Financial Management and Legislative Briefing

The Office of Financial Management prepared this financial management and legislative briefing to provide basic information on the Minnesota Department of Transportation's (Mn/DOT) finances and transportation-related legislative issues for the 2010 session. The package provides a summary for this legislative session about proposed policy initiatives, gives an orientation to certain issues facing Mn/DOT, and provides background on Mn/DOT's financial revenues and expenditures, both for historical periods and for the forecast until FY2013.

The first section describes Mn/DOT's proposed **capital budget** for consideration by the 2010 Legislature, the governor's proposed **supplemental budget**, and a summary of Mn/DOT's proposed 2010 **legislative initiatives** and **key issues** that may generate legislative interest in the upcoming session.

The second section provides a basic **Mn/DOT financial overview**. It includes information about how highway transportation is funded in Minnesota, and includes a history of significant revenue changes over the past 25 years. The appendix includes fund statements for the Highway User Tax Distribution Fund (HUTD), Trunk Highway Fund, State Airports Fund, and Transit Assistance Fund, budget initiatives and February 2010 fund statements, as well as financial data including a FY2009 overview of Mn/DOT revenues and expenditures.

Photo: R. Kent Barnard, Mn/DOT

Contents

Comments? This briefing was prepared by Mn/DOT's Office of Financial Management with writing, data, and analysis from Bruce Briese, Lynn Poirier, Greg Colberg, Josh Knatterud-Hubinger, Erik Rudeen, Denny Herzog, Gerry Wood, Laurie Holmberg, Jackie Clemen and Norman S.J. Foster. Please contact Lynn Poirier (lynn.poirier@state.mn.us) with questions, comments or suggestions.

FACTS RELATED TO TRANSPORTATION USERS AND THE TRANSPORTATION SYSTEM

MOTOR VEHICLE REGISTRATIONS:

Minnesota's motor vehicle registrations totaled about 4.86 million in 2008.

Department of Public Safety website, 2008 "Crash Facts"

LICENSED DRIVERS:

Minnesota had 3.94 million licensed drivers in 2008.

Department of Public Safety website, 2008 "Crash Facts"

SEAT BELT USAGE

Minnesota's seat belt usage was 87% in 2008.

Department of Public Safety website, 2008 "Crash Facts"

Note: primary seat belt legislation became effective on June 9, 2009.

VEHICLE MILES TRAVELED:

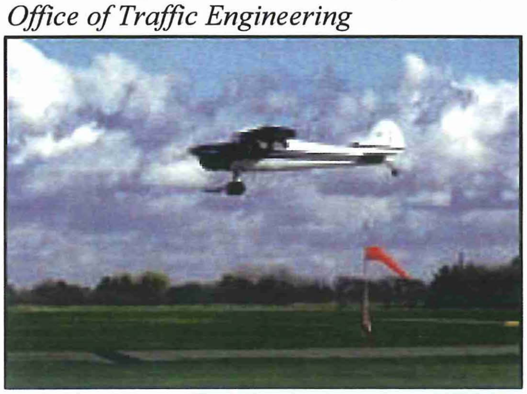
Use of Minnesota's roads totaled an estimated 57.1 billion vehicle miles traveled in 2008.

Mn/DOT Office of Transportation Data and Analysis

AERONAUTICS:

Minnesota has 6,306 registered aircraft and 136 public airports.

2008 Transportation Trivia, compiled by Office of Traffic Engineering



RAIL SYSTEM:

Minnesota's rail system consists of about 4,506 total miles of railroad, with 4,282 rail crossings.

2008 Transportation Trivia, compiled by Office of Traffic Engineering

TRANSIT:

Use of Minnesota transit systems totaled 99.3 million transit trips in 2007.

Mn/DOT Office of Transit website

BICYCLE TRAILS:

Minnesota leads the nation in miles of bicycle trails, with 523 miles of state paved miles out of a total of about 2,300 miles statewide. Minnesota and Wisconsin have about one-fourth of the nation's bike trails.

WATERWAYS:

The Mississippi River System stretches over 222 miles in Minnesota, and supports five ports whose combined transported tonnage was 8.2 million tons in 2008. In addition Minnesota has four ports on Lake Superior whose combined tonnage in 2008 was 67.1 million net tons. This combined tonnage of 75.2 million tons was less than was experienced in 2007 (80.1 million tons).

Mn/DOT Ports and Waterways website

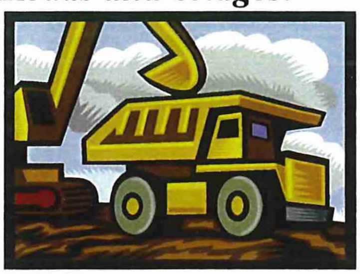
CAPITAL BUDGET

GOVERNOR'S RECOMMENDATIONS FOR THE 2010 LEGISLATIVE SESSION

The Governor proposes a capital budget in even-numbered years. These typically involve requests for state bonding and non-bond funds for various infrastructure projects. State agencies and local governments submit requests to Minnesota Management and Budget (MMB), which advises the Governor and assists with deciding which projects are to be included in the request. As part of this process, Mn/DOT submits its requests, which totaled approximately $223 million for 2010 for various building projects, local bridge bonding, local roads improvement grants, railroad grade warning devices replacement, port development assistance, greater Minnesota transit buildings, and the needed state match for the high speed rail corridor. The paragraphs below describe the projects approved by the Governor for Mn/DOT, as well as transportation-related projects of other requesters.

Mn/DOT Capital Projects

Roads and bridges:



Local Bridge Replacement Program

$75,000,000 – General Obligation Bonds

This request is for state funds to replace or rehabilitate deficient bridges owned by local governments throughout the state. State bridge replacement funds are used in two ways. The first is to leverage or supplement other types of bridge replacement funding such as federal aid, state aid, and township bridge funds. The second is to provide funds for bridges that have no other source of federal aid or state aid funds.

Local Road Improvement Grants

$20,000,000 – General Obligation Bonds

This request provides additional funding assistance to local governments for construction, reconstruction, or reconditioning projects on local roads. The funding would be for two existing programs. $10 million is proposed for the Local Road Account for Routes of Regional Significance. This account provides funding assistance to local government road projects that are significant to the state or region. Such projects may support economic development, provide capacity or congestion relief, provide connections to interregional corridors or other major highways, or eliminate hazards. $10 million is also proposed for the Local Road Account for Rural Road Safety. This account provides funding for projects on county state-aid highways intended to reduce traffic crashes, deaths, injuries, and property damage. This funding will be administered in accordance with M.S. 174.52.

Mn/DOT buildings:

Rochester Maintenance Facility

$26,430,000 – Trunk Highway (TH) Bonds

This request is to build a new Rochester maintenance facility. This facility will have 110,500 square feet and will contain vehicle storage, a sign shop, vehicle maintenance and welding shops, an inventory center, and crew support facilities. The site will also house salt storage, cold storage, and yard storage facilities, as well as a fuel dispensing stations.

Phase 2 of the project, expected to be requested in 2012, will remodel 94,000 square feet of existing headquarters for office and conference space, materials lab and DPS Driver and Vehicle Services.

Maple Grove Truck Station
$15,800,000 – TH Cash

This request is to build a new Maple Grove truck station and mechanics facility. This facility will have 95,000 square feet and will contain offices, shops, vehicle support, inventory space, storage spaces, and mechanics work bays. The site will also house salt storage, cold storage, and yard storage facilities, as well as fuel dispensing stations. The new facility consolidates activities at the existing truck station and the Golden Valley location, and it is situated on the future Interstate 610 right of way.

Little Falls Truck Station
$3,300,000 – TH Cash

This request is to build a new Little Falls truck station. This facility will have 16,000 square feet and will contain offices, shops, vehicle support, inventory space, storage spaces, and mechanics work bays. The site will also house salt storage, cold storage, and yard storage facilities, as well as fuel dispensing stations. The facility will be built in the Little Falls Industrial Park. The site will provide efficient access to TH 10, TH 371, and TH 27.

Maplewood Bridge Crew Building
$3,000,000 – TH Cash

This request is to build a new Maplewood building to house the new Metro bridge crew that was created after the collapse of the I-35W Bridge. The facility will have 17,590 square feet and will contain vehicle storage for 15 vehicles, welding and carpenter shops, and crew support space for eight to 12 bridge workers and seven to nine herbicide applicators. The site will also house salt and yard storage, an unheated storage building, and fuel dispensing stations.

