

February 18, 2003

Dear 2003 Minnesota Legislature:

This is the submission of the Governor's recommendation of the 2004-2005 biennial budget for the Metropolitan Council. The regional bus transit system proposed FY 2004-05 total budget of \$578.1 million is funded through state General Fund appropriation (18.5%), Motor Vehicle Sales Tax (43%), Fares (26%), Federal (10%) and other (2.5%). Also included in this submission is a request for Light Rail operating costs. The \$13.4 million Light Rail Transit (LRT) subsidy for 2004 -2005 is proposed to be funded 40% from a state General Fund appropriation and 60% from local units of government in the alignment of the rail line. The total state funds (general fund appropriation and Motor Vehicle Sales Tax) proposed for bus and LRT is \$366.8 million for FY 2004-05.

The Council has developed a response to address funding reductions related to the 2004-2005 biennium. The Council has established principles to guide the development of the plan. These principles will ensure that our state appropriation remains targeted toward the Metropolitan Council's mission and strategic priorities. The principles are:

- ◆ provide a balanced solution to minimize the impact on transit riders;
- ◆ preserve the integrity of the regional transit system while recognizing economic realities;
- ◆ be ready to grow the system in better economic times; and
- ◆ all portions of the Council will share in the solution.

The Council's plan includes an \$18.866 million state General Fund appropriation reduction for the regional bus transit system. The Council will address this reduction through fare increases, service reductions, reductions in the cost of service, one-time use of federal capital funds for operating purposes and reductions in administrative costs.

**Fare Increases:** These increases have been targeted to specific parts of the system to minimize the impact on the overall system and ridership. The proposed increases will require public hearings. Metro Mobility constituent leaders have provided input on various cost reductions scenarios and have expressed a preference for fare increases over substantial route reductions.

- ⇒ Increased express fares for commuters, decrease discounts for pass programs, expanding the afternoon peak period by 1/2 hour
- ⇒ Increase Metro Mobility fares

**Service Reductions:** Service reductions will impact current riders. The proposals will be discussed in public hearings.

- ⇒ Reduce regular route service by 70,000 hours (about 3%).
- ⇒ Reduce Metro Mobility hours to the ADA minimum and reduce funding for the Taxi Ticket Program
- ⇒ Eliminate state funding for Metro Commuter Services (80% federally funded)

**FY 2004-05 Expenditures (\$000s)**

	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
<b>2003 Funding Level</b>	130,772	254,508	385,280
Legislatively Mandated Base	-5,000	0	-5,000
<b>Adjusted Base Funding</b>	125,772	254,508	380,280
<b>Change Items</b>			
Rail Operations	5,360	0	5,360
Reduce Twin Cities Transit Funding	-18,866	0	-18,866
<b>Governor's Recommendations</b>	112,266	254,508	366,774
<b>Biennial Change, 2002-03 to 2004-05</b>	-26,221	127,925	101,704
<b>Percent Change</b>	-19%	101%	38%

