



March 1, 2016

Cynthia Bauerly, Commissioner
Minnesota Department of Revenue
600 North Robert Street
St. Paul, MN 55101

RE: Trunk Highway Debt Service Report

Dear Commissioner Bauerly:

The Laws of 2008, Chapter 152, Article 2, Section 1, Subdivision 2 stipulate that:

On June 30, 2008, and each March 1 thereafter, the commissioner of finance shall report to the commissioner of revenue on trunk highway debt service. The report must include the annual amount of revenue from the surcharge previously deposited in the trunk highway fund, and a forecast of the total and annual amounts necessary to pay the remaining debt service.

This letter is being sent in satisfaction of this requirement. The amount of revenue from the surcharge deposited into the fund in the current fiscal year is \$63,251,000. The amount transferred from the trunk highway fund to pay the FY 2016 debt service on bonds authorized in Chapter 152 is \$240,026,000. Over the life of the Chapter 152 bonds, the surcharge will under collect the amount needed for debt service by \$787,457,000.

A summary of the projected surcharge revenue and debt service payments is in the attached page.

Sincerely,

A handwritten signature in black ink, appearing to read "Myron Frans", is written over a light blue horizontal line.

Myron Frans
Commissioner

Enclosure

cc: Sue Gurrola - MMB
Randy Sanford - Revenue
Jeremy Neeck - Revenue
Keith Bogut - MMB
Kim Kildal - DOT

ALL AMOUNTS IN THOUSANDS										
		Highway User Tax Distribution Fund				Trunk Highway Fund		Cumulative Totals		
Type	Fiscal Year	Debt Surcharge Revenue ⁽¹⁾	DNR Transfers ⁽²⁾	DNR Transfers Allocated to Debt Surcharge ⁽³⁾	Net Debt Surcharge	Trunk Highway Portion (62% of 95%, or 58.9%) ⁽⁴⁾	Debt Transfer ⁽⁵⁾	TH Debt Surcharge	Debt Transfers	Variance
Actual	2009	12,632	16,397	282	12,350	7,274	1,709	7,274	1,709	5,565
Actual	2010	59,935	19,708	1,440	58,496	34,454	504	41,728	2,213	39,515
Actual	2011	75,839	21,432	1,927	73,912	43,534	(5,490)	85,262	(3,277)	88,539
Actual	2012	89,452	21,196	2,244	87,208	51,366	(12,823)	136,628	(16,100)	152,728
Actual	2013	104,374	21,866	2,659	101,715	59,910	59,689	196,538	43,589	152,949
Actual	2014	107,769	21,717	2,667	105,102	61,905	74,470	258,443	118,059	140,384
Actual	2015	109,062	21,994	2,701	106,361	62,647	96,745	321,090	214,804	106,286
Forecast	2016	110,179	22,737	2,792	107,387	63,251	240,026	384,341	454,830	(70,489)
Forecast	2017	110,668	22,821	2,803	107,865	63,533	126,640	447,874	581,470	(133,596)
Forecast	2018	110,707	22,875	2,809	107,898	63,552	135,442	511,426	716,912	(205,486)
Forecast	2019	111,026	22,912	2,814	108,212	63,737	138,382	575,163	855,294	(280,131)
Forecast	2020-39	1,945,052	401,393	49,294	1,895,758	1,116,602	1,623,927	1,691,764	2,479,221	(787,457)
Total		2,946,696	637,048	74,432	2,872,265	1,691,764	2,479,221			

Notes:

⁽¹⁾⁽²⁾Debt surcharge revenue and DNR transfer estimates from MnDOT: 2009-15 reflect actual revenue, and 2016+ reflects assumptions as of February 2016 forecast

2016-19 directly from Feb 2016 forecast, 2020+ uses blended average of long-term fuel consumption projections from two sources:

-IHS Economics national highway fuel consumption (Feb 2016)

-Energy Information Administration (EIA) motor gasoline consumption for West North Central census region (2015 Annual Energy Outlook)

⁽³⁾Portion of DNR transfers attributable to debt surcharge estimated at average annual rate for debt surcharge divided by total average annual gasoline tax rate

DNR receives percentage of all gasoline taxes for six accounts, which total ~3.096% per M.S. 296A.18

⁽⁴⁾Trunk Highway portion of debt service surcharge is 62% of 95%, or 58.9%, of surcharge revenues net of DNR transfers, per Minnesota Constitution Article XIV

⁽⁵⁾Debt transfer amounts from MMB: 2009-16 reflect actual transfers, and 2017+ reflect projections as of February 2016 forecast (net of premium and interest)

Per M.S. 296A.083, for setting the surcharge rate in FY 2013+, portion of debt surcharge deposited in the Trunk Highway Fund must be compared to Chapter 152 debt transfers for 2009-39