



Governor Walz & Lieutenant Governor Flanagan's 2025 Capital Budget

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Overview

- Minnesota has the 4th largest roadway system in the country
- Over 143,000 centerline miles on trunk highways and local roads
- 3 active Lake Superior and 4 Mississippi River system ports
- 34 transit providers serving all 80 non-metro counties
- 133 publicly owned state-funded airports
- 4,534 rail line miles serving 21 railroad companies

Figure 1-6: Minnesota's State Highway Network



Highway Railroad Crossing Warning Devices

- **\$1.8 million in GO Bonds** to replace aging or outdated railroad crossing gates and signal warning systems around the state
- Reliability of grade crossing warning devices is important to the safety of the traveling public
- Projects are selected based on roadway traffic volume, safety concerns, and train count/speed
- 750+ signal systems out of normal lifecycle (20 years)
- Previous appropriations:
 - \$1 million GO Bonds in 2017
 - \$3.6 million GO Bonds in 2023

Port Development Assistance Program

- **\$2.8 million in GO Bonds** to support the infrastructure needs of publicly owned ports on the Great Lakes and inland river navigation systems
- Expedites the movement of commodities and passengers on the commercial navigation system
- Enhances the commercial vessel construction and repair industry
- Promotes economic development in and around ports and harbors
- Previous appropriations:
 - \$14 million GO Bonds in 2020
 - \$18.1 million GO Bonds in 2023

2023 Capital Funding

Capital investment bills allocated **\$402.714 million** to MnDOT for:

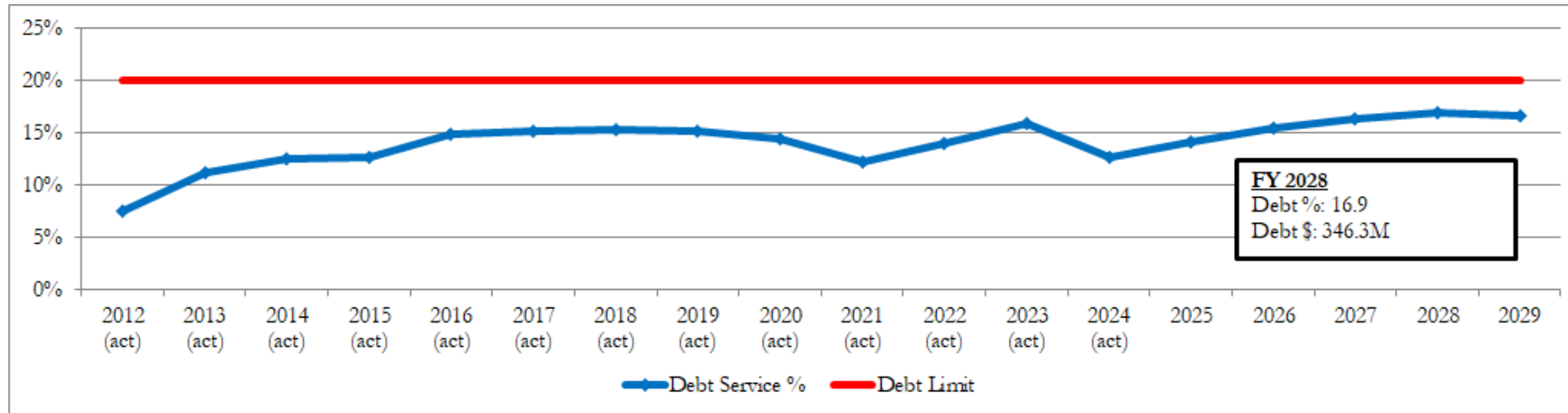
- Named road projects - \$146.54M
- Named bridge projects - \$37.2M
- Named air, active, rail, modal projects - \$29.123M
- Local Road Improvement - \$84.954M
- Local Bridge Replacement - \$67M
- Highway-railroad grade crossings - \$3.6M
- Port Development Assistance - \$18.097M
- Safe Routes to School - \$2.4M
- Active Transportation - \$1.2M
- Minnesota Rail Service Improvement - \$9.6M
- Greater Minnesota Transit - \$3M