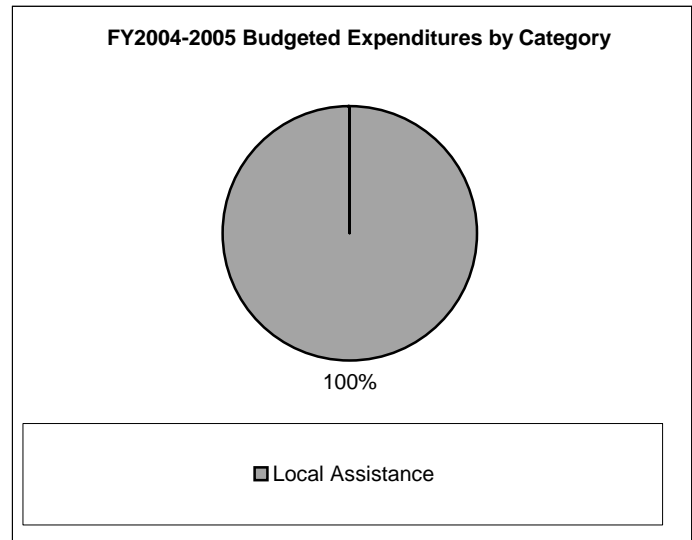
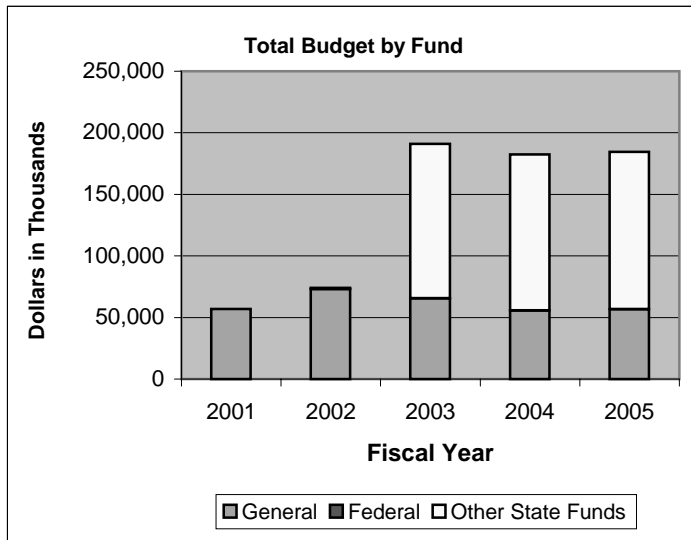
**Brief Explanation Of Budget Decisions:**

One-time funding of \$2,500,000 per year is removed from the base for 2004-05, as directed by the legislature in the 2002-03 budget session law.

Other funds are the 20.5% dedication of Motor Vehicle Sales Tax to the Metropolitan Area Transit Fund, which began on July 1, 2002. Thus Other Funds for 2002-03 represent one year of dedication; Other Funds for 2004-05 represent two years of dedication.

**FY 2004-05 Revenues (\$000s)**

	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
<b>FY 2004-05 Current Law Revenues</b>	0	254,508	254,508
<b>FY 2004-05 Total Revenues</b>	0	254,508	254,508
<b>Biennial Change 2002-03 to 2004-05</b>	0	128,925	128,925
<b>Percent Change</b>	0%	103%	103%



<i>Dollars in Thousands</i>	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
<b>Expenditures by Fund</b>						
<b>Direct Appropriations</b>						
Environment & Natural Resource	0	1,000	0	0	0	0
General	56,801	73,101	65,386	55,693	56,573	112,266
<b>Statutory Appropriations</b>						
Metro Area Transit	0	0	125,583	126,670	127,838	254,508
<b>Total</b>	<b>56,801</b>	<b>74,101</b>	<b>190,969</b>	<b>182,363</b>	<b>184,411</b>	<b>366,774</b>

<b>Expenditures by Category</b>	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Local Assistance	56,801	74,101	190,969	182,363	184,411	366,774
<b>Total</b>	<b>56,801</b>	<b>74,101</b>	<b>190,969</b>	<b>182,363</b>	<b>184,411</b>	<b>366,774</b>

<b>Expenditures by Program</b>	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Rail Operations	0	0	0	2,240	3,120	5,360
Met Council Transit	56,801	74,101	190,969	180,123	181,291	361,414
<b>Total</b>	<b>56,801</b>	<b>74,101</b>	<b>190,969</b>	<b>182,363</b>	<b>184,411</b>	<b>366,774</b>

<b>Revenue by Type and Fund</b>	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
<b>Dedicated</b>						
Metro Area Transit	0	0	125,583	126,670	127,838	254,508
Subtotal Dedicated	0	0	125,583	126,670	127,838	254,508
<b>Total Revenue</b>	<b>0</b>	<b>0</b>	<b>125,583</b>	<b>126,670</b>	<b>127,838</b>	<b>254,508</b>

