more ago! TOLLROADSnews 2006-02-07

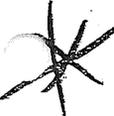
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particularly throughout Europe and Japan, other countries are operating trains at speeds approaching 200 mph, and diverting traffic from congested highways and overcrowded airports - generating resource savings in automobile operating costs and reducing energy usage and exhaust emissions," she said in a statement. "I urge the House of Representatives and Senate to pass RIDE 21, and re-insert the important tax provisions that were excluded, so that we can be on the path to developing our high-speed rail system."

Wednesday's action by Ways and Means, which has jurisdiction over tax provisions, was a repeat of its treatment of the legislation two years ago, and was viewed principally as a housekeeping measure to dispose of bills that had been referred to the committee.

The other provisions of RIDE 21--reauthorizing the Swift Act for funding planning and development, as well as expanding and amending the Railroad Rehabilitation and Improvement Financing (RRIF) Program--were enacted in the surface transportation reauthorization contained in the Safe, Accountable, Flexible and Efficient Transportation Equity Act: A Legacy for Users (Public Law No. 109-59). By its action on Wednesday, the Ways and Means Committee essentially left nothing in RIDE 21.

House T&I staff indicated that the committee had not determined how to proceed following the Ways and Means Committee action.



ARTBA: Materials Cost Increases Diminishing Value SAFETEA-LU Funding

A 22 percent increase in the cost of materials used for highway and street construction over the past two years is eroding the impact of the new federal highway bill and will likely limit the ability of the states to meet their ever-growing transportation needs, according to an analysis by the American Road & Transportation Builders Association.

In 2005 alone, ARTBA said highway contractors paid 13 percent more for materials over the previous year, after analyzing Bureau of Labor Statistics' data. By contrast, the overall rate of inflation for 2005, as measured by the consumer price index, was just 3.4 percent.

This past year, Congress passed the \$286.4 billion Safe, Accountable, Flexible and Efficient Transportation Equity Act: A Legacy for Users (Public Law No. 109-59), which was a 38 percent increase in the funding levels of the previous surface transportation legislation--the Transportation Equity Act for the 21st Century, passed in 1998.

"Construction costs are going up much faster than highway construction budgets," said Alison Premo Black, the ARTBA research economist who conducted the analysis. "Last year, Congress enacted a new highway bill that increases federal funding for highways about 4.5 percent per year. This is only a fraction of the recent rise in construction costs. State governments will need additional financial resources to move forward on transportation projects that could improve road safety and reduce traffic congestion."

Black's analysis found that materials and services account for about one half of total project costs.



Sample Priority Projects for Acceleration - \$2.5 Billion Pawlenty/Molnau Proposal

District	Policy	T.H.	Miles	Project Description	Preliminary Estimate 2005 Dollars* (\$ Millions)	Current Year Planned Construction	Earliest Advance Letting Date (FY)
1	6 - Trade Center Mobility/Congestion	53	1.0	Duluth Arrowhead Road Area capacity Improvements	\$11.1	2015	2011
1	7 - Safety (IRC) Preventive	61	3.4	Reconstruct and shoulder widening, 1/4 MI. N. of Split Rock R. to Chaplins Curve S of Beaver Bay	\$8.1	2016	2010
1	7 - Safety (IRC) Preventive	61	3.8	Reconstruct and shoulder widening, from 6.2 to 10.0 mi N of Tofte (Co. Rd. 34 to CSAH 4)	\$8.6	2018	2010
1	7 - Safety (IRC) Preventive	61	3.0	Reconstruct and shoulder widening, Beaver Bay to Silver Bay	\$9.3	2016	2010

District 1 subtotal \$37.1

2	7 - Safety (Non-IRC) Corrective	71 & 197	6.0	Bemidji (Hubbard CSAH 9) north to 7th St	\$11.0	2015-17	2010
2	7 - Safety (Non-IRC) Preventive	34	16.5	Park Rapids to E Jct TH 64	\$8.2	2013	2010