Design Fees – Willmar and Plymouth

$700,000 – TH Cash

This request is for funding for pre-design for two facilities: (1) a new Willmar district headquarters vehicle storage facility (schematics, design development, and investigative work); and (2) a new Plymouth Truck Station (schematics, design development, and investigative work).

Modal investments:

Southern Rail Corridor Alternatives Analysis

$2,000,000 – General Obligation Bonds with a $2,000,000 local funding match

This request is to further study and evaluate the proposed 48-mile freight rail bypass south of Rochester relocating the Canadian Pacific rail traffic from downtown Rochester.

Railroad Grade Warning Devices Replacement

$2,500,000 – General Obligation Bonds

This request provides additional funding assistance to Mn/DOT for replacing aging railroad – highway grade crossings signals through a new statewide life cycle planning process. This process must address the need to replace approximately 70 signal systems per year that are at the end of their design life. It is estimated that this request will fund replacement of 10 signal systems.

Total Mn/DOT Request

The total Mn/DOT amount for the projects described above totals $148,730,000. This total request would be funded from the sources shown below:

General Obligation Bonds
$99,500,000

Trunk Highway Bonds
$26,430,000

Trunk Highway Fund Cash
$22,800,000

Non-Mn/DOT Transportation-Related Projects

In addition to the amounts recommended for Mn/DOT, two other transportation projects that would be appropriated to the Metropolitan Council were recommended by the governor. The governor is recommending $10 million of funding, using General Obligation bonds, and is proposing that this funding be directed to these specific projects:

$7 million for the Southwest Corridor; and

$3 million for the Cedar Avenue Bus Rapid Transit (BRT) Project

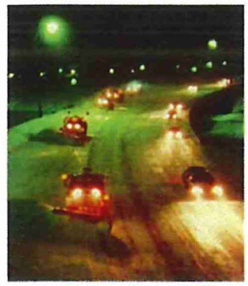
In the past, except for in 2008, Mn/DOT capital building projects directly related to the trunk highway system have been paid for with cash appropriations from the trunk highway fund, rather than by trunk highway bonds. (Mn/DOT first began requesting trunk highway bond appropriations rather than trunk highway cash appropriations for buildings in 2005.) In 2008 approximately $53 million of appropriations for buildings was funded by trunk highway bonds. Funding for the Mn/DOT buildings portion of this request is funded by a mixture of trunk highway bonds and cash appropriations from the trunk highway.

Cancellation of Prior Years' Bond Authorizations

As part of the overall governor's recommendations, the governor also is proposing cancellation of certain bond authorizations made to Mn/DOT or from the Trunk Highway Fund. These include $9 million from a trunk highway bond appropriation for the Urban Partnership, $9.5 million of unused funds from a trunk highway bond appropriation to the Department of Administration to pay for repair of the Mn/DOT headquarters building – the project has now been completed -- and $2.692 million of general fund, general obligation bonds from two separate appropriations for Mn/DOT's rail service improvement program.

SUPPLEMENTAL BUDGET

Biennial Budget requests are prepared for consideration by the legislature in its odd-numbered year sessions. Ultimately a biennial budget is enacted which provides appropriations for the affected biennium. In even-numbered years the governor prepares a request for capital spending. In addition the governor prepares a supplemental budget request to address changes that might be needed as a result of changes in external funding (primarily federal funds) or significant changes for which adjustments cannot be delayed until the upcoming biennium. Supplemental budget requests typically also address changes attributed to increases or decreases in funding on which the biennial budget was based, as depicted in the February Forecast. The governor has proposed reductions in spending from certain operating budget accounts, as part of the governor's overall strategy for addressing a $994 million budget shortfall – projected in the February forecast - in the state's general fund.



Night Gang Snowplowing

Governor's Requests:

- $104 million one-time increase in spending authority for the state road construction program. This is supported by an increase of the same amount of federal highway aid that resulted primarily from an appropriation by the U.S. Congress that provided more funding than had been assumed when the biennial budget was prepared.
- One-time appropriation of $5 million to provide initial capital funding for a proposed revolving account in the trunk highway fund to receive federal emergency relief funds provided to address disasters such as floods and tornados.
- A reduction of $150,000 of revenues from the general fund and $80,000 of revenues from the trunk highway fund, in conjunction with a policy proposal to eliminate the hazardous materials registration program.
- Non-Metro Transit Grant Assistance spending from the general fund would be reduced by $462,000 in FY 2010, and by $345,000 in FY 2011. The governor recommends that the base spending for FY 2012 and beyond be reduced by $546,000 per year.
- Several accounts in the special revenue fund would be reduced with the amounts of the reductions, which total $265,000 in FY 2010 and $376,000 in FY 2011 being transferred to the general fund. No additional reduction is proposed beyond FY 2011.
- $140,000 in FY 2010 and $212,000 in FY 2011 would be transferred from the state airports Fund to the general fund. Appropriations from the state airports fund (Aviation Support and Services) would be reduced by the same amounts. These reductions would not continue beyond FY 2011.
- As described above, the governor is proposing that the hazmat registration program be repealed. In conjunction with this proposal the governor is

also proposing a reduction of spending from the general fund for this program of $125,000 per year.

- The governor is proposing reducing a 2008 appropriation for the Urban Partnership Agreement by $84,000.
- The governor is proposing continuation of the unallotments made previously from Mn/DOT general fund appropriations. These are: $9,000 each in FYs 2012 and 2013 from transit improvement and rail service planning, and $6,000 in FYs 2012 and 2013 from the Roosevelt Tower account.

Mn/DOT 2010 LEGISLATIVE INITIATIVES

A variety of initiatives are included in Mn/DOT's 2010 legislative proposals--summaries follow.

TRUNK HIGHWAY TURNBACKS

Mn/DOT is proposing turning back Trunk Highway 297 to the city of Fergus Falls, at the request of the city.

HOUSEHOLD GOODS AND OBSOLETE MOTORCARRIERS RULES

Mn/DOT proposes a non-substantive cleanup of Minnesota Rules related to household goods carriers and obsolete carriers. Following a review of Minnesota Rules, Chapters 7800, 7805, 8850, 8855, and 8920, obsolete rules will be repealed through legislation. Significant remaining language will be moved to statute, to make relevant requirements easier for carriers to locate.

TRUCK PERMITS—SIZE AND WEIGHT

This proposal makes additional technical and clarifying changes as a result of inconsistencies and points of confusion noted from the 2009 session's Truck Size and Weight (TS&W) laws amendments. This proposal corrects some truck weights that are inconsistent between permits, clarifies the applicability of certain permits, removes some outdated, inconsistent language, and eliminates one unnecessary clause.

CLARIFICATION OF CHAPTER 152 BONDING AUTHORITY

The Laws of 2008, Chapter 152 contained provisions for $1.8B of Trunk Highway bonds, including ten years of appropriations in fiscal years 2009 to 2018. However, the statute governing state bond cancellations is based on the year a law is enacted, which means any unencumbered trunk highway bonding appropriations would be included in the January 1, 2013 bond cancellation report. To avoid this, Mn/DOT proposes to modify Chapter 152 to note that for each fiscal year appropriation, MS 16A.642 (bond reports and cancellations) shall apply from that fiscal year rather than date of enactment.

FEDERAL EMERGENCY RELIEF FUNDS ACCOUNT

Mn/DOT proposes to create an account in the trunk highway fund to accept appropriations and Federal Highway Administration (FHWA) emergency relief (ER) reimbursements. Funds in the account would be appropriated to the Commissioner, would not cancel, and would be limited to spending on ER eligible activities in amounts up to that approved by FHWA as eligible for reimbursement. Mn/DOT proposes to appropriate an initial $5 million from the trunk highway fund. Approved FHWA reimbursements in later years would replenish the account for subsequent use. This change should reduce the need for districts to use existing trunk highway spending authority for smaller emergency events. This proposal has been included in the Governor's supplemental budget request.