**PUBLIC SAFETY DEPT**

Budget in Brief

**FY 2004-05 Expenditures (\$000s)**

	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
<b>2003 Funding Level</b>	24,398	299,100	323,498
Agency Technical Reallocations	-2,668	0	-2,668
New Programs To Agency Base	0	4,024	4,024
One-Time Appropriations	-810	-400	-1,210
Open Appr. Forecast Adj.	0	2,885	2,885
<b>Adjusted Base Funding</b>	20,920	305,609	326,529
<b>Change Items</b>			
Budget Reduction Plan General Fund (Trp)	-4,190	-1,076	-5,266
Admin & Related Services			
Peace Officer Death Benefit Acct (Trp)	83	0	83
Driver & Vehicle Services			
Administrative Penalty Authority-DVS	10	0	10
<b>Governor's Recommendations</b>	16,823	304,533	321,356
<b>Biennial Change, 2002-03 to 2004-05</b>	-1,542	20,464	18,922
<b>Percent Change</b>	-8%	7%	6%

**Brief Explanation Of Budget Decisions:**

A base adjustment for new programs to the agency base is \$2,012,000 each year in Trunk Highway Funds to annualize the cost of the state patrol program. Funding was provided in the 2002-03 biennium to maintain the number of state patrol troopers and to fund the recruit-training academy.

A one-time appropriation base reduction of \$200,000 per year from the Highway User Tax Distribution Fund was made in the state patrol, capitol security activity. A like adjustment was made to add \$200,000 each year to this activity from the General Fund. A one-time General Fund appropriation base reduction of \$605,000 per year was made in the state patrol, capitol security activity for anti-terrorism act funding.

Agency technical reallocations of appropriations were made in the base moving dollars from the Administration and Related Services program, Technical Support Services activity of \$1,496,000 in General Fund dollars to the Criminal Apprehension program, Criminal Justice Information Systems activity, and \$901,000 in Trunk Highway appropriations to the state patrol. This reallocation of appropriations was made as part of an overall reorganization effort to place the appropriate technology staff with the assigned information technology systems. A General Fund appropriation transfer of \$134,000 was made from Driver and Vehicle Services program to Administration and Related Services, Technical Support Services activity to support electronic government services for the agency. A General Fund appropriation transfer of \$162,000 from Crime Victim Services to Administration and Related Services was made to cover the cost of support services provided to the Crime Victim Services program.

Open appropriation forecast base adjustments of \$1,021,000 in FY 2004 and \$1,864,000 in FY 2005 were made to the motor vehicle plate account in the Highway User Tax Distribution Fund.

The 16% reduction in General Fund revenues from the FY 2002-03 to the FY 2004-05 biennium are due to a change in the distribution of Motor Vehicle Excise Tax collections. Under current law, in FY 2004-05 only 44.25% of the collections are deposited in the General Fund. The remaining collections are distributed among the following funds: 32% to the Highway User Tax Distribution (HUTD) Fund, 20.5% Metro Area Transit Fund, 1.25% Greater Minnesota Transit Fund, and 2% to the Metro Area Transit Account in the General Fund. Prior to FY 2002-03, 100% of Motor Vehicle Excise Tax collections were deposited in the General Fund. Starting in FY 2002, 30.86% of the collections were credited to the HUTD Fund. In FY 2003, 32% of the collections were credited to the HUTD Fund, 20.5% to Metro Area Transit Fund, and 1.25% to Greater Minnesota Transit Fund.

The increase in other revenues is primary due to a \$105 increase in FY 2002 and an additional increase of \$235 in FY 2003 in the surcharge on DWI Driver License Reinstatement Fees.

<b>FY 2004-05 Revenues (\$000s)</b>			
	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
<b>FY 2004-05 Current Law Revenues</b>	603,123	1,636,285	2,239,408
<b>Change Items</b>			
Driver & Vehicle Services			
-Motor Vehicle Plate & Title Fee Increase	3,300	2,737	6,037
-Administrative Penalty Authority	10	0	10
-Motor Vehicle Transfer Fee to GF	9,226	(9,226)	0
<b>FY 2004-05 Total Revenues</b>	<b>615,659</b>	<b>1,629,796</b>	<b>2,245,455</b>
<b>Biennial Change 2002-03 to 2004-05</b>	<b>(120,433)</b>	<b>106,634</b>	<b>(13,799)</b>
<b>Percent Change</b>	<b>(16%)</b>	<b>7%</b>	<b>(1%)</b>

The budget includes recommends an increase in the motor vehicle plate and sticker fees and a \$1 increase on motor vehicle title fees, since current motor vehicle plate and sticker fees are not covering the cost of manufacturing and distributing motor vehicle plates and validation stickers.

