



# Transportation Finance Overview

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1



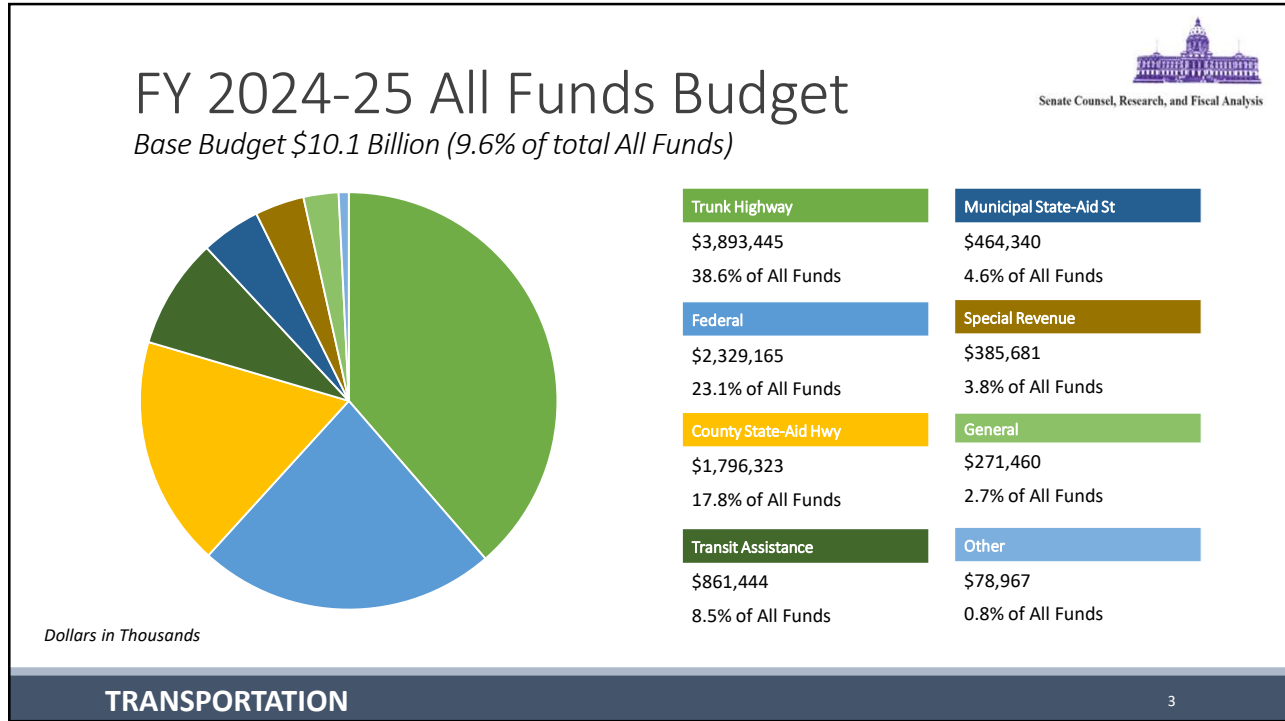
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## Transportation Agencies & Programs