BRIDGE MANAGEMENT

The current requirements in MS 165.14 provide project prioritization guidance in the form of Tier 1, 2, and 3 bridges with a completion date of 2018 for the program. Those requirements would remain in place for bridges that qualified for the initial prioritization program in 2008. For subsequent bridges or after the date of 2018, Mn/DOT proposes that the Bridge Risk Based Planning system would be used to prioritize projects. This system expands the current Mn/DOT planning process to include risk based criteria. For bridge project identification, it would consider both the probability of an interruption in service and the consequence of a service interruption.

INNOVATIVE FINANCE: ALTERNATIVE FINANCING & FEDERAL FINANCING

Mn/DOT proposes it be allowed to enter into agreements with governmental or non-governmental entities, including private and non-profit entities, to finance or invest in transportation projects. One of the purposes of this provision is to help achieve the department's strategic direction to foster innovative and collaborative partnerships with public, private and non-profit organizations. Mn/DOT also proposes it be allowed to participate in the federal Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA), national transportation infrastructure bank, or other federal transportation loan, grant or credit assistance programs. Such assistance may include but is not limited to loans, loan guarantees, and lines of credit.

CONSTRUCTION MANAGER AT-RISK CONTRACTING

The proposed legislation would allow Mn/DOT to use construction manager at-risk (CM @-Risk) as a project delivery tool Mn/DOT could use to secure pre-construction and construction services on major or minor construction contracts.

INDEFINITE DELIVERY/INDEFINITE QUANTITY

The proposal would allow Mn/DOT to use Indefinite Delivery/Indefinite Quantity (ID/IQ). ID/IQ is a tool that will allow Mn/DOT to streamline the contracting procurement process for small projects (typically less than $250,000). Rather than design and let many small contracts, ID/IQ would allow Mn/DOT to have contractors "on-call" to perform specific services, such as tree removal or pavement markings.

STIPENDS FOR DESIGN-BUILD

The current statute allows Mn/DOT to pay stipends (stipulated fees) to responsive but unsuccessful proposers. This clause has worked well in the past. However, Mn/DOT recently added price cap clauses within our design-build request for proposals which impacts when stipends can be paid. Therefore, Mn/DOT proposes to modify the statue to allow stipends for proposals over the price cap if it is a responsive technical proposal.

WORK ZONE SPEED LIMITS

This proposal is to eliminate the maximum work zone speed limit of 40 MPH. Since 2006, the speed limit has been raised to 60 MPH on some two-lane, two-way state highways. Under current statute, it is mathematically impossible to establish a work zone speed limit that is 15 MPH lower than the 60 MPH zone (45 MPH) and not exceed the maximum limit of 40 MPH.

DEBARMENT

This proposal would eliminate overlapping and duplicative rules relating to suspension, debarment and reinstatement of vendors adopted by the Dept. of Administration and Mn/DOT. The proposed change would remove any ambiguity about the reasons for which a contractor can be suspended or debarred from a Mn/DOT contract. It would also ensure that the procedures used for suspension or debarment would be the same for all state agencies.

2010 POTENTIAL LEGISLATIVE ISSUES

A variety of issues are likely to surface that directly affect Mn/DOT and the transportation community of Minnesota. This section describes some of those issues, but surprises are likely.

FEDERAL STIMULUS LEGISLATION

Federal stimulus legislation was passed in February 2009, intended to help improve an overall economy that was in a substantial recession. Although the economy has recently begun to recover, the national unemployment rate continues to be very high – 9.7% in January 2010. Partly because of this the Obama administration has given strong consideration to additional legislation intended to provide for job growth as well as additional economic stimulus. Part of this proposal would most likely include funding for transportation infrastructure, as the 2009 legislation did. The election of a Republican senator from Massachusetts, which eliminated the Democrats' filibuster-proof majority of 60 votes, may reduce the likelihood of passage of this type of legislation in 2010.

GENERAL FUND BUDGET PROJECTED DEFICIT

The official economic forecast that was released in early March 2010 has projected a deficit for the state General Fund of approximately $994 million. This provides the final estimate to be used for the supplemental budget deliberations on how to address the budget shortfall. Even though Mn/DOT is not significantly affected by a General Fund deficit, this issue will consume a major part of the legislature's time and energy.

STATE PASSENGER RAIL AND FREIGHT PLAN AND HIGH SPEED RAIL FUNDS

Legislation passed in 2009 required that by February 1, 2010, Mn/DOT was required to report to the legislature about "…the status of passenger rail in this state." The report was required to include a summary of the current status of passenger rail projects and recommend:

"(1) a public participation process for intercity passenger rail planning;

(2) appropriate participation and levels of review by local units of government;

(3) future sources of funding for capital costs and operations;

(4) definitions to distinguish passenger rail from commuter rail;

(5) legislative changes to facilitate and improve the passenger rail planning processes and operation; and

(6) state operating subsidy mechanisms designed to create local tax equity between communities served by passenger rail and communities served by commuter rail."

Mn/DOT has produced a draft plan under what is generally considered be a very tight timeline. It has solicited public input, the time period for which ended on January 29. In addition a presentation has already been made to a joint session of the House and Senate Transportation Committees, which was very well received, with legislators commenting on the high quality of the report under the short timeframe.

Minnesota received $600,000 in federal funds to study the potential for a high-speed rail service between the Twin Cities and Madison, Wisconsin, one leg of a line being proposed that would connect Minneapolis/St. Paul with Chicago. This project is consistent with the state passenger rail and freight plan. The funds are part of $8 billion in American Recovery and Reinvestment Act dollars dedicated to high-speed rail projects nationwide. Midwestern states as a whole are expected to receive $2.6 billion. In addition to the federal funds, Minnesota and Wisconsin each will contribute $300,000 to cover the cost of the $1.2 million study, which Mn/DOT hopes to complete in 2010.

ISSUES FROM THE 2009 LEGISLATIVE SESSION

The 2009 transportation policy bill was vetoed by Governor Pawlenty. The governor objected to this bill's prematurely selecting specific routes, stops, or endpoints related to high speed passenger rail; provisions related to railroad employees that he felt had not been vetted fully enough; and to the creation of a duplicative Council on Transportation Access. The governor expressed willingness to sign an improved version of this bill in the 2010 session.

Some of the issues included in this bill are the following.

- Rest Area provisions
- Repeal of uniform hazardous material and hazardous waste registration program
- Several provisions related to transportation planning and mission statements expressing the legislature's desire to increase the focus on environmental issues
- Requirement to establish a Minnesota Council on Transportation Access
- Requirements related to completion of environmental impact statements for two trunk highway 14 projects
- Provision related to buses on shoulders
- Two provisions related to the bridge improvement program that is part of the 2008 funding bill (chapter 152)

Since the governor has expressed willingness to sign a transportation policy bill that addresses his objections, it is likely that some version of this policy bill will again be considered by the legislature.

LOCAL GOVERNMENT TRANSPORTATION PROJECT FUNDING REQUESTS

As part of the capital budget process, local governments are provided the opportunity to request funding for projects. A total of approximately $783 million of requests were submitted, with nearly $200 million of these being for transportation purposes. The governor recommended $50 million of funding for the Department of Natural Resources for flood hazard mitigation and recommended that no capital appropriations be made to directly to local governments.

MINNESOTA'S HIGHWAY FINANCES

This section describes Minnesota's highway financing. Page 18 shows historical revenue trends since 1975. Pages 20 through 23 show the HUTD, Trunk Highway, Airports, and Transit Assistance forecast fund statements from February 2010.

MOTOR FUEL TAX

The state motor fuel tax is a major source of revenue for highways in Minnesota. Each one cent of gas tax yields about $30 million per year to the Highway User Tax Distribution (HUTD) Fund and thus about $18 million in revenues to the Trunk Highway (TH) Fund. The current tax yielded $743 million in FY 2009 after refunds, but before collection costs and transfers to the Department of Natural Resources (DNR).

Approximately eighty percent of motor fuel tax revenues are generated from gasoline sales. The remainder comes mostly from diesel and special fuel sales.

State law requires transfers of non-highway use gasoline tax revenues (e.g., from fuel used in boats and snowmobiles) to accounts managed by the DNR. About 3% of gasoline tax revenues, or approximately $16 million in FY 2009, were termed "unrefunded" and were transferred from the HUTD Fund to DNR accounts. As motor fuel tax revenues increase in future years as a result of legislation increasing the tax rates enacted in 2008, the amount transferred to DNR accounts will correspondingly increase.