The budget includes the development of a plan for the use of forgivable administrative penalty orders on Driver and Vehicle Services- (DVS) regulated industries and agents who violate certain statutory or rule requirements. Of the penalties collected, up to \$5,000 per fiscal year may be used by DVS to fund education and compliance activities related to the regulated parties.

The budget includes a proposal that the revenue from the motor vehicle transfer fee charged under M.S. 115A.908 from FY 2004 be deposited as non-dedicated receipts to the General Fund. Revenue from this fee is currently deposited in the motor vehicle transfer account in the environmental fund.



**PUBLIC SAFETY DEPT**

Change Item: 2% MVST TO GENERAL FUND

<b>Fiscal Impact (\$000s)</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
General Fund				
Expenditures—Dedicated	(\$12,358)	(\$12,472)	(\$12,416)	(\$12,954)
Revenues—Dedicated	(12,358)	(12,472)	(12,416)	(12,954)
Revenues—Non-dedicated	12,358	12,472	12,416	12,954
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact (Feb 2003)	\$12,358	\$12,472	\$12,416	\$12,954

**Recommendation**

The Governor recommends that the dedication of 2% of the sales tax on motor vehicles under M.S. 297B.09, subd. 1(c) to the metropolitan area transit appropriation account in the General Fund under 16A.88, subd. 3, scheduled to go into effect on July 1, 2003, be rescinded. These funds would continue to be deposited in FY 2004 as non-dedicated receipts to the General Fund.

**Background**

Under M.S. 297B.09, subd. 1(c), 2% of the sales tax on motor vehicles will be dedicated starting in FY 2004 to a metropolitan area transit account in the General Fund. This proposal would rescind the dedication and continue the current depositing of these funds in the General Fund as non-dedicated receipts. Under M.S. 16A.88, subd. 3, these funds would be available for expenditures in FY 2004-05, subject to legislative appropriation, so there are currently no appropriations in place for FY 2004-05.

**Statutory Change:** 297B.09, subd. 1(c), 16A.88, subd. 3.

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**Minnesota Department of Transportation**

**Transportation Building**

395 John Ireland Boulevard  
Saint Paul, Minnesota 55155-1899

February 18, 2003

The 2003 Minnesota Legislature:

This is the submission of the Governor's recommendation of the 2004-2005 biennial budget for the Department of Transportation. The total request for funding for 2004-05 is \$3.838 billion. Base spending reductions for the biennium have been identified of \$84 million for general support, operations and maintenance from the Trunk Highway Fund (THF) and \$3.6 million from the General Fund (GF) for rural transit.

The focus of the 2004/2005 budget request is to meet the current financial resource needs of the department and identify additional revenues to support future transportation investments. Also, this budget is based upon a product and service based budgeting structure, which is a departure from the appropriation/organizational structure used in previous bienniums. The goal is to display the financial resource needs in a structure that links directly to what customers will receive in exchange for the funds appropriated.

At the funding level requested Mn/DOT will continue to provide core transportation services, including delivery of our construction program and essential highway maintenance and operations activities, assisting with rail crossing safety, regulatory compliance of commercial vehicles, supporting airport improvements, and providing assistance to rural transit providers.

Outlined in the budget is a reduction for the biennium of \$3.6 million in GF expenditures for rural transit providers and administration. This reduction will result in a decrease in funding to support rural transit services, however the impact will be distributed broadly and a significant commitment to rural transit remains in place.

Also outlined in this budget are THF base reductions for the biennium of \$84 million that reflect an aggressive effort to realign spending priorities in the department. Emphasis is on significantly decreasing administration and overhead costs throughout the agency while preserving the department's ability to develop and deliver construction projects. Some of the proposed reductions will be to maintenance and operations, though the impact of these reductions will be offset by increased productivity or eliminating lower priority activities. However, historic levels of service in this area may decrease modestly as a result of these spending changes.

Increased efficiency and improved communication in the department will also be achieved through a change to a simpler organization, focused on Mn/DOT's core activities. This reorganization reduces the number of layers in the department organizational structure, clarifies reporting roles and relationships, and enhances accountability.