Transportation omnibus budget bill authorized **\$599.2 million** in trunk highway bonding including:

- State road construction - \$200M
- Corridors of Commerce - \$153M
- MnDOT facilities - \$87.44M
- Named road projects - \$158.15M

- Advance Construction
- Cash Balance
- Debt Management
- Greater MN Transit Account Balance
- State Airports Fund Balance
- Trunk Highway Fund Balance

Trunk Highway Debt Management



- Approximately \$630M in additional bonding capacity
- Most recent bond sale in August 2024: \$352.75M in TH bonds sold (+ additional \$141.165M in refunding bonds)
- Since 2008:
 - \$4.50B authorized
 - \$1.23 authorized but unissued
 - \$566M from 2023 (of total \$599M, \$153M for CoC and \$200M SRC spread 24-26)
 - \$348M from 2021 (of total \$413M, \$200M for CoC not available until 2024/25)

Trunk Highway Fund Balance

	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29
<u>Nov '24 Forecast</u>	<u>462,581</u>	<u>187,804</u>	<u>258,071</u>	<u>364,492</u>	<u>506,578</u>	<u>708,584</u>
Reserved	129,841	123,776	126,466	123,734	123,946	126,631
Unreserved	332,740	64,028	131,605	240,758	382,632	581,953

Dollars in thousands

Thank You!