District 2 subtotal \$19.2

3	7 - Safety (IRC) Preventative	25	7.8	2 to 4 Lane Expansion from TH 55 in Buffalo to beginning 4 Lane in Monticello	\$34.0	2013	2009
3	7 - Safety (IRC) Preventive	371	17.0	2 to 4 Lane Expansion from CSAH 18 in Niswaw to TH 84 in Pine River	\$90.0	2012 (Stage I) & 2016 (Stage II)	2009
3	7 - Safety (IRC) Corrective	23	8.2	2 to 4 Lane Expansion from TH 25 in Foley to TH 95 E of St Cloud	\$25.0	2010	2008

District 3 subtotal \$149.0

4	1 - System Preservation 7 - Safety (IRC) Preventative	34	30.5	Pavement Reclaim, Shoulder Widening & Passing Lanes	\$20.2	2010	2008
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District 4 subtotal \$20.2

*Note: 2005 dollars; R/W costs included.

Sample Priority Projects for Acceleration - \$2.5 Billion Pawlenty/Molnau Proposal

District	Policy	T.H.	Miles	Project Description	Preliminary Estimate 2005 Dollars* (\$ Millions)	Current Year Planned Construction	Earliest Advance Letting Date (FY)
6	7 - Safety (IRC) Preventive	14	11.2	US 14 expansion, Owatonna to Waséca Bypass, Including I-35 / US 14 Interchange	\$70.0	2017	2008
6	7 - Safety (IRC) Preventive	52	1	at TH 57/ CR 8 Interchange, Hadar	\$30.0	2023	2012
6	7 - Safety (IRC) Preventive	52	2.0	US 52, Cannon Falls Interchange, Remove 2 signals	\$40.0	2015	2011

District 6 subtotal \$140.0

7	7 - Safety (IRC) Preventive	14	7.0	Waseca bypass/four-lane construction and Interchanges - Paving/Bridges	\$80.0	2008-2014	2008
7	7 - Safety (IRC) Preventive	60	8.0	Four-lane reconstruction from Bigelow bypass to I-90 Worthington	\$53.0	2015-2023	2010

District 7 subtotal \$113.0

8	5 - Regional Mobility (IRC)	23	7.5	Paynesville Bypass	\$35.0	2015	2009
8	7 - Safety (IRC) Preventive	23/71	1.0	CR 90 N of Willmar Construct Interchange w/ frontage roads	\$7.0	2017	2012
8	6 - Trade Center Mobility/Congestion	19	1.0	Redwood Falls (5-lane widening)	\$12.0	2014	2011

District 8 subtotal \$54.0

*Note: 2005 dollars; R/W costs included.

Sample Priority Projects for Acceleration - \$2.5 Billion Pawlenty/Molnau Proposal

District	Policy	T.H.	Miles	Project Description	Preliminary Estimate 2005 Dollars* (\$ Millions)	Current Year Planned Construction	Earliest Advance Letting Date (FY)
Metro	6 - Trade Center Mobility/Congestion	169	2.0	Reconstruct Interchange at I-494	\$145.0	After 2015	2008
Metro	6 - Trade Center Mobility/Congestion	610	5.0	I-94 to TH 169 - Construct new 4-lane freeway.	\$160.0	After 2015	2009
Metro	6 - Trade Center Mobility/Congestion	100	1.8	36th St to Cedar Lk Rd. - 4-lane to 6 lane freeway	\$145.0	2014	2010
Metro	6 - Trade Center Mobility/Congestion	I-35E	1.5	University Ave. to Maryland - 4-lane to 6-lane freeway, reconstruct Cuyuga Bridge and Interchange	\$110.0	2014	2008