This budget proposal is a reflection of our commitment to being accountable and focused on the department's core business of improving the state's transportation infrastructure. An additional benefit is the releasing of resources to support future transportation investment strategies. The Governor in his recommendation is proposing that these savings will provide the resources to allow a transportation investment package to be proposed at a later time that will address the substantial transportation needs of the state. Mn/DOT remains committed to delivering the highest quality and cost effective transportation system to the citizens of Minnesota.

Sincerely,

A handwritten signature in black ink that reads "Carol Molnau".

Carol Molnau  
Lt. Governor/Commissioner

FY 2004-05 Expenditures (\$000s)

	General Fund	Other Funds	Total
<b>2003 Funding Level</b>	36,046	3,843,252	3,879,298
One-Time Appropriations	0	-1,050	-1,050
Open Appr. Forecast Adj.	0	21,259	21,259
<b>Adjusted Base Funding</b>	36,046	3,863,461	3,899,507
<b>Change Items</b>			
\$110m GF IRC/Bottleneck Refinancing	0	22,880	22,880
Agency Operations Reductions	0	-84,000	-84,000
Airports Fund Reductions	0	-1,480	-1,480
Rail Service Transfer To Debt Service	0	5,000	5,000
Multimodal System			
Transit General Fund Reduction	-3,605	0	-3,605
<b>Governor's Recommendations</b>	32,441	3,805,861	3,838,302
<b>Biennial Change, 2002-03 to 2004-05</b>	-259,146	-530,897	-790,043
<b>Percent Change</b>	-89%	-12%	-17%

**Brief Explanation Of Budget Decisions:**

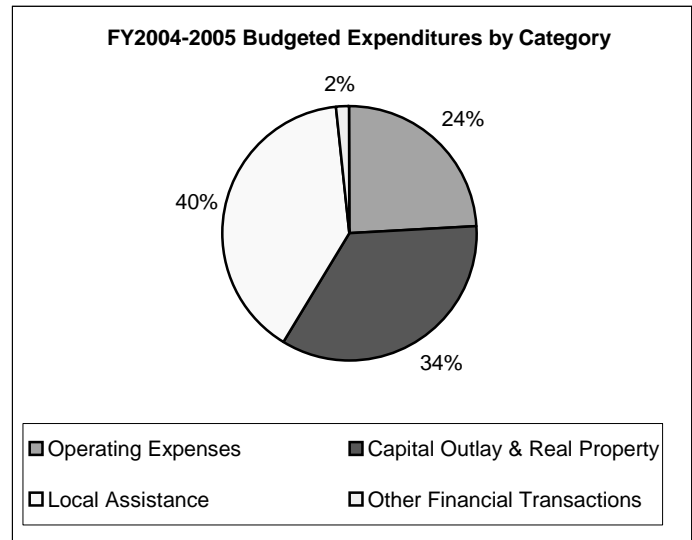
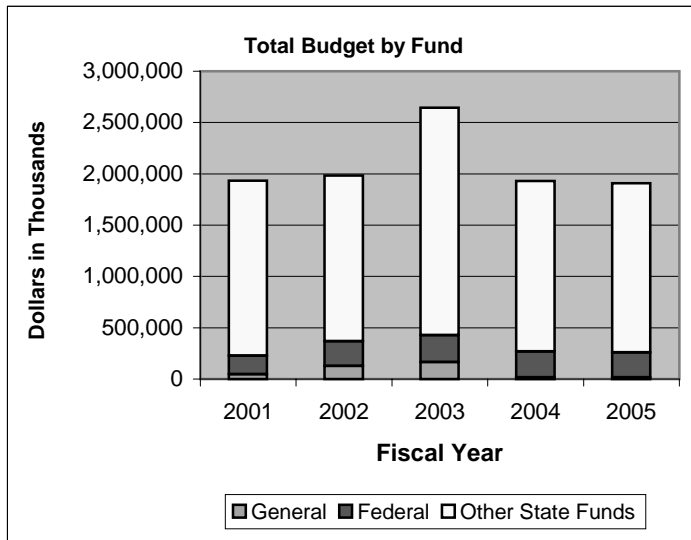
The two adjustments to the base funding shown are as follows:

- ◆ decreases to the base for one-time appropriations from FY 2002-03 for implementation of an Aeronautics GPS navigation system and a Commercial Vehicles Information System totaling \$525,000 per year or \$1,050,000 for the biennium; and
- ◆ open appropriation forecast adjustments of a negative (from the base) \$14.525 million for debt service for existing bond obligations, as well as a positive adjustment of \$35.784 million to state aid accounts to reflect changes to forecast revenue from the Highway Users Tax Distribution Fund - these forecast adjustments net to \$21.259 million for the biennium.