Appendix

HUTD Revenues

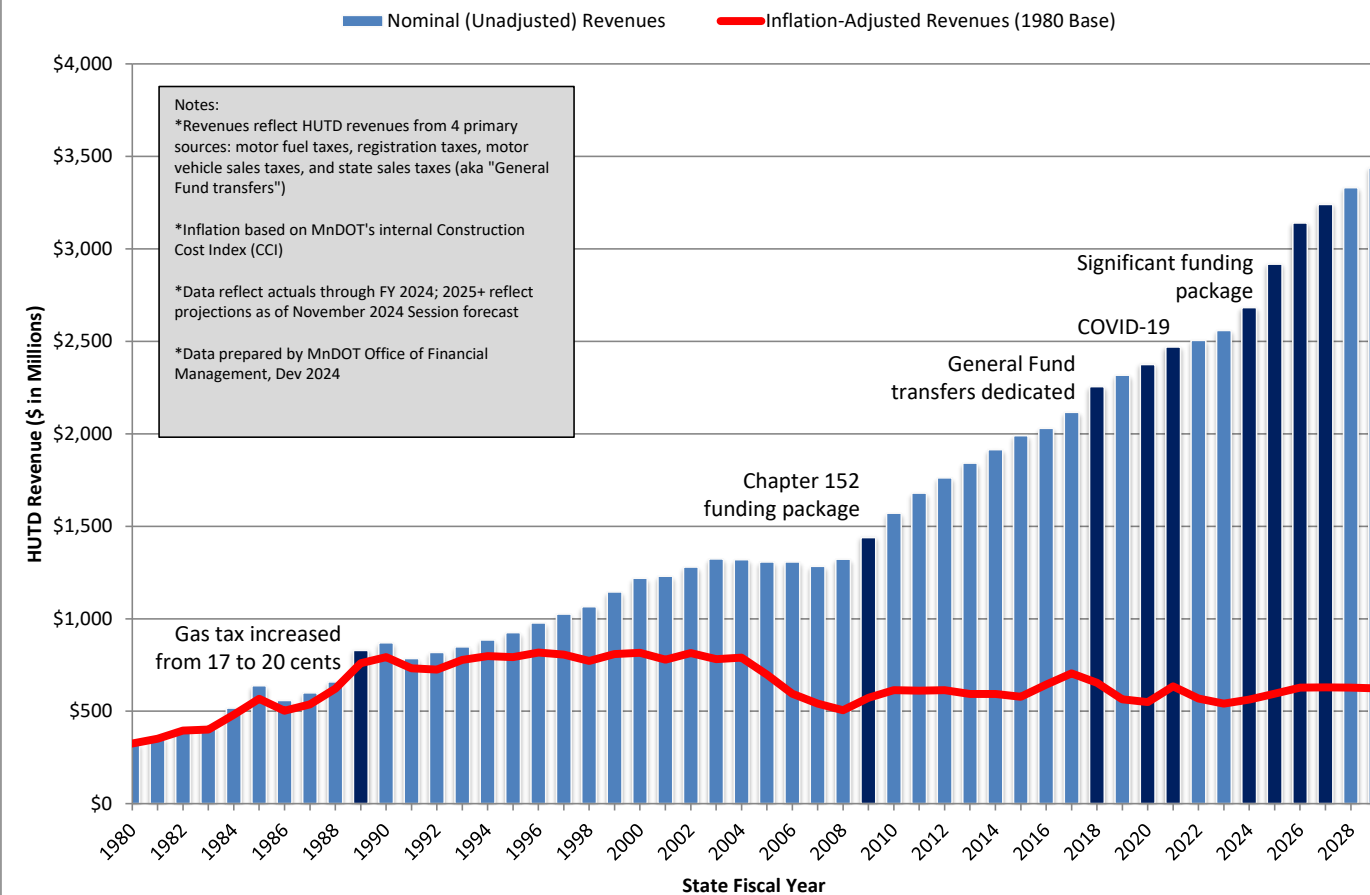
Year-over-Year Growth Rates

Revenue (FY 24 \$)	FY 20 (act)	FY 21 (act)	FY 22 (act)	FY 23 (act)	FY 24 (act)	FY 25 (fcst)	FY 26 (fcst)	FY 27 (fcst)	FY 28 (fcst)	FY 29 (fcst)
Gas tax (\$886M)	-6.2%	-3.8%	5.5%	-1.2%	0.5%	4.5%	7.2%	0.7%	0.7%	1.6%
Tab fees (\$914M)	1.1%	5.1%	-3.6%	1.6%	9.3%	18.0%	10.0%	5.0%	3.5%	3.5%
MVST (\$677M)	0.0%	21.2%	0.4%	7.6%	6.4%	1.7%	6.2%	3.4%	4.1%	4.8%
State sales taxes (\$204M)	119.0%	-8.4%	9.3%	3.3%	0.0%	9.7%	2.3%	3.8%	3.9%	3.7%
Other (\$18M)	-26.1%	-15.5%	18.6%	194.9%	33.7%	-9.4%	-9.2%	-24.6%	0.0%	0.0%
Total (\$2.7B)	2.4%	3.9%	1.5%	2.5%	4.9%	8.7%	7.5%	3.1%	2.8%	3.3%
<i>Feb '24</i>	2.4%	3.9%	1.5%	2.5%	5.9%	5.9%	6.5%	3.3%		
<i>MnDOT CCI</i>	5.6%	-10.0%	13.3%	7.2%	0.7%	3.0%	2.0%	3.0%	3.0%	4.0%

Minnesota Highway User Tax Revenue

History of Annual Revenues

Highway User Tax Distribution (HUTD) Fund Revenues, FYs 1980-2029
Nominal vs. Real