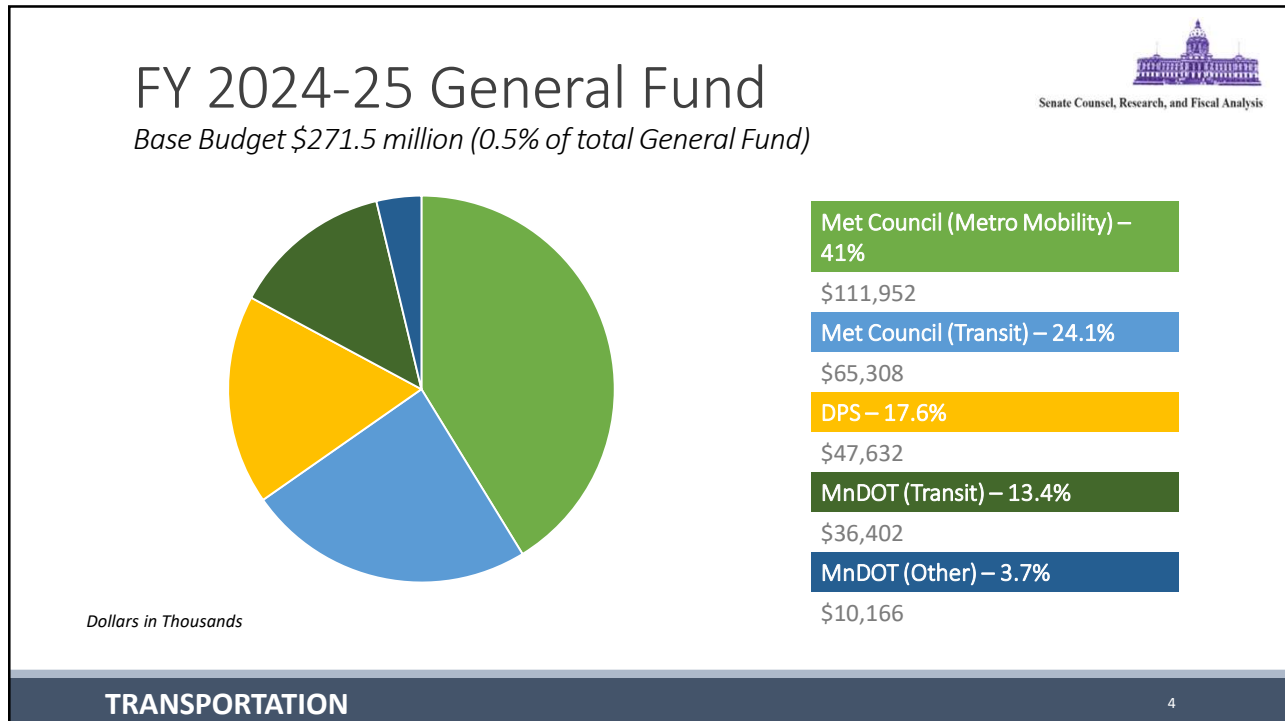
<b>Department of Transportation (MnDOT)</b>	<b>Metropolitan Council</b>	<b>Department of Public Safety (DPS)</b>
<ul style="list-style-type: none"> <li>• <b>Multimodal Systems</b> <ul style="list-style-type: none"> <li>• Transit (Greater MN), Aeronautics, Freight, Passenger Rail</li> </ul> </li> <li>• <b>State Roads</b> <ul style="list-style-type: none"> <li>• Construction, Maintenance, Program Delivery, Debt Service</li> </ul> </li> <li>• <b>Local Roads</b> <ul style="list-style-type: none"> <li>• County State-Aid, Municipal State-Aid</li> </ul> </li> <li>• <b>Agency Management</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Metro Transit</b> <ul style="list-style-type: none"> <li>• Bus, Light Rail, Commuter Rail</li> </ul> </li> <li>• <b>Metro Mobility</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>State Patrol</b> <ul style="list-style-type: none"> <li>• Patrolling Highways, Commercial Vehicle Enforcement, Capitol Security</li> </ul> </li> <li>• <b>Driver and Vehicle Services</b></li> <li>• <b>Traffic Safety</b></li> <li>• <b>Pipeline Safety</b></li> <li>• <b>Administration and Related Services</b></li> </ul>