The negative changes in General Fund and Other Funds budgeted from the previous biennium represent decreases because of one-time appropriations and revenue. These items were one-time General Fund appropriations for bottleneck removal and interregional corridors, one-time federal advance construction funds, and federal and local funds for the Hiawatha light rail project.

FY 2004-05 Revenues (\$000s)

	General Fund	Other Funds	Total
<b>FY 2004-05 Current Law Revenues</b>	582	1,354,049	1,354,631
<b>Change Items</b>			
No Revenue Change Items	0	0	0
<b>FY 2004-05 Total Revenues</b>	582	1,354,049	1,354,631
<b>Biennial Change 2002-03 to 2004-05</b>	(182)	(493,223)	(493,405)
<b>Percent Change</b>	(24%)	(27%)	(27%)



<i>Dollars in Thousands</i>	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
<b>Expenditures by Fund</b>						
<b>Direct Appropriations</b>						
Environment & Natural Resource	75	0	0	0	0	0
General	46,121	126,747	164,840	16,220	16,221	32,441
State Government Special Revenue	24	0	0	0	0	0
State Airports	20,675	15,125	26,130	19,408	19,408	38,816
Municipal State Aid Street	87,482	109,115	112,227	112,290	114,661	226,951
County State Aid Highway	375,485	362,942	415,713	426,020	433,631	859,651
Trunk Highway	1,151,960	1,019,409	1,491,364	1,011,700	1,009,263	2,020,963
Greater Minnesota Transit	0	0	6,875	7,264	7,264	14,528
<b>Open Appropriations</b>						
State Airports	80	57	71	71	71	142
Municipal State Aid Street	2,066	1,932	2,242	2,292	2,340	4,632
County State Aid Highway	6,291	5,808	8,536	10,194	11,792	21,986
Trunk Highway	8,448	6,455	7,879	7,879	7,879	15,758
Highway Users Tax Distribution	590	410	504	504	504	1,008
<b>Statutory Appropriations</b>						
Special Revenue	44,981	89,884	137,233	39,977	16,889	56,866
State Airports	1,426	1,970	2,297	1,604	1,604	3,208
Trunk Highway	735	1,217	3,090	20,028	20,028	40,056
Federal	182,554	241,558	263,743	253,456	243,014	496,470
Miscellaneous Agency	4,194	405	2,567	2,413	2,413	4,826
<b>Total</b>	<b>1,933,187</b>	<b>1,983,034</b>	<b>2,645,311</b>	<b>1,931,320</b>	<b>1,906,982</b>	<b>3,838,302</b>

<b>Expenditures by Category</b>						
Operating Expenses	570,833	519,159	578,925	465,646	462,586	928,232
Capital Outlay & Real Property	738,062	796,178	1,271,222	673,151	650,091	1,323,242
Payments To Individuals	120	68	85	85	85	170
Local Assistance	613,121	663,018	764,315	759,514	763,733	1,523,247
Other Financial Transactions	10,774	4,611	30,764	32,924	30,487	63,411
Non-Cash Transactions	277	0	0	0	0	0
<b>Total</b>	<b>1,933,187</b>	<b>1,983,034</b>	<b>2,645,311</b>	<b>1,931,320</b>	<b>1,906,982</b>	<b>3,838,302</b>