Metro subtotal \$560

Greater MN subtotal \$533

Statewide Project Grand Total \$1,093 million

**Program Delivery & Construction Management
(21% of Project Cost)** \$229 million

Grand Total \$1,322 million

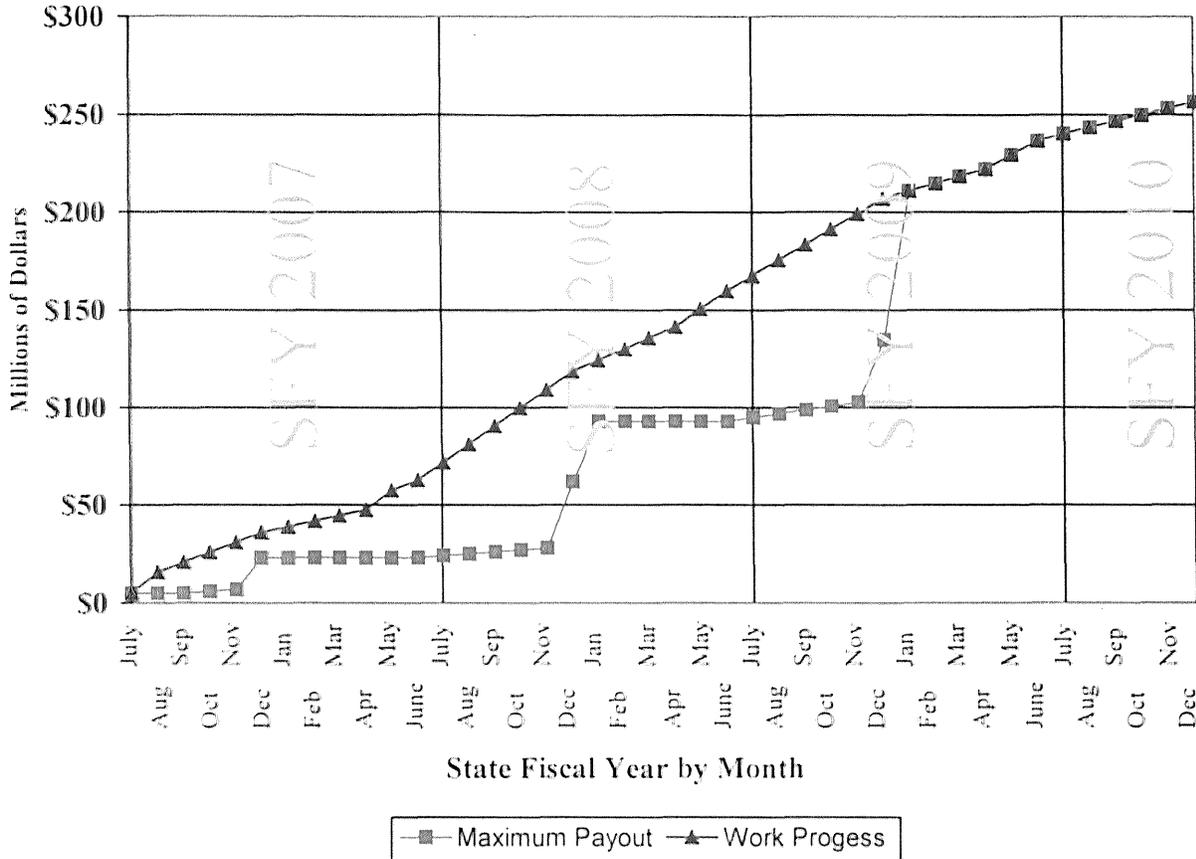
Remainder of \$2.5 Billion Program Uncommitted \$1,178 million

*Note: 2005 dollars; R/W costs included.



Maximum Payout Schedule vs. Estimated Work Progress
 (Based on Mn/DOT's CMP Schedule)

Figure 4



Contingency Fund

The Metro District has budgeted \$16 million in SFY 2007 and SFY 2008 and an additional \$12.5 million in SFY 2009 and SFY 2010 to be used as contingency funds. These monies will be utilized for supplemental agreements throughout the Metro District.