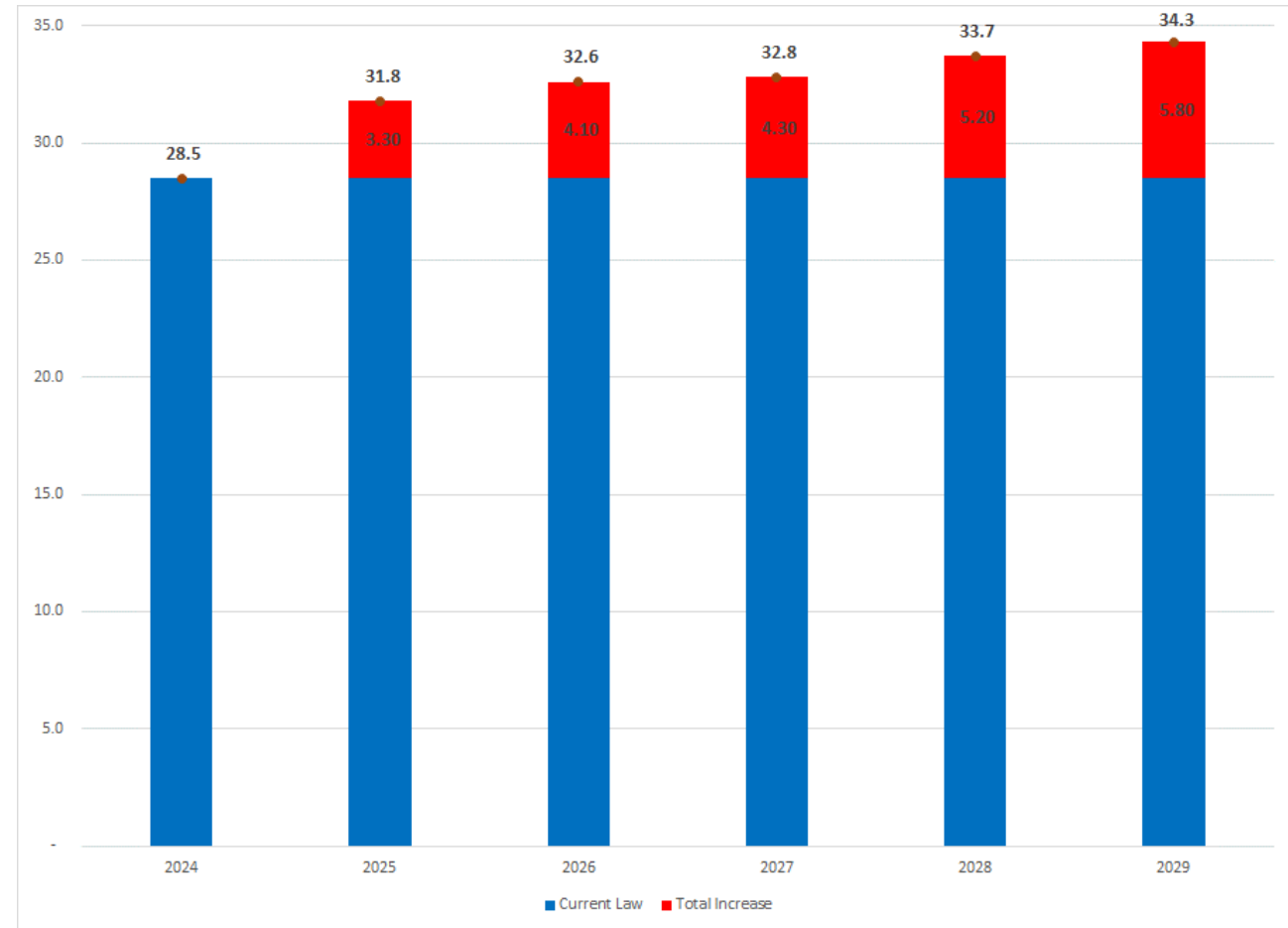


CAGR over Time

- 1980-2029:
 - Nominal: +4.9%/year
 - Real: +1.3%/year
- 2019-2029:
 - Nominal: +4.0%/year
 - Real: +1.0%/year

Gas Taxes

- 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)
 - Cumulative increase through FY 29: +5.8
 - Total rate in state fiscal year 2029 = 34.3 cents
 - FY 2029 additional revenue = ~\$175M