TRANSPORTATION DEPT

Fiscal Report

<i>Dollars in Thousands</i>						
<b>Expenditures by Program</b>	<b>Actual FY2001</b>	<b>Actual FY2002</b>	<b>Preliminary FY2003</b>	<b>Governor's Rec</b>		<b>Biennium 2004-05</b>
				<b>FY2004</b>	<b>FY2005</b>	
Multimodal System	160,615	230,438	326,653	209,411	178,961	388,372
State Roads	1,095,851	1,073,019	1,566,622	985,155	979,639	1,964,794
Local Roads	580,782	615,316	663,718	675,796	687,424	1,363,220
General Support And Svcs	95,939	64,261	88,318	60,958	60,958	121,916
<b>Total</b>	<b>1,933,187</b>	<b>1,983,034</b>	<b>2,645,311</b>	<b>1,931,320</b>	<b>1,906,982</b>	<b>3,838,302</b>

**Revenue by Type and Fund**

<b>Non Dedicated</b>						
General	135	483	281	291	291	582
Cambridge Deposit Fund	169	0	0	0	0	0
State Airports	17,544	16,396	15,608	15,698	15,903	31,601
Municipal State Aid Street	7,583	5,131	6,000	6,000	6,500	12,500
County State Aid Highway	17,672	11,391	12,000	13,000	14,000	27,000
Trunk Highway	351,302	318,051	664,283	342,338	341,363	683,701
Highway Users Tax Distribution	2,160	1,670	1,380	1,450	1,521	2,971
Subtotal Non Dedicated	396,565	353,122	699,552	378,777	379,578	758,355
<b>Dedicated</b>						
Special Revenue	46,337	91,214	128,773	37,437	14,349	51,786
State Airports	1,303	1,003	1,593	1,593	1,593	3,186
Trunk Highway	18,755	17,921	48,849	20,004	20,004	40,008
Federal	182,242	242,069	261,079	253,456	243,014	496,470
Miscellaneous Agency	4,195	448	2,413	2,413	2,413	4,826
Subtotal Dedicated	252,832	352,655	442,707	314,903	281,373	596,276
<b>Total Revenue</b>	<b>649,397</b>	<b>705,777</b>	<b>1,142,259</b>	<b>693,680</b>	<b>660,951</b>	<b>1,354,631</b>
<b>Full-Time Equivalents (FTE)</b>	<b>5,435.0</b>	<b>5,198.0</b>	<b>5,170.5</b>	<b>4,875.5</b>	<b>4,875.5</b>	

## TRANSPORTATION DEPT

Change Item: \$110M GF IRC/BOTTLENECK REFINANCING

### Preliminary Proposal

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	12,801	10,079	9,831	9,584
Revenues	0	0	0	0
Net Fiscal Impact	12,801	10,079	9,831	9,584

### Recommendation

The Governor recommends an increase in debt service appropriations of \$12.801 million in FY2004 and \$10.079 million in FY05 to reflect the refinancing of \$110 million in GF expenditures for Interregional Corridor and Bottleneck projects.

### Background

This request provides for debt service for the issuing of \$110 million of Trunk Highway bonds to replace the same amount appropriated from the General Fund by the 2000 legislature for construction of interregional corridors (IRC's) in Greater Minnesota, removal of highway bottlenecks in the Twin Cities metro area, and associated program delivery expenses. This request substitutes one revenue source for another and will have no effect on the content or timing of the construction projects themselves. Under the 2000 appropriation, all such projects were required to be encumbered by June 30, 2003 and the agency is on target to accomplish that.

### Relationship to Base Budget

The base amount for road construction is \$564.7 million per year. This change will affect the funding of \$110 million in one-time funding.

### Key Measures

The projects funded by this appropriation address customer needs for reasonable and reliable travel times on interregional corridors that connect Minnesota's regional trade centers and for removal of highway system bottlenecks in the Twin Cities metro area. All of these benefits can be measured by IRC travel speed, congestion levels in the Twin Cities urban freeway system, and number and rate of highway accident fatalities.

These projects will help Mn/DOT meet the following 20-year road construction targets:

- ◆ **-90% of IRC** miles will meet target speeds (60 mph for high-priority IRC's, 55 mph for medium-priority IRC's).
- ◆ -Growth of congestion will be restricted to no more than 31% (moderate target) or held constant at 21% (aggressive target) of the Twin Cities urban freeway system.
- ◆ -Safe transport **of people, goods, and services will reduce fatalities and approach the Zero Deaths goal.**

### Alternatives Considered

The only alternative is to fund these projects from the existing Trunk Highway road construction appropriation of \$564.7 million. Since this amount is already fully programmed for other projects, this would result in the delay of other projects that were already planned and programmed for FY 2003 letting until future fiscal years.