6

Governor's 2006 Transportation Plan

- Contingent on passage of MVST Constitutional Amendment on November ballot
- Leverages \$2.5 billion in trunk highway bonds with trunk highway portion of the new MVST dollars
- Could accelerate projects around the state. Governor has developed a list of 22 "illustrative" projects that could be accelerated an average of 5 years with this plan.
 - Hwy. 610 - Brooklyn Park/Maple Grove*
 - Hwy. 14 - Waseca to Owatonna (2* projects)
 - Hwy. 100 - St. Louis Park*
 - Hwy. 61 - North Shore (3* projects)
 - Hwy. 53 - Duluth Arrowhead Rd.*
 - Hwy. 71/197 -* Bemidji
 - Hwy. 23 - St. Cloud to Foley*
 - Hwy. 25 - Buffalo to* Monticello
 - I-35E - University Ave. to Maryland Ave.*
 - Hwy. 34 - Detroit* Lakes to Park Rapids (2 projects)
 - Hwy. 52 - interchanges @ Hadar and Cannon* Falls
 - Hwy. 60 - Worthington to Iowa border*
 - I-494 - interchange @ Hwy.* 169
 - Hwy. 371 - Nisswa to Pine River*
 - Hwy. 23 Paynesville* Bypass
 - Hwy. 23/71 - Willmar*
 - Hwy. 19 - Redwood Falls*

Issues

- The plan is contingent on passage of the MVST constitutional amendment. Passage of the plan can wait until we know if the amendment has passed or not.
- The projects listed may or may not be constructed. The bill does not specify that these projects are to be completed with the additional bonding and MnDOT has not provided a guarantee that these projects are the ones that will be completed with this funding.
- The plan calls for the issuance of \$2.5 billion in bonds that will cost \$3.9 billion in debt service.
- The plan says that all of the new MVST revenues scheduled to be deposited in the trunk highway fund will be used for debt service, but even that is not enough. Funds from the regular trunk highway revenue will have to be tapped to cover all the debt service needs.
- The state has already committed, through previous legislation, to \$620,725,000 in trunk highway bonds. Debt service of \$837,940,000 is still owed on previously authorized trunk highway bonds.
- MnDOT has estimated that the total debt on existing and proposed trunk highway bonds **not covered by the new MVST dollars** at \$1,041,330,000 through 2038.
- MnDOT plans to issue the bonds along the following schedule:
 - FY07 - \$50M
 - FY08 - \$100M
 - FY09 - \$150M
 - FY10 - \$200M
 - FY11 - \$200M
 - FY12-17: \$300M

An immediate 5-cent increase in the state gas tax would provide more money per year than the amounts provided with trunk highway bonds in the these years with no debt service added.

5-cent gas tax increase (\$160M/yr.) plus new MVST

- FY08 - \$180M
- FY09 - \$205M
- FY10 - \$235M

- FY11 - \$325M
- FY12 - \$360M

- The bill provides a blanket authorization for \$2.5 billion in trunk highway bonds. What if MVST does not perform as projected or gas tax or license tab fee revenue is down from projections? Then the trunk highway fund has even less revenue to pay the debt service on the bonds and debt service eats into the dollars needed for construction and maintenance.
- Federal funds are not coming into the state as anticipated. There is concern that the Federal Highway Trust Fund will have a negative balance in FFY2009 or FFY2010. The Office of Management and Budget projects a deficit in the highway account of the federal Highway Trust Fund of \$2.325 billion FFY2009. It makes no sense to authorize the issuance of \$2.5 billion in trunk highway bonds over 10 years, when future highway funds are so uncertain.
- Additional borrowing pushes the funding cliff out to 2017. With \$1.7 billion per year in unmet transportation needs in Minnesota, it will take increases in revenue to address our problems.

**Minnesota Department of Transportation
Debt Service-All Existing Trunk Highway Bond Authorizations
(1=\$1,000)**

Fiscal Year:	Debt Service:
2005	27,512 *
2006	36,347 *
2007	52,712
2008	52,183
2009	52,272
2010	54,821
2011	53,258
2012	51,696
2013	50,135
2014	48,572
2015	47,007
2016	45,443
2017	43,880
2018	42,323
2019	40,764
2020	39,204
2021	37,647
2022	34,628
2023	30,391
2024	28,417
2025	20,164
2026	10,323
2027	<u>2,100</u>
Total:	<u>901,799</u>

*Actual; other years projected

Bond Authorizations:

Laws 2000, Ch 479	100,100
Laws 2002, 1st SS, Ch 1	10,115
Laws 2003, 1st SS, Ch 19, Art 4	110,110
Laws 2003, 1st SS, Ch 19, Art 3	400,400

Senators Hottinger, Rosen, Neuville, Frederickson and Sparks introduced—
S.F. No. 2703: Referred to the Committee on Finance.