Based on information supplied by the American Petroleum Institute, six states have gasoline tax rates higher than Minnesota. Some states have local option gas taxes and/or levy a statewide sales tax or other statewide tax (e.g., an oil franchise tax in Pennsylvania) on gasoline sales. If additional statewide taxes such as a sales tax are taken into account, nineteen states have higher gas tax rates than Minnesota.

MOTOR VEHICLE REGISTRATION TAXES

In FY 2009, motor vehicle registration taxes, after refunds, but before collection costs, yielded $501 million. Passenger class and pickup truck vehicles generated approximately 80% of total motor vehicle registration tax revenues.

MOTOR VEHICLE SALES TAX

The motor vehicle sales tax, a 6.5% tax on the sale of new and used motor vehicles, is partially dedicated to transportation. By 2012, all of this revenue will be dedicated to transportation, with 40% allocated to transit and 60% allocated to highways by state statute. In fiscal year 2009, 44.25% of this revenue was deposited in the HUTD Fund; this amounted to $196 million.

The phase-in schedule included in legislation passed in 2007 stated that 50.25% of revenues would be transferred to the HUTD Fund in fiscal year 2010 and 56.25% would be transferred in fiscal year 2011. The 2009 legislature reduced these percentages such that, 47.5% of this revenue will be deposited in the HUTD Fund in fiscal year 2010 and 54.5% will be transferred in fiscal year 2011. This was done in order to increase the percentages transferred to the transit assistance fund. This could be done because the constitution provides that *at least 40%* of motor vehicle sales tax revenues are to be allocated to transit and *not more the 60%* of these revenues are to be allocated to the HUTD fund. The estimated revenue to the HUTD fund in fiscal year 2010 is estimated to be $216 million.

FEDERAL HIGHWAY FUNDS

The level of federal funding is a critical issue for Mn/DOT and for local governments across the state, because federal funds make up a substantial portion of transportation spending. For the TH Fund, which is the principal funding source for Mn/DOT and which also provides significant funding for the Department of Public Safety, approximately $507 million (February 2010 forecast) of federal aid agreements are forecasted to be entered into in fiscal year 2010; this is about 34% of total revenue. This is not including the additional revenue on which a proposal in the governor's 2010 supplemental budget is based. In addition, a substantial amount of federal highway revenue is made available for local government projects. Typically this is more than $100 million per year; $135 million was received for local government use in fiscal year 2009.

The current transportation authorization bill, SAFETEA-LU, expired in September 2009, but has been extended by Congress through March 30, 2010. The future federal funding situation remains very uncertain, with current proposals ranging from a new authorization bill to further extensions. Meanwhile, the federal Highway Trust Fund is projected to run out of cash as early as July 2010. The state trunk highway forecast has assumed that federal funding levels for FFY2009 will be maintained at that level into the future--this will require Congressional action to achieve.

HIGHWAY USER TAX DISTRIBUTIONS

The Minnesota Constitution provides that 95% of HUTD Fund revenues are distributed as follows: Trunk Highway (TH) fund - 62%; County State Aid Highway (CSAH) fund - 29%; and Municipal State Aid Streets (MSAS) fund - 9%. The remaining 5%, referred to as the five percent set-aside, is distributed in accordance with a formula established by the Legislature, but the formula may only be changed once every six years. This formula was most recently changed by the 1998 Legislature.

Since July 1, 1999, the five percent set-aside revenues - $70 million in FY2009 - have been deposited in the CSAH Fund, where they have been further allocated to the Township Roads Account (30.5 %), Township Bridges Account (16%), and Flexible Highway Account (53.5%).

FLEXIBLE HIGHWAY ACCOUNT

The Flexible Highway Account was created by the 1998 Legislature by combining money from the five percent set-aside that was previously allocated to the Trunk Highway Fund, the county turnback Account in the CSAH Fund, and the municipal turnback Account in the MSAS Fund.

According to changes made by the 2008 Legislature, the commissioner of transportation must recommend allocation of money in the Flexible Highway Account to the CSAH Fund, which includes allocations to metropolitan counties (except that the shares allocated to Hennepin and Ramsey counties do not include the population of the cities of the first class – Bloomington, Minneapolis, and St. Paul) from the "excess sum," the county turnback account, the safety improvement account, and the routes of regional significance account; the MSAS Fund (municipal turnback account); and the Trunk Highway Fund (for trunk highways that will be restored and subsequently turned back by agreement to local governments) for each upcoming two-year period as part of the biennial budget proposal.

Since the distribution of money in the Flexible Highway Account is subject to decisions made in the biennial budget process, the relative amounts in the following table could be different in future biennia.

The following table describes allocations of the five percent set-aside for FY2009 through 2011, with the 2009 amount being an actual transfer, and the 2010 and 2011 amounts being the amounts that were included in the approved biennial budget:

Five percent set-aside distributions ($ millions)

Fiscal Year	FY2009	2010	2011
Town Road (30.5%)	$21.5	23.1	24.4
Town Bridge (16%)	11.3	12.1	12.8
Subtotal Township (46.5%)	32.8	35.2	37.2
Flexible highway account			
County turnback	19.6	32.0	41.3
Municipal turnback	2.8	8.4	1.6
Trunk Highway fund	15.3	0.0	0.0
Subtotal Flexible hwy(53.5%)	37.7	40.5	42.8
Total Distributions of 5% set-aside	$70.5	75.7	80.1

CSAH FUND AND MSAS FUND SPENDING

Money in these funds is allocated to all counties and to municipalities with populations greater than 5,000, based on statutorily defined apportionment formulas. The 2008 Legislature changed the process for this allocation (formally termed apportionment). For the CSAH Fund, revenues derived from increases provided by the 2008 Legislature (e.g., increased gas tax rates) plus increased revenue from the percentages allocated to the Highway User Tax Distribution fund above 32% due to the phase-in of motor vehicle sales tax revenue as a constitutionally dedicated transportation revenue source are apportioned 60% based on money needs and 40% based on relative shares of the number of motor vehicle registrations in each county. For revenues not derived from increases provided by the 2008 Legislature, the apportionment is based on monetary needs (50%), relative shares of lane miles of roads (30%), relative shares of the number of motor vehicle registrations (10%), and equal shares to each of the 87 counties (10%). For the MSAS Fund, municipalities' respective shares are based on monetary needs (50%) and population (50%).

As a result of each decennial census, or as a result of the annual state demographer's estimate, additional municipalities may qualify for funding because their population grew beyond 5,000. At each census, some municipalities may stop qualifying for funding because their population fell below 5,000. As the decade progresses, additional municipalities may qualify for funding due to incorporation, consolidation, or by state demographer's estimate. Municipalities may also appeal their census counts.

Total number of municipalities qualifying for MSAS funds

	2005	2006	2007	2008	2009
Number of cities:	138	138	142	143	144

BONDING

As of Nov. 2009 (not including the bonds sold on November 3, 2009), the principal amount of outstanding trunk highway bonds totaled approximately $638 million, of which $162 million was authorized by Chapter 152 and the remainder by other laws. Approximately $253 million of interest must be paid on these bonds, for a total of approximately $890 million of outstanding debt service. In addition, another $25 million ($19 million from Chapter 152) of trunk highway bonds were sold on November 3, 2009.

The total amount of trunk highway bond authorizations provided by the Legislature since 2000 is $2,413,443,000. From these authorizations, $743,250,000 of bonds have been issued. The most recent bond authorization occurred when the 2009 Legislature approved $40 million of trunk highway bonds to be used for interchanges and local matches to federal grants and $2.7 million of trunk highway bonds for flood relief.

According to the Minnesota Management and Budget official statement prepared for the November 3, 2009 bond sale, principal and interest on the ***outstanding*** trunk highway bonds for upcoming fiscal years are:

Debt service payments on outstanding trunk highway bonds ($ thousands)

	FY2011	FY2012	FY2013	FY2014
Principal	42,665	41,935	41,470	40,770
Interest	28,481	26,509	24,564	22,679
Total	71,146	68,444	66,034	63,449

This total repayment is reduced each fiscal year by the interest earned on the balances in the trunk highway account in the state debt service fund.

