



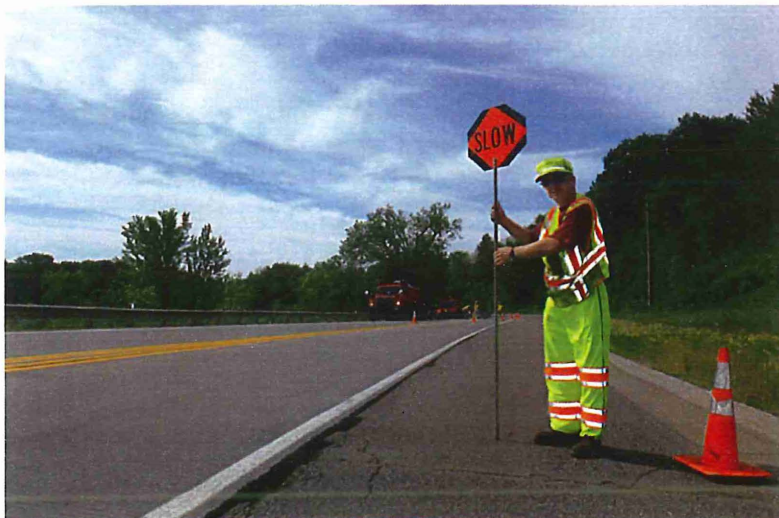
ENACTED BUDGET UPDATE

Financial Management and Legislative Briefing

The Office of Financial Management prepares this financial management and legislative briefing to provide basic information on the Minnesota Department of Transportation's (MnDOT) finances.

This document is updated to reflect the enacted budget and other 2014 legislative financial changes.

The first section describes MnDOT's **capital and supplemental 2014 enacted budgets** and a summary of MnDOT's 2014 **legislative policy initiatives**. The second section provides a basic **MnDOT financial overview**. It includes information about how transportation is funded in Minnesota, and includes a history of significant revenue changes. The appendix includes end of session (EOS) 2014 fund statements for the six transportation funds, and financial data which include FY2013 overviews of MnDOT revenues and expenditures.



Comments? This briefing was prepared by MnDOT's Office of Financial Management with writing, data, and analysis from Bruce Briese, Lynn Poirier, Kristi Schroedl, Robyn Rupp, Kim Kildal, Josh Knatterud-Hubinger and Maureen Newville. Please contact Lynn Poirier (lynn.poirier@state.mn.us) with questions, comments, or suggestions.

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Revenue and Expenditures for transportation purposes,

(Flowchart) FY201328

We all have a stake in **A to B**



TRANSPORTATION FACTS

MOTOR VEHICLE REGISTRATIONS:

Minnesota’s motor vehicle registrations totaled about 5.02 million in 2012.

LICENSED DRIVERS:

Minnesota had 4.04 million licensed drivers in 2012.

SEAT BELT USAGE

Minnesota’s seat belt usage was 94% in 2012.

VEHICLE MILES TRAVELED:

Use of Minnesota’s roads totaled an estimated 56.9 billion vehicle miles traveled in 2012.

TRANSIT:

Use of Minnesota transit systems totaled 105.4 million transit trips in 2012.¹⁾

MnDOT Office of Transit



BICYCLE TRAILS:

The State Trails system includes 1,323 developed state trail miles, of which 620 miles are paved for bicycling and other uses.²⁾

AERONAUTICS:

Minnesota has 5,152 active registered aircraft and 135 public airports.³⁾



RAIL SYSTEM:

Minnesota’s rail system consists of about 4,388 total miles of railroad, with 4,119 rail crossings.

WATERWAYS:

The Mississippi River System stretches over 222 miles in Minnesota. The five ports on this river plus four ports on Lake Superior transported a combined tonnage of 71.7 million tons.⁴⁾ In 2012, Minnesota shipped over 4.4 million tons of grain down the Mississippi.

Unless otherwise noted; all facts are from 2012 Transportation Trivia, compiled by Office of Traffic Engineering

- ¹⁾ *MnDOT Office of Transit*
- ²⁾ *DNR Division of Parks and Trails*
- ³⁾ *MnDOT Office of Aeronautics...no longer includes antiques or registered non-flyables.*
- ⁴⁾ *MnDOT Ports and Waterways website*

ENACTED 2014 CAPITAL BUDGET

LAWS 2014 - CHAPTER 294 (HF 2490 - GENERAL FUND BOND AND TRUNK HIGHWAY FUND CASH) AND CHAPTER 295 (HF1068 - GENERAL FUND CASH)

The paragraphs below describe the capital projects for MnDOT funded through the enacted 2014 capital budget process, as well as other transportation-related projects. These were primarily projects approved by the Governor for MnDOT, and several locally recommended projects where the funding will flow through MnDOT. Two bills were passed; House File (HF) 2490-3E (Chapter 294) for general obligation (GO) bonds and trunk highway (TH) cash, and HF 1068-4E (Chapter 295) for general fund (GF) cash. The type of funding is noted below for each project.