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2

2



3



4



# Constitutional Framework

## Minnesota Constitution, Article XIV:

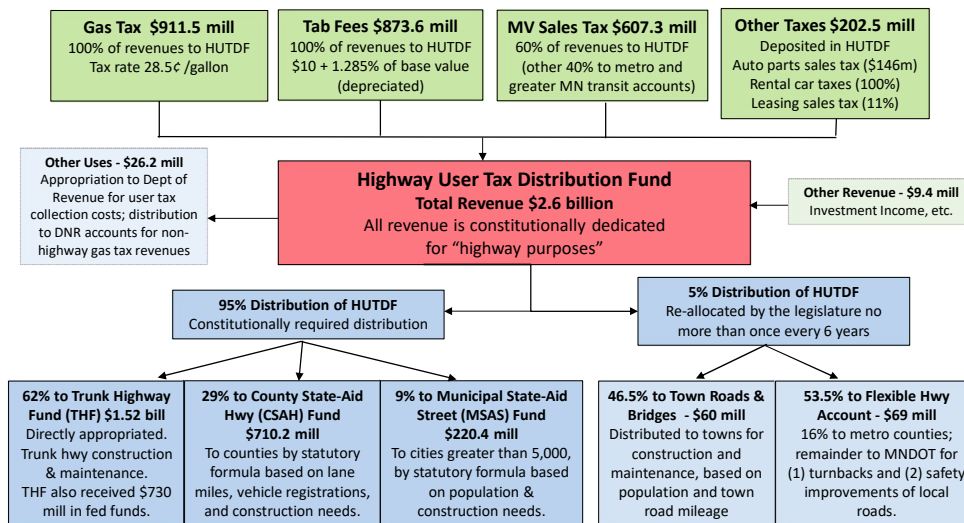
- **Creates three highway systems: trunk, county state-aid and municipal state-aid**
- **Creates major transportation funds in state treasury**
  - Highway User Tax Distribution Fund
  - Trunk Highway Fund
  - County State-Aid Highway Fund
  - Municipal State-Aid Street Fund
- **Establishes dedicated transportation taxes**
  - Motor Fuels Excise Tax (gas tax)
  - Vehicle Registration Tax (tab fees)
  - Motor Vehicle Sales Tax (MVST)
- **Allows state to sell bonds to construct and improve trunk highways**

5



# Highway Funding FY 2024 (projected)

Data source: MNDOT Transportation Funds Forecast Nov 2022



6



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# Motor Fuels Excise Tax (Gas Tax)

- Per the Constitution, 100% of gas tax proceeds are deposited in the Highway User Tax Distribution Fund (HUTDF)
- Current tax rate: 28.5 cents per gallon
  - includes 3.5 cent-per-gallon surcharge dedicated to trunk highway debt service
- Last increase was in 2008 (from 20 cents to 25 cents, plus surcharge)
- Previous increase was in 1988 (from 17 cents to 20 cents)
- A portion of gas tax revenues are transferred to Dept of Natural Resources accounts for gas tax paid for non-highway use

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7

7



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# Motor Fuels Gas Tax Transfers

FY 2024 projected, November 2022 Forecast (dollars in thousands)

Non-highway Use	% of gas	Transferred from HUTDF to	FY 2024 transfers
Motorboat	1.500%	Water recreation account (MS 86B.706)	\$11,040
Snowmobile	1.000%	Snowmobile trails and enforcement account (MS 84.83)	\$7,360
All-terrain vehicle	0.270%	All-terrain vehicle account (MS 84.927)	\$1,987
Off-highway vehicle	0.164%	Off-highway vehicle account (MS 84.803)	\$1,207
Off-road motorcycle	0.046%	Off-road motorcycle account (MS 84.794)	\$339
Forest roads	0.116%	State forest road account in the Special Revenue Fund (MS 89.70)	\$854
<b>TOTAL</b>	<b>3.096%</b>		<b>\$22,787</b>

*Unless otherwise noted, accounts are in the Natural Resources Fund.*

8

8



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## Vehicle Registration Tax (Tab Fees)

- Per Constitution, 100% of registration tax revenues deposited in HUTDF
- For passenger vehicles, tax is based upon age and value of vehicle:
  - Vehicles registered in MN before 11/16/20:
    - \$10 plus **1.25%** of depreciated base value
  - Vehicles registered in MN on or after 11/16/20:
    - \$10 plus **1.285%** of depreciated base value
  - All vehicles 11 years and older pay \$35 (minimum rate)
- For trucks, tax is based upon weight and age of vehicle

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9

9



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## Motor Vehicle Sales Tax (MVST)