The total estimated debt service transfers from the Trunk Highway Fund is based on the currently known debt service (see above) plus estimates that are developed for planned bond sales in the future. The current estimate of these transfers is from the February 2010 forecast:

Scheduled debt service transfers from the trunk highway fund ($ thousands)

	FY2011	FY2012	FY2013
Estimated Amount:	$92,905	124,096	139,855

Source: February 2010 fund statement

The reason the estimated debt service expenditures are higher than the amounts shown in the Minnesota Management and Budget's official statement is that the fund statement reflects Mn/DOT's plans to sell significant amounts of additional bonds from the authorization provided by the 2008 Legislature. As estimates of cash flow expenditures from the $1.8 billion in additional bonding are refined, these estimates of debt service will change. In addition, any legislation enacted in the 2010 session will also result in changes.

Debt service is higher in the earlier years of repayment because the repayment schedules are based on retiring one-twentieth of the principal each year, unlike repayment requirements for a home mortgage, which are a fixed annual sum for combined principal and interest, with the amount of principal being repaid increasing each year.

ADVANCE CONSTRUCTION

Mn/DOT utilizes a type of federal financing called advance construction (AC). In general, this technique permits recognizing in the current year, federal revenues scheduled to be received in future years. This results in a number of benefits.

Even though the budgetary revenue is recognized, actual reimbursement (receipt of cash from FHWA) does not begin until the year the advanced construction agreements are "converted" to regular federal funds (the year the federal funds are actually made available through a federal appropriations act).

The cash balance in the trunk highway fund may sometimes be used to pay contractors before the project is converted and federal reimbursement received. Careful management of the use of AC has been adopted to avoid potential cash flow issues. Mn/DOT has developed and continues to refine advance construction and cash management techniques and policies.

HISTORY OF Mn/DOT REVENUE CHANGES

MOTOR FUEL TAX RATES PER GALLON: MINNESOTA

Year	Description
1975	Increased from 7 to 9 cents per gallon
1980	9 to 11 cents
1981	11 to 13 cents
1983	13 to 16 cents (for eight months) and then to 17 cents beginning January 1, 1984
1988	17 to 20 cents
1994	Phased out 2-cent gasohol credit over 4 years
2008	Chapter 152 authorized a number of changes to the fuel tax rates from 2008 to 2012; including a general rate increase of 5 cents phased in by October 1, 2008, and a debt service surcharge that will increase to 3.5 cents by 2012
2008 April 1	20 cents to 22.0 cents (2 cent general increase)
2008 Aug 1	22.0 cents to 22.5 cents (debt service surcharge)
2008 Oct 1	22.5 cents to 25.5 cents (3 cent general increase)
2009 Jul 1	25.5 cents to 27.1 cents (debt service surcharge)
2010 Jul 1	27.1 cents to 27.5 cents (debt service surcharge)
2011 Jul 1	27.5 cents to 28 cents (debt service surcharge)
2012 Jul 1	28.0 cents to 28.5 cents (debt service surcharge)

MOTOR FUEL TAX RATES PER GALLON: FEDERAL, MINNESOTA, AND NEIGHBORING STATES, JAN. 2010

Cents per gallon	Federal	MN	WI	SD	IA	ND
Gasoline	18.4	27.1	30.9	22.0	21.0	23.0
Diesel	24.4	27.1	30.9	22.0	22.5	23.0
Gasohol (10% blend)	18.4	27.1	30.9	20.0	19.0	23.0

MOTOR VEHICLE REGISTRATION TAXES

Year	Description
1981	Increased passenger vehicle registration taxes by phasing in an increased minimum tax
1986	Increased truck registration taxes for heavier trucks
1989	Adjusted schedule for reduction of taxes paid for passenger vehicles as they become older, such that citizens pay more over the life of the vehicle
2000	Retained the same policy for calculating the tax for passenger vehicles, but provided a maximum tax of $189 for the first renewal and a maximum tax of $99 for the second and subsequent renewals
2008	Modified registration tax policy for passenger vehicles to institute a process similar to what existed prior to 2000, by eliminating caps and changing the depreciation schedule; these provisions are phased-in by virtue of a provision that provides that for currently registered vehicles, no one's tax will be higher in a current year than it was in the previous year.

MOTOR VEHICLE SALES TAX AS A TRANSPORTATION REVENUE SOURCE

The Motor Vehicle Sales Tax (MVST) was previously known as the Motor Vehicle Excise Tax (MVET)

Year	Description
1981 - 1991	Numerous changes were made, which first statutorily dedicated this revenue to transportation on a phase-in basis, began the phase-in, delayed the phase-in, and ultimately eliminated this as a transportation revenue source.
2001 - 2004	Allocation of this revenue for highways and transit began. For highways the allocation was intended to offset the reduced revenues from the change in tax policy for passenger motor vehicles made by the 2000 legislature. For transit the allocation was intended to offset a 2001 reduction in local government property taxes due to the law being changed prohibiting levying taxes for transit operations.
2005	A constitutional amendment was passed, providing that by FY 2012 all revenue would be dedicated to transportation as follows: (1) not more than 60% to be deposited in the Highway User Tax Distribution Fund; and (2) not less than 40% to be dedicated to transit. A five-year phase-in schedule is provided in the amendment.
2006	Voters approved the proposed constitutional amendment in the general election held in November 2006.
2007	The legislature provided a statutory allocation of revenues, consistent with the constitutional amendment, which is shown below.
2009	The percentages were changed for FYs 2010 and 2011 to address operating deficits in transit. For FY 2012 and beyond, the allocation percentages are the same as in the legislation passed in 2007.

Statutory allocation of motor vehicle sales tax revenues
Enacted by the 2007 Legislature
Consistent with the constitutional amendment passed by the voters in November 2006

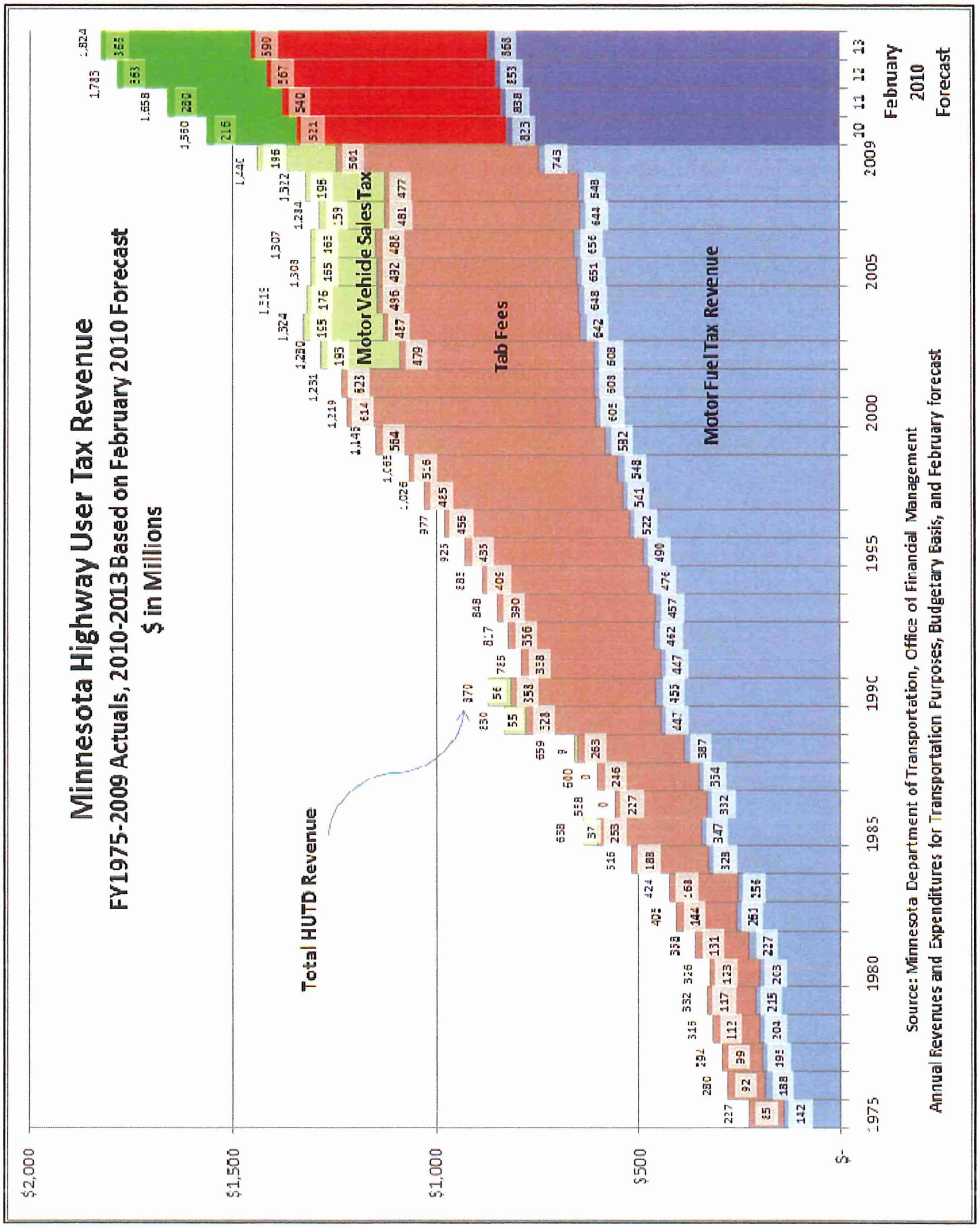
Fiscal Year	FY2008	2009	2010	2011	2012
Highway user tax distribution fund	38.25%	44.25%	50.25%	56.25%	60%
Metropolitan transit	24.00%	27.75%	30.00%	33.75%	36%
Greater Minnesota transit	1.50%	1.75%	3.50%	3.75%	4%
Total to transportation	63.75%	73.75%	83.75%	93.75%	100%