**Statutory Change:** Not Applicable.

**Preliminary Proposal**

<b>Fiscal Impact (\$000s)</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
(State Airports Fund)				
Expenditures	(740)	(740)	(740)	(740)
Revenues	0	0	0	0
<b>Net Fiscal Impact</b>	<b>(740)</b>	<b>(740)</b>	<b>(740)</b>	<b>(740)</b>

**Recommendation**

The Governor recommends reducing the base direct appropriations from the state airports fund by \$740,000 per year. This reduction would not affect the level of funds available for grants for local airport improvements.

**Background**

The November 2003 forecast for the State Airports Fund estimated an uncommitted balance of \$18.7million as of FY2007. The governor proposed that \$15,000,000 be transferred from the State Airports Fund to the General Fund as a one-time initiative to address the state’s budget shortfall.

The February 2003 current law forecast estimates lower revenues into the State Airports Fund, leaving a balance at the end of FY2007 of \$14.7million. After incorporating the governor’s transfer of \$15,000,000 and lower interest estimates into the fund, the governor recommends adjusting the non-grant appropriation from the fund to bring the fund into balance.

**Relationship to Base Budget**

February 2003 revenue projections have declined from the last forecast, and a lower level of on-going expenditures from the fund can be supported. The lower recommended level of non-grant spending will be accomplished by:

- Reducing four positions, (one management, three non management)
- Delaying equipment purchases, (IT , automobile, navigation aids)
- Reducing funds to University of Minnesota Center for Transportation Studies AirTap Program
- Reducing public awareness campaign
- Reducing printing costs
- Reducing cost of aviation weather program contract

**Key Measures**

No key measures are affected by these reductions. Customer response time and processing of staff issues will be negatively affected.

- PCI rating of more than 82% as Good or above will not be adversely affected.
- Airport Runway Condition PCI rating of less than 6% as Poor or worse will not be adversely affected.
- Navigational Aids reliability of 98% or better should be attainable.
- Accident rate should not be adversely affected.

**Alternatives Considered**

- Reductions could be made in the construction, maintenance and hangar loan programs. There would be a negative impact on Pavement Condition Index over the long term reducing the likelihood of sustaining or improving the measure.

**Statutory Change:** Not Applicable.

**TRANSPORTATION DEPT**

Change Item: RAIL SERVICE TRANSFER TO DEBT SERVICE

**Preliminary Proposal**

<b>Fiscal Impact (\$000s)</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
General Fund				
Expenditures	(2,500)	(2,500)	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures (transfer out)	2,500	2,500	0	0
Revenues	0	0	0	0
Net Fiscal Impact	2,500	2,500	0	0

**Recommendation**

The Governor recommends that \$2.5 million in FY2004 and \$2.5 million in FY2005 be transferred from the Rail Service Improvement Account in the Special Revenue Fund to the Debt Service Fund. This transfer would reduce the amount that the General Fund would transfer to the Debt Service Fund to support general obligation bond debt service by similar amounts.

**Background**

The Minnesota Rail Service Improvement Account (MSRI) was established by M.S. 222.49 to fund rail service improvements using bond proceeds, federal funds, and loan repayments. Current receipts to this account are loan repayments from rail rehabilitation projects and rail service loans to shippers. This proposal will transfer \$2.5 million from the balance in this account in each of the next two fiscal years to fund debt service for general obligation bonds.

The current unexpended, unencumbered balance in this account is \$4.6 million. Income from loan repayments and expenditures for new loans are both currently budgeted at \$2 million per year in FY 2004 and 2005.

**Relationship to Base Budget**

Depending on the revenues to the fund, the annual amount of rail service improvement and rail rehabilitation loans could be adjusted downward by up to \$500,000 for FY2004-05 under this proposal, from a budgeted total expenditure of \$4 million for the biennium.

**Statutory Change:** None required.