MNDOT CAPITAL PROJECTS

LOCAL BRIDGE REPLACEMENT PROGRAM
\$12,257,000 GO Bonds and \$20,743,000 GF Cash
– Total \$33,000,000.

The enacted amount provides 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. The enacted amount includes an earmark of \$11.75 M for a grant to Hennepin County for the Franklin Avenue Bridge project. A commitment of \$16.5M from nonstate sources is required.



LOCAL ROAD IMPROVEMENT PROGRAM
\$24,356,000 GO Bonds, \$30,000,000 GF Cash –
Total 54,356,000.

The enacted amount provides additional funding assistance to local governments for construction, reconstruction, or reconditioning projects on local roads with statewide or regional significance. Also, it would assist in paying the costs of rural road safety capital improvement projects. This account provides funding for projects on county

state-aid highways intended to reduce traffic crashes, deaths, injuries, and property damage. This funding would be administered in accordance with M.S. 174.52. The enacted amount includes unspecified earmarks for the City of Richfield 77th Street Underpass project and to Anoka County for the U.S. Highway 10 and County State-Aid Highway 83 (Armstrong and Boulevard) project. Ch 295 (GF cash) includes a \$250,000 earmark for Pine Lake Township in Otter Tail County for the Nitch Lake Road improvement project and an unspecified earmark for the Ramsey County - TCAAP project.

MNDOT FACILITIES:

WILLMAR DISTRICT HEADQUARTERS
\$4,370,000 – TH Cash

The enacted amount provides additional funding to complete the project originally authorized in the 2012 capital budget for \$7,500,000

LITTLE FALLS TRUCK STATION
\$3,580,000 – TH Cash

The enacted amount provides additional funding to complete the project originally authorized in the 2010 capital budget for \$3,300,000.

MODAL INVESTMENTS:

GREATER MINNESOTA TRANSIT
\$1,500,000 – GO Bonds

The enacted amount includes earmarks of \$1.1M intended to fund the St. Cloud Metro Bus Operations Center, Vehicle Storage Addition, and

Improvements, and \$400,000 to the Kandiyohi Area Transit Joint Powers Board for a bus storage garage.

SAFE ROUTES TO SCHOOLS (SRTS)
\$1,000,000 – GF Cash

The enacted amount provides grants to schools, in partnership with cities and counties, for infrastructure that improves safety or access for children walking and bicycling to school.



RAILROAD GRADE WARNING DEVICES REPLACEMENT
\$2,000,000 – GO Bonds

The enacted amount provides earmarks of \$500,000 to the City of Shoreview and \$1.25M to the City of Little Canada, along with \$250,000 in funds for other railroad grade warning device replacement.

PORT DEVELOPMENT ASSISTANCE
\$2,000,000 – GO Bonds

The enacted amount provides funds for port projects. All eligible projects require a 20% match.



RANGE REGIONAL AIRPORT
\$5,000,000 – GO Bonds

The enacted amount replaces the Chisholm – Hibbing Iron Range regional airport.

INTERNATIONAL FALLS AIRPORT
\$2,200,000 – GO Bonds

The enacted amount replaces the International Falls Airport. This appropriation is not available until an equal amount has been committed from nonstate sources.

TOTAL ENACTED MNDOT CAPITAL BUDGET ITEMS:

The total MnDOT amount enacted for the projects described above is \$109,006,000; this includes the two local airport projects. The total will be funded from the sources shown below:

- General Obligation Bonds \$51,743,000
- General Fund Cash \$49,313,000
- Trunk Highway Fund Cash \$ 7,950,000

Non-MnDOT Transportation-Related Projects

The governor’s recommendation of \$5 million for the Department of Employment and Economic Development (DEED) for the Transportation Economic Development (TED) program, jointly administered by DEED and MnDOT, did not pass.