Statutory allocation of motor vehicle sales tax revenues
Fiscal Years 2010 and 2011 shift to transit
Enacted by the 2009 Legislature

Fiscal Year	FY2008	2009	2010	2011	2012
Highway user tax distribution fund	38.25%	44.25%	47.5%	54.5%	60%
Metropolitan transit	24.00%	27.75%	31.5%	35.25%	36%
Greater Minnesota transit	1.50%	1.75%	4.75%	4%	4%
Total to transportation	63.75%	73.75%	83.75%	93.75%	100%

HISTORICAL TRENDS IN HIGHWAY REVENUE TO THE HUTD,
1975 TO 2008 AND FORECAST TO 2013

The following page shows the history of the major state highway revenue sources in Minnesota and the November 2009 forecast for the period of FY2010 to FY2013.



Appendix

This section includes a range of additional detailed or background information:

- Current forecast fund statements for the major transportation state funds:
  - Highway User Tax Distribution fund statement, February 2010 forecast;
  - Trunk Highway fund statement, February 2010 forecast;
  - State Airports fund statement, February 2010 forecast;
  - Transit Assistance fund statement, February 2010 forecast (MVST that is dedicated to metropolitan transit and Greater Minnesota transit);

- Vehicles Miles Traveled (VMT) and Motor Fuel Consumption from 1975 to the present, together with implied overall fleet efficiency (VMT per gallon of fuel);
- Revenue and expenditures for transportation purposes, all sources of funds, FY2009 final (budgetary basis), on the last page.

Note: Mn/DOT's supplemental budget submission is available on the Department of Finance/MMB web site at http://www.mmb.state.mn.us/

February 2010 Forecast-Transportation

Highway User Tax Distribution Fund

February 2010 forecast

Comparison with November 2009

($ in thousands)	February 2010 forecast					Change from November 2009				
Year	Closing	Budget	Budget	Planning	Planning	Closing	Budget	Budget	Planning	Planning
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Beginning Balance	$4,671	$280	$0	$0	$0	0	0	0	0	0
REVENUES										
Gasoline and Special Fuel Taxes	742,588	822,724	837,966	852,780	868,019	0	0	0	0	0
Motor Vehicle License Tax	501,441	521,178	540,131	566,574	589,997	0	5,783	2,062	1,742	679
Motor Vehicle Sales Tax	195,500	216,331	279,888	363,180	365,520	0	11,407	23,158	40,560	35,820
Other	1,850	1,539	1,739	2,439	2,639	0	0	-200	0	200
Total Revenues	1,441,379	1,561,772	1,659,724	1,784,973	1,826,175	0	17,190	25,020	42,302	36,699
ACTUAL & ESTIMATED USES										
Appropriations to Mn/DOT, Revenue, DPS	10,746	11,305	11,605	11,605	11,605	0	0	0	0	0
Transfers--DNR	15,629	18,942	19,880	20,244	21,001	0	0	0	0	0
Transfers--Flexible Highway & Township	70,487	76,514	81,334	87,578	89,598	0	860	1,251	2,115	1,835
Transfers--County State-Aid Highway	390,844	421,593	448,150	482,556	493,687	0	4,736	6,893	11,654	10,111
Transfers--Municipal State-Aid Highway	121,179	130,839	139,081	149,759	153,213	0	1,470	2,139	3,617	3,138
Transfers--Trunk Highway	834,791	901,337	958,113	1,031,671	1,055,470	0	10,125	14,737	24,916	21,616
Other	2,094	1,521	1,562	1,560	1,600	0	0	0	0	0
Total Uses	1,445,770	1,562,052	1,659,724	1,784,973	1,826,175	0	17,190	25,020	42,302	36,699
Ending Balance	$280	$0	$0	$0	$0	0	0	0	0	0

PURPOSE OF FUND/SOURCE OF FUNDING/PRIMARY EXPENDITURES

The highway user tax distribution (HUTD) was established by the Minnesota Constitution to be used solely for highway purposes. The fund receives revenue from motor vehicle related taxes and fees, including motor vehicle license tax, motor vehicle sales tax (MVST), and gasoline and special fuels taxes. All interest and profits from the investments of the fund must be credited to HUTD. All revenue is then transferred to various highway related funds.

The Minnesota Constitution requires that 95 percent of the revenues deposited into the HUTD be distributed as follow: 62 percent to the trunk highway fund (TH), 29% to the county state aid highway fund (CSAS), and 9 percent to the municipal state aid street fund (MSAS). The remaining 5% percent of revenues are distributed to these same funds according to a formula.

FORECAST COMPARISON

Gas tax: Due to fuel tax rate changes, implied gallons used is a clearer comparison than revenue. Implied gallons are unchanged since the Nov 2009 forecast. We again used FY2009 actual implied gallons as the forecast implied gallons for FY2010-13. This led to no change in revenue for FY2010&11, and Y2012&13.

Tab fees: Global Insights Inc.(GII), forecasts new light vehicle sales for the remainder of FY2010 and the next three years. These forecasts show new car sales beginning to recover after midyear 2009. Minnesota's new car registrations for FY2010 and beyond were forecast to grow at comparable rates to GII's forecast for the nation, and the new tab fee schedule was used to estimate revenue. Truck registrations were added. The resulting forecasted revenue increase for FY2010&11 is $7.8M, and $2.4M in FY2012&13.

MVST: New and used car sales directly affect revenues from MVST. Year by year estimates increase due to the continued phase-in of the constitutional dedication of MVST to transportation, as well as the forecast recovery of new car sales in FY2011 and beyond. Forecasted revenue increase for FY2010&11 is $34.6M, and $76.4M in FY2012&13.

February 2010 Forecast-Transportation

Trunk Highway Fund
February 2010 forecast
Comparison with November 2009

($ in thousands)	February 2010 forecast					Change from November 2009				
Year	Closing	Budget	Budget	Planning	Planning	Closing	Budget	Budget	Planning	Planning
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Beginning Balance	$143,499	$90,355	$39,774	$145,979	$206,883	$0	$0	$8,425	$22,269	$49,775
Prior year adjustments	$1,308	$3,132	$0	$0	$0	$0	$0	$0	$0	$0
Adjusted Beginning Balance	$144,807	$93,487	$39,774	$145,979	$206,883	$0	$0	$8,425	$22,269	$49,775
REVENUES AND TRANSFERS										
Transfer from HUTD	$834,791	$901,337	$958,113	$1,031,671	$1,055,470	$0	$10,125	$14,737	$24,916	$21,616
Federal aid agreements	$583,370	$507,316	$429,900	$386,200	$386,200	$0	$0	$0	$0	$0
Other income	$97,195	$77,795	$79,595	$84,720	$86,820	$0	-$1,700	-$900	$2,700	$4,800
Total Revenues and Transfers	$1,515,356	$1,486,448	$1,467,608	$1,502,591	$1,528,490	$0	$8,425	$13,837	$27,616	$26,416
ACTUAL & ESTIMATED USES										
Mn/DOT	$1,421,810	$1,380,788	$1,179,867	$1,228,961	$1,225,722	-$154	$0	$0	$0	$0
DPS and other	$88,456	$88,831	$88,631	$88,630	$88,630	$154	$0	$0	$0	$0
Debt service	$59,542	$70,542	$92,905	$124,096	$139,855	$0	$0	-$7	$110	$106
Total Uses	$1,569,808	$1,540,161	$1,361,403	$1,441,687	$1,454,207	$0	$0	-$7	$110	$106
Balance before reserves	$90,355	$39,774	$145,979	$206,883	$281,166	$0	$8,425	$22,269	$49,775	$76,084
Reserved for approp. carried forward	$50,290	$0	$0	$0	$0	$0	$0	$0	$0	$0
Ending Balance	$40,065	$39,774	$145,979	$206,883	$281,166	$0	$8,425	$22,269	$49,775	$76,084

PURPOSE OF FUND

The trunk highway fund was established by the Minnesota Constitution for highway construction, improvement and maintenance.