- 2006 constitutional amendment dedicated MVST revenues to transportation purposes:
  - “not more than 60 percent” to the HUTDF
  - “not less than 40 percent” for public transit assistance
- Current statutory allocation of MVST revenues:
  - 60% to HUTDF, 36% to metro transit, 4% to greater MN transit

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10

10




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## Other Dedicated HUTDF Taxes (Statutory Dedications)

- Motor Vehicle Lease Sales Tax:
  - 38% to Greater MN Transit Account
  - 38% to County State-Aid Highway Fund (to metro counties only, excluding Hennepin and Ramsey)
  - 13% to State Transportation Fund (for local bridge program)
  - 11% to HUTDF
- Sales tax on motor vehicle repair parts:
  - \$145.3 million annually deposited in HUTDF
- Sales tax on rental vehicles:
  - 100% deposited in HUTDF
- Rental motor vehicle tax (9.2% tax rate):
  - 100% deposited in HUTDF

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11

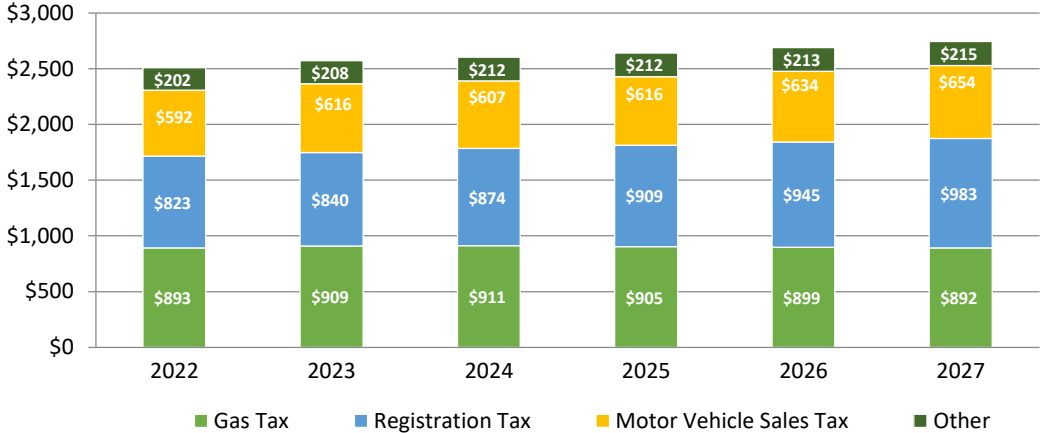
11



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## HUTDF Revenue Projections

*Data source: MNDOT Transportation Funds Forecast Nov 2022*



Year	Gas Tax	Registration Tax	Motor Vehicle Sales Tax	Other
2022	\$893	\$823	\$592	\$202
2023	\$909	\$840	\$616	\$208
2024	\$911	\$874	\$607	\$212
2025	\$905	\$909	\$616	\$212
2026	\$899	\$945	\$634	\$213
2027	\$892	\$983	\$654	\$215

*Dollars in Millions*

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12

12



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## Transportation Spending (Funds)

### Constitutional Funds:

- Highway User Tax Distribution Fund
- Trunk Highway Fund
- County State-Aid Highway Fund
- Municipal State-Aid Street Fund

### Other Major Dedicated Funds:

- Transit Assistance Fund
- State Airports Fund

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13

13



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## Highway User Tax Distribution Fund (HUTDF)

- Constitutional revenues:
  - 100% of gas tax revenues
  - 100% of vehicle registration tax revenues
  - No more than 60% of motor vehicle sales tax revenues
- Statutory revenues: lease sales tax, auto parts sales tax, rental car taxes
- HUTDF resources are distributed as follows:
  - 95% Distribution:
    - 62% to the Trunk Highway Fund
    - 29% to the County State-Aid Highway Fund
    - 9% to the Municipal State-Aid Street Fund
  - 5% Distribution (can be changed every 6 years):
    - 30.5% to town roads
    - 16% to town bridges
    - 53.5% to flexible highway account (turnbacks, etc.)