Registration Taxes

- Tax rate:
 - 1.575% of MSRP (as of 1/1/2024)
 - Was 1.2875% of MSRP
- Total vehicles:
 - 6.27M (\$141/vehicle)
 - 5.3M passenger vehicles (\$152/vehicle)
 - 1.0M “other” (\$84/vehicle)
 - 485k trailers
 - 202k motorcycles
- Electric vehicles:
 - 41,748 (0.8% of passenger vehicles)
 - 5,254 in 2019 (51% CAGR over 5 years)
 - 6.6% of new vehicles
 - \$75 surcharge in addition to other taxes
 - ~\$3M in additional revenues
 - If MSRP > ~10%, EVs contribute more taxes in total than comparable ICE vehicle (currently +17%, \$57k vs. \$49k)

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 2029: \$142M
 - FY 2033: \$300M+
- Distributions:
 - Metro counties (36%)
 - 41.5%: active transportation/corridor safety studies
 - 41.5%: repair, preservation, rehab/limited replacements
 - 17%: transit/complete streets/mitigation
 - Counties via “normal” CSAH (10%)
 - Larger cities (15%)
 - Small cities (27%)
 - Town roads (11%)
 - Food delivery support grants via DHS (1%)

2023 Legislative Session

Other Significant Funding

- New metro area sales tax (0.75%)
- ~\$600M/year
 - 83% to Met Council (~\$500M/year)
 - 95% for transit
 - 5% for active transportation
 - 17% to metro counties (\$100M/year) - \$47M distributed in FY 2024
 - 41.5%: active transportation/corridor safety studies
 - 41.5%: repair, preservation, rehab/limited replacements
 - 17%: transit/complete streets/mitigation
- Bonding/capital funding of ~\$1 billion
 - \$400M in capital bills
 - \$85M LRIP
 - \$67M local bridges
 - \$18M ports
 - ~\$600M in Trunk Highway bonds
 - \$200M SRC (for Blatnik)
 - \$153M CoC
 - \$158M named projects

Trunk Highway Fund – Estimate of Funding Gap

- 20-year long range MnSHIP estimate of funding gap for Trunk Highway system:
 - 2013: \$12B (\$600M/year)
 - 2017: \$18B (\$900M/year)
 - 2023: \$19-\$27B (\$23B = ~\$1.15B/year)
 - **Impact of 2023 bill: covered ~\$5.2B of that gap**
- Remaining 20-year gap of ~\$17.8B (\$890M/year)

Recommendations - Budget

Fund	FY 26-27	FY 28-29	Recommendations
GF	442	592	Operating Adjustment
THF	54,963	65,604	
THF	472,088	229,466	State Road Construction Appropriation Increase
THF	650,000		Blatnik Bridge Spending Authority
SAF	5,300	5,300	Aeronautics Revenue Restructure
THF	68	68	Metropolitan Planning Organization (MPO) Grant Increase
THF	6,000	6,000	Corridor Planning
THF	1,530	1,530	Recruitment and Retention
THF	6,400	6,400	Facilities Modernization
GF	442	592	
SAF	2,650	2,650	
THF	1,136,086	243,464	

*Dollars in thousands

Recommendations - Technical

Recommendation	Type
Metropolitan Council Sales Tax Loan to MnDOT	Language Change
Landscape Partnership Appropriation Modification	Language Change
Environmental Product Declarations Appropriation Modification	Language Change
Upper Sioux Property Conveyance Appropriation Extension	Extension
Amtrak Second Daily Train Appropriation Extension	Extension
Amtrak Federal Aid Match Appropriation Extension	Extension
Reconnect Rondo Appropriation Extension	Extension
Metropolitan Planning Organization Greenhouse Gas Modeling Appropriation Extension	Extension
Highways for Habitat Appropriation Extension	Extension
Coordinated Drone Fleet Definition and Registration	Policy
Office of Sustainability and Public Health (OSPH) Grant Making Authority	Policy
Active Transportation Solicitation Frequency	Policy
Short Line Railroad Infrastructure Modernization Credit Transfer	Policy