SOURCE OF FUNDING

The trunk highway fund receives 62 percent of highway user tax distribution (HUTD) fund revenues (aside from the five percent of HUTD revenues that are distributed in accordance with a formula that the legislature periodically establishes), money from the federal government as aid in construction and maintenance of trunk highways, and other sources of direct income. Trunk highway bond proceeds from the sale of bonds as authoized by Article XIV of the constitution are deposited in a separate trunk highway bond fund.

FORECAST COMPARISON

The Trunk Highway fund has two major sources of revenues: state funds from the distribution from the HUTD fund, and federal aid agreements, primarily for construction contracts.
Compared to November 2009, Federal aid agreements are unchanged. The transfer from HUTD is expected to increase by $10.1M in FY2010 and $14.7M in FY2011.
Detailed discussion of state revenue source changes are included with the HUTD fund statement summary. Debt service transfers are expected to remain unchanged in FY 2010, and increase only $.007M in FY 2011, due to interest rate changes.
The forecast for FY2010 is for a fund balance surplus of $39.8M, compared to a November 2009 fund balance of $31.3M. For FY2011, this forecast is for a surplus of $146M - an increase of $22.3M.

February 2010 Forecast-Transportation

State Airports Fund
February 2010 forecast
Comparison with November 2009

($ in thousands)	February 2010 forecast					Change from November 2009				
Year	Closing	Budget	Budget	Planning	Planning	Closing	Budget	Budget	Planning	Planning
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Balance Forward From Prior Year	$3,605	$8,127	$3,377	$1,512	($7)	$0	$0	-$38	-$218	-$148
Prior Year Adjustments	$1,177	$0	$0	$0	$0	$0	$0	$0	$0	$0
Adjusted Balance Forward	$4,782	$8,127	$3,377	$1,512	($7)	$0	$0	-$38	-$218	-$148
Receipts:										
Airline Flight Property Tax	$7,964	$7,805	$7,800	$7,800	$12,033	$0	$5	$0	$0	$0
Aircraft Registration Tax	$6,213	$6,200	$6,517	$6,517	$6,517	$0	$0	$0	$0	$0
Gasoline & Special Fuel Tax	$3,172	$3,100	$3,193	$3,289	$3,421	$0	$0	$0	$0	$0
Departmental Earnings (1)	$384	$510	$510	$510	$510	$0	$10	$10	$10	$10
Investment Income	$642	$180	$250	$500	$600	$0	-$260	-$190	$60	-$200
Other Income	$43	$300	$93	$93	$93	$0	$207	$0	$0	$0
Total Receipts	$18,418	$18,095	$18,363	$18,709	$23,174	$0	-$38	-$180	$70	-$190
ACTUAL & ESTIMATED USES										
Expenditures:										
Transportation, Department of	$15,057	$22,615	$20,177	$20,177	$20,177	$0	$0	$0	$0	$0
Minnesota Mgmt and Budget	$0	$50	$50	$50	$50	$0	$0	$0	$0	$0
Legislature	$16	$179	$0	$0	$0	$0	$0	$0	$0	$0
Revenue, Department of	$0	$1	$1	$1	$1	$0	$0	$0	$0	$0
Total Expenditures	$15,073	$22,845	$20,228	$20,228	$20,228	$0	$0	$0	$0	$0
Budgetary Balance	$8,127	$3,377	$1,512	($7)	$2,939	$0	-$38	-$218	-$148	-$338

Note 1: Excludes loan transactions from Hangar Revolving Fund

PURPOSE OF FUND
The purpose of the State Airports Fund is to provide technical and financial assistance to municipal airports, to improve air transportation facilities, to promote air safety, to establish and promote air service, and to pay costs of aeronautics staff in the Department of Transportation.

SOURCE OF FUNDING
1) Revenues are from aviation related taxes and fees, including aircraft registration tax, airline flight property tax, and gasoline and special fuel taxes.
2) Investment income earned by the fund is credited to the fund.

FORECAST COMPARISON
Compared with November 2009 forecast, aircraft registration tax is only slightly lower than in FY2010, consistent with FY2010 actual tax, and unchanged in subsequent years. Investment income is estimated to decrease a total of $ .450 M in FY2010-11 and $.140 M in FY2012-13, primarily due to lower actual interest rates. The airline flight property tax estimate for FY2013 includes $4.223 million that Northwest Airlines did not pay for its 2005 airflight property tax liability, due to filing for bankruptcy in 2005. The airline emerged from bankruptcy in 2007, and the deadline for paying this tax is 2013.

February 2010 Forecast-Transportation

Transit Assistance Fund

February 2010 forecast
Comparison with November 2009

($ in thousands)	February 2010 forecast					Change from November 2009				
Year	Closing	Budget	Budget	Planning	Planning	Closing	Budget	Budget	Planning	Planning
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Balance forward	$250	$648	$0	$0	$0	0	0	-1	-1	-1
Motor Vehicle Sales Tax	130,333	162,554	199,925	242,120	243,680	0	7,604	15,561	27,040	23,880
Leased Vehicle Sales Tax	0	0	5,025	6,955	8,625	0	0	990	2,470	2,565
Total Receipts	130,333	162,554	204,950	249,075	252,305	0	7,604	16,551	29,510	26,445
ACTUAL & ESTIMATED USES										
Metropolitan Council	122,602	141,720	179,483	217,908	219,312	0	6,810	13,939	24,336	21,492
Transportation Department	7,333	21,482	25,468	31,167	32,993	0	795	2,613	5,174	4,953
Total Uses	129,935	163,202	204,950	249,075	252,305	0	7,605	16,551	29,510	26,445
Budgetary Balance	648	0	0	0	0	0	-1	-1	-1	-1

PURPOSE OF FUND

The transit assistance fund is established within the state treasury. It receives money distributed under section 297B.09, subdivision 1, and other money as specified by law. Money in the fund must be allocated to the greater Minnesota transit account and the metropolitan area transit account in the manner specified in section 297B.09, subdivision 1, and must be used solely for transit purposes under the Minnesota Constitution, article XIV, section 13.