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14

14



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## Trunk Highway Fund

- The Trunk Highway Fund (THF) receives 62% of the 95% HUTDF distribution
- In FY 2024, total projected revenue to THF is approximately \$2.4 billion, including:
  - \$1.5 billion from HUTDF transfers
  - \$730 million from federal highway aid
- Money in the THF must be directly appropriated. In the FY 2024-25 base budget:
  - 79% to MnDOT for highway construction and maintenance, and for agency operations
  - 14% to debt service payments on trunk highway bonds
  - 7% to the Department of Public Safety, for State Patrol operations
- Constitutional limitations on use of THF:
  - Construction, improvement, and maintenance of trunk highways
  - Payment of principal and interest of trunk highway bonds

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15

15



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## County State-Aid Highway Fund (CSAH)

- CSAH Fund receives 29% of the 95% HUTDF distribution
- Per MN Constitution: “[CSAH] shall be apportioned among the counties as provided by law.”
- CSAH revenues are distributed to all 87 counties through a statutory formula:
  - **The apportionment sum (68% of fund)**, as follows:
    - 10% equally to each county
    - 10% based on each county’s share of vehicle registrations
    - 30% based on each county’s share of CSAH lane-miles
    - 50% based on each county’s share of 25-year construction needs
  - **The excess sum (32% of fund)**, as follows:
    - 40% based on each county’s share of vehicle registrations
    - 60% based on each county’s share of 25-year construction needs
- CSAH also receives 38% of MV lease sales tax revenue, distributed to Anoka, Carver, Dakota, Scott, and Washington counties

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16

16



## Municipal State-Aid Street Fund (MSAS)



- MSAS Fund receives 9% of the 95% HUTDF distribution
- Per MN Constitution: “[MSAS is] to be apportioned as provided by law among municipalities having a population of 5,000 or more.”
- MSAS revenues are distributed to eligible cities through a statutory formula:
  - 50% based on each city’s population
  - 50% based on each city’s share of 25-year construction needs

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17

17

## Transit Assistance Fund




- MN Constitution: “not less than 40 percent [of MVST revenue] must be deposited in a fund dedicated solely to public transit assistance as defined by law.”
- The Transit Assistance Fund (TAF) receives 40% of MVST revenue, distributed as follows:
  - 36% to the **metropolitan transit assistance account**
  - 4% to the **greater Minnesota transit assistance account**
- The greater MN transit account also receives 38% of motor vehicle lease sales tax revenue.
- Funds in the TAF are statutorily appropriated to the Metropolitan Council and MnDOT, to be used “solely for transit purposes.”

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18

18



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# Transit Operations

**State funding sources for public transit:**

- GENERAL FUND (direct appropriations)
- TRANSIT ASSISTANCE FUND (statutory appropriations)
  - Metro Transit Account (Met Council):
    - 36% of Motor Vehicle Sales Tax (MVST)
  - Greater MN Transit Account (MnDOT):
    - 4% of Motor Vehicle Sales Tax (MVST)
    - 38% of Motor Vehicle Lease Sales Tax (MVLST)

**METRO TRANSIT:**


- Bus and light-rail transit in the 7-county metro area is operated by the Metropolitan Council and by several Suburban Transit Providers (replacement service or “opt-outs”)

**GREATER MINNESOTA TRANSIT:**

- Programs are locally-operated transit services that receive state and federal assistance through MnDOT’s Office of Transit.

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19

19

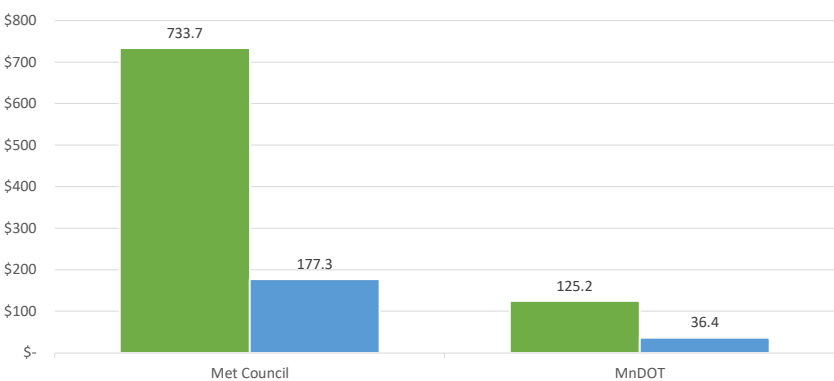


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# Transit Operations Funding