One other provision related to MnDOT was approved – an appropriation for general obligation bonds of \$19.5 million through DEED to local governments for utilities relocation and trails related to the reconstruction project on U.S. Highway 53 in Virginia.

| | |
|--|--------------------------------|
| Minnesota Department of Transportation | Project Funding Summary |
| FY 2014 Capital Budget - Projects Summary | (\$ in Thousands) |

| Project Title | Funding Source | Governor's Rec HF 2490 / SF 2605 | Funding Source | Final HF 1068-4E GF Cash CH 295 5/16/2014 | Funding Source | Final HF 2490-3E CH 294 5/16/2014 | Grand Total CHs 294+295 5/16/2014 |
|--|----------------|----------------------------------|----------------|---|----------------|-----------------------------------|-----------------------------------|
| Local Bridge Replacement Program (Note 1) | GO | \$ 30,000 | GF | \$ 20,743 | GO | \$ 12,257 | \$ 33,000 |
| Local Road Improvement Fund Grants (Note 2) | GO | 10,000 | GF | 30,000 | GO | 24,356 | 54,356 |
| Greater MN Transit Facilities (Note 3) | GO | 1,130 | | | GO | 1,500 | 1,500 |
| Highway/Railroad Grade Crossing Warning Devices Replacement (Note 4) | GO | 2,000 | | | GO | 2,000 | 2,000 |
| Willmar Headquarters Supplemental Funding | THF | 4,370 | | | THF | 4,370 | 4,370 |
| Little Falls Truck Station Supplemental Funding | THF | 3,580 | | | THF | 3,580 | 3,580 |
| Safe Routes To School | GO | 2,000 | GF | 1,000 | | | 1,000 |
| Port Development Assistance | GO | 400 | | | GO | 2,000 | 2,000 |
| Iron Range Regional Airport (Note 5) | GO | 5,000 | | | GO | 5,000 | 5,000 |
| International Falls Airport (Note 5) | GO | 2,000 | | | GO | 2,200 | 2,200 |
| Ramsey County - TCAAP (Note 2) (Note 5) | GO | 29,000 | | | | | - |
| Total Project Funding | | \$ 89,480 | | \$ 51,743 | | \$ 57,263 | \$ 109,006 |
| Funding Sources: | | | | | | | |
| GO = General Fund General Obligation Bonds | GO | \$ 81,530 | GO | \$ - | GO | \$ 49,313 | \$ 49,313 |
| THB = Trunk Highway Fund General Obligation Bonds | THB | - | THB | - | THB | - | - |
| THF = Trunk Highway Fund Cash | THF | 7,950 | THF | - | THF | 7,950 | 7,950 |
| GF = General Fund Cash | GF | - | GF | 51,743 | GF | - | 51,743 |
| Total Project Funding | | \$ 89,480 | | \$ 51,743 | | \$ 57,263 | \$ 109,006 |

Note 1: Ch 294 (GO bonds) includes an earmark of \$11.75 for a grant to Hennepin County for the Franklin Avenue Bridge project, once \$16.5M from nonstate sources is committed.

Note 2: Ch 294 (GO bonds) includes unspecified earmarks for the City of Richfield 77th Street Underpass project and to Anoka County for the U.S. Highway 10 and County State-Aid Highway 83 (Armstrong and Boulevard) project. Ch 295 (GF cash) includes a \$250,000 earmark for Pine Lake Township in Otter Tail County for the Niche Lake Road improvement project and an unspecified earmark for the Ramsey County - TCAAP project.

Note 3: Ch 294 (GO bonds) includes earmarks of \$1.1M for the St Cloud Met Transit Commission Phase I metro bus operations center vehicle storage addition and improvements project and \$400,000 to the Kandiyohi Area Transit Joint Powers Board for a bus storage garage.

Note 4: Ch 294 (GO bonds) includes earmarks of \$500,000 to the City of Shoreview and \$1.25M to the city of Little Canada, both for rail grade safety improvements.

Note 5: These projects were included in the Local Government Projects section of the Governor's Rec, but are included as earmarks in MnDOT's section of the enacted bills. The total MnDOT section of the Governor's Rec was \$53,480 - \$45,530 GO Bonds and \$7,950 TH Cash.

ENACTED 2014 SUPPLEMENTAL BUDGET

LAWS 2014 - CHAPTER 312 (HF 3172, Articles 9 -11)

The paragraphs below describe the supplemental budget change items funded for MnDOT through the enacted 2014 supplemental budget process. These items impact the Trunk Highway Fund, the County State Aid Highway