A bill for an act
relating to transportation; authorizing sale of trunk highway bonds for Mankato
district headquarters building; appropriating money.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. **MANKATO DISTRICT HEADQUARTERS BUILDING.**

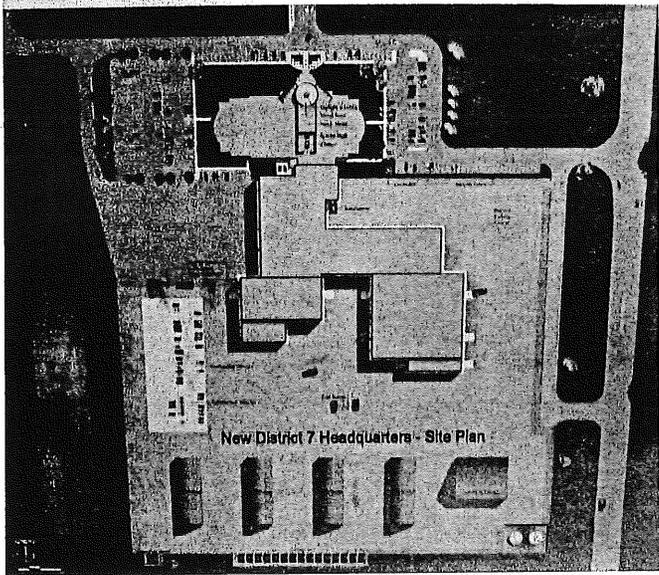
Subdivision 1. Appropriation. \$18,228,000 is appropriated to the commissioner of transportation from the trunk highway bond proceeds account to design, construct, furnish, and equip a new district headquarters facility in Mankato. This appropriation is available until expended.

Subd. 2. Bond sale. To provide the money appropriated by subdivision 1 from the bond proceeds account in the trunk highway fund, the commissioner of finance shall sell and issue bonds of the state in an amount up to \$18,228,000 in the manner, on the terms, and with the effect prescribed by Minnesota Statutes, sections 167.50 to 167.52, and by the Minnesota Constitution, article XIV, section 11.

Sec. 2. **EFFECTIVE DATE.**

Section 1 is effective the day following final enactment.

MANKATO DISTRICT 7 HEADQUARTERS



- **PROJECT AT A GLANCE**
- \$18,228,000
- Partnerships with Public Safety, State Patrol Division, Division of Vehicle Services, and the City of Mankato for Chemical Storage
- 163,000 SF Facility on a new 40 acre site
- Shops and Vehicle support for 78 Snow-plows and major pieces of equipment
- Staff Locker Rooms, Office Spaces, Vehicle Support, Mechanics Workspace, Inventory, Chemical Storage, Cold and Yard Storage

- **NEED**
- Existing site is too small for the increasing equipment sizes and turning radius of snow-plows
- Snow-plow parking bays needed to increase to store tandem snow-plow trucks (when built in 1963, double loaded bays were 14X80, new requirements are 16X90
 - 78 spaces required vs. existing 38
 - 13 mechanics spaces required vs. existing 8
- Increased use of hydraulics and computers in equipment requires warm storage spaces.
- **OTHER CONSIDERATIONS**
- Save Taxpayer dollars by Partnering
- The City of Mankato is highly interested in obtaining site
- The City of Mankato has already invested over \$910,629 of site improvements in support of this project, (water, sewer, curb and gutter, etc.)
- By deferring this project, Mn/DOT will lose an opportunity to sell the site for the highest and best use
- This new facility will also include a Transportation Operations Communications Center (TOCC), which allows coordinated dispatching and incident management throughout the ten counties of south and southwestern Minnesota, including Mn/DOT, the State Patrol and DNR Conservation Officers.