FY 2024-25 Base Budget (November 2022 Forecast)

■ Transit Assistance    ■ General



Entity	Transit Assistance (Millions)	General (Millions)
Met Council	733.7	177.3
MnDOT	125.2	36.4

*Dollars in Millions*

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20

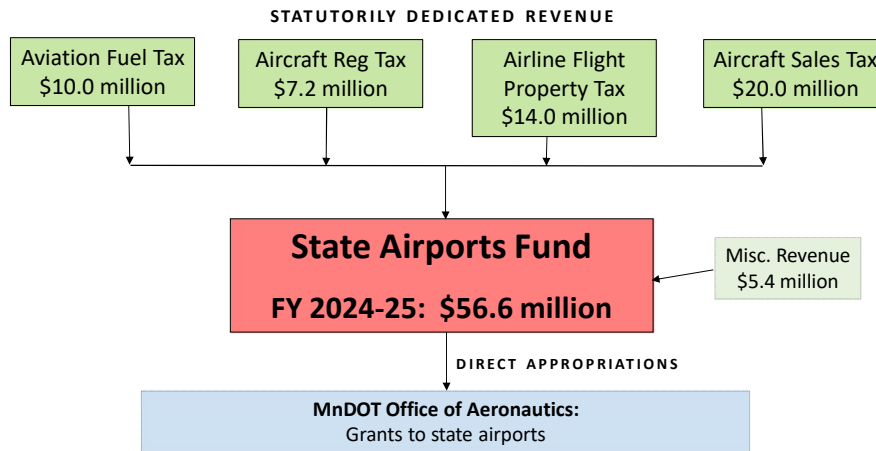
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# State Airports Fund (SAF)

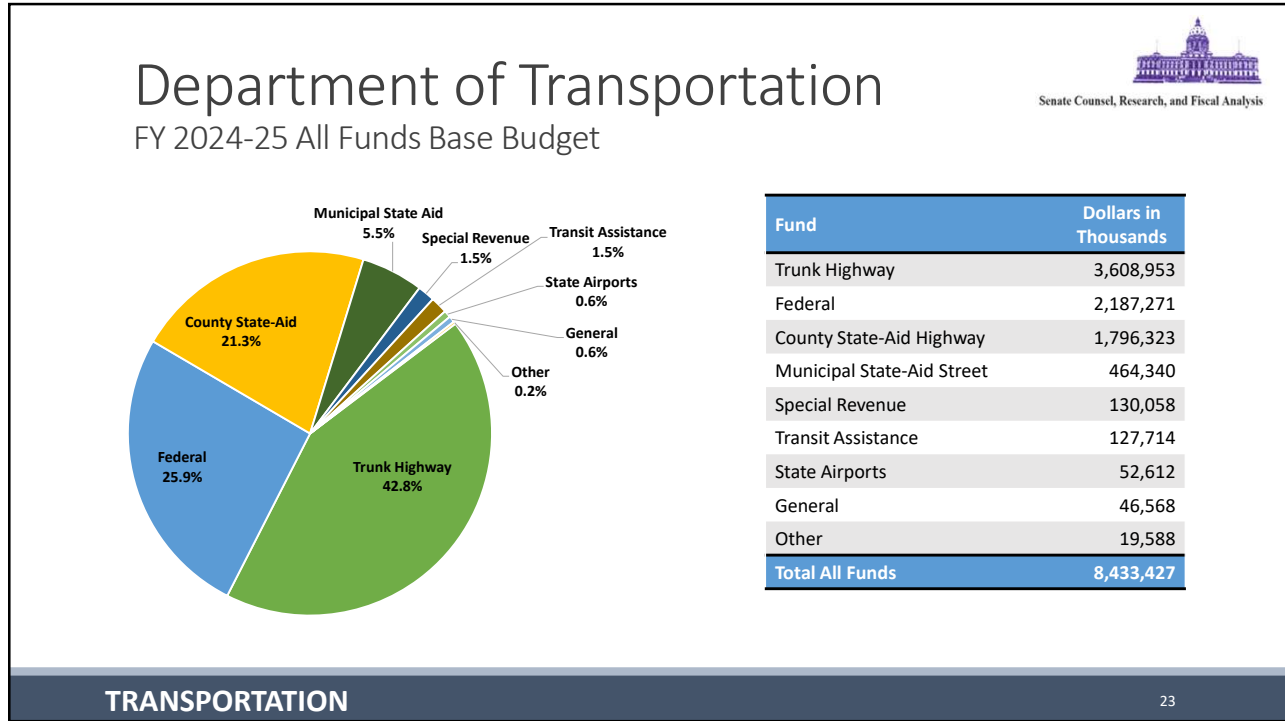
- The State Airports Fund receives statutorily dedicated aviation revenues:
  - Aviation fuel tax
  - Aircraft registration tax
  - Airline flight property tax
  - Aircraft sales tax
- Money in SAF is appropriated by legislature in biennial budget
- Grants from MNDOT’s Office of Aeronautics to Minnesota’s 133 publicly owned airports:
  - Capital improvements to facilities, equipment, and runways
  - Maintenance and operations assistance
  - Navigational aids and weather systems