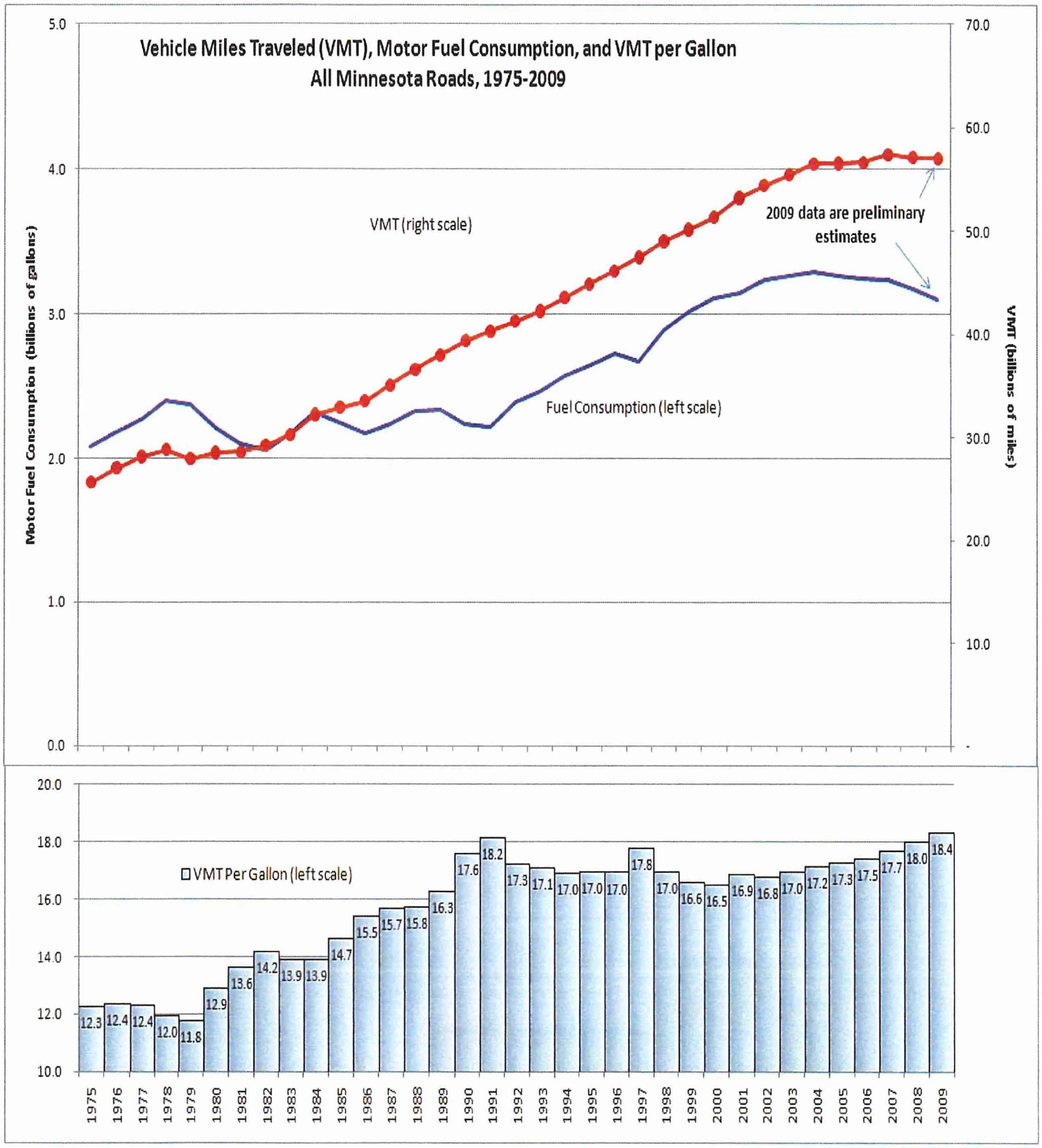
SOURCE OF FUNDING

1) Revenues are from motor vehicle sales taxes.

2) The greater Minnesota transit account receives half of the net proceeds from the sales tax on leased vehicles, starting with the first distribution of net funds in FY 2011.

FORECAST COMPARISON

Compared to November 2009 forecast, MVST revenue is estimated to be $23.2 M higher in FY2010-11 and $50.9 M higher in FY2012-13. This follows another large increase from the EOS 2009 forecast. Metropolitan Council is estimated to receive about $20.1 million more in FY2010-11 than previously forecast, and $45.8 million more in FY2012-13. Greater Minnesota transit's share is up $3.4 M total in FY2010-11 and about $10.1 M in FY2012-13.



Sources:

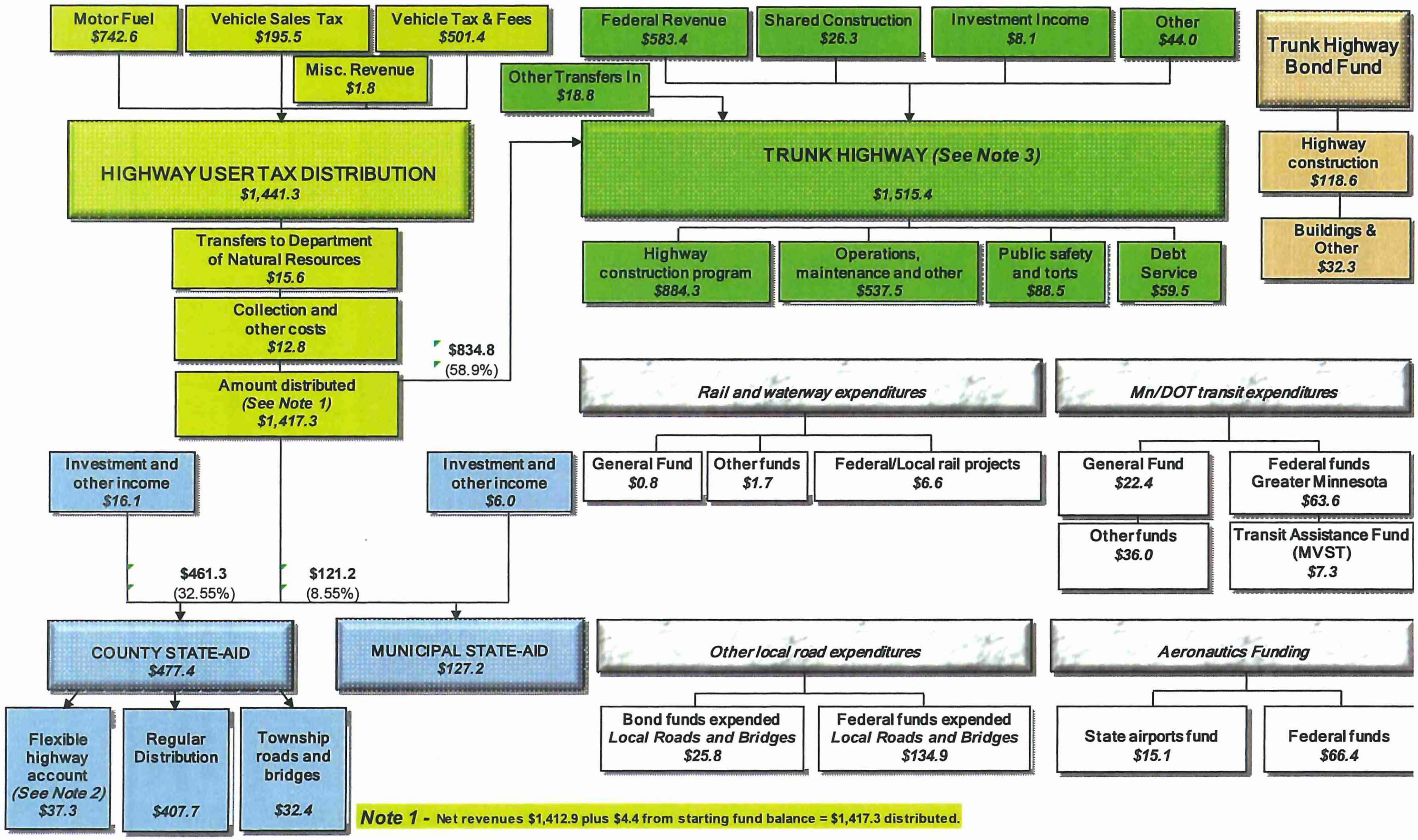
Fuel consumption: FHWA Highway Statistics, MF-2, Net Total Volume
http://www.fhwa.dot.gov/policy/ohpi/hss/index.cfm

VMT: Mn/DOT Office of Transportation Data Analysis
http://www.dot.state.mn.us/roadway/data/reports/vmt.html

STATE OF MINNESOTA

REVENUE AND EXPENDITURES FOR TRANSPORTATION PURPOSES
ALL SOURCES OF FUNDS ($ MILLIONS)

FY 2009 FINAL (BUDGETARY BASIS)



Note 1 - Net revenues $1,412.9 plus $4.4 from starting fund balance = $1,417.3 distributed.

Note 2 - Trunk highway = $15.3, County turnback = $19.2, Municipal turnback = $2.8.

Note 3 - Net revenues $1,515.4 plus $54.5 from fund balance = $1,569.9 expend. & transfers out.

Prepared by Mn/DOT Office of Financial Management
Financial Reporting
January 25, 2010