21

# State Airports




22



23

## Transportation Bonding




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- **Trunk Highway Bonds:**
  - Proceeds only to be used for “trunk highway purposes,” and must be deposited in the Trunk Highway Fund (THF)
  - Debt service on bonds is paid from THF
  - MnDOT Debt Management guidelines: THF debt service must not exceed 20% of annual state revenues to the THF
  
- **General Obligation (GO) Bonds:**
  - Used to fund non-trunk highway transportation projects, such as transitways, rail, local bridges and roads, ports, and airport improvements
  - Cannot be used for trunk highway projects
  - Debt service on bonds is paid from the General Fund

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24

24




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## Department of Public Safety (Transportation Programs)

Driver and Vehicle Services	State Patrol	Office of Traffic Safety	Office of Pipeline Safety	Administration
<ul style="list-style-type: none"> <li>Funded by fees for vehicle and drivers license transactions</li> <li>Revenue deposited in Special Revenue Fund operating accounts</li> <li>Account revenues are directly appropriated to DVS for operations</li> </ul>	<ul style="list-style-type: none"> <li>Funded by direct Trunk Highway Fund appropriation, except:                             <ul style="list-style-type: none"> <li>Capitol Security funded by direct General Fund appropriation</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Funded by direct Trunk Highway Fund and General Fund appropriations</li> <li>THF used as state match for annual federal funding</li> </ul>	<ul style="list-style-type: none"> <li>Funded by direct Special Revenue Fund appropriation, from pipeline safety inspection fee revenue</li> </ul>	<ul style="list-style-type: none"> <li>Funded by direct Trunk Highway Fund and General Fund appropriations</li> </ul>

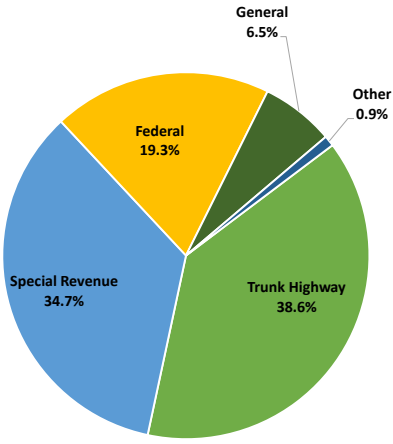
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25

25



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## Department of Public Safety FY 2024-25 All Funds Base Budget (Transpo Only)



Fund	Dollars in Thousands
Trunk Highway	284,492
Special Revenue	255,623
Federal	141,894
General	47,632
Other	6,767
<b>Total All Funds</b>	<b>736,408</b>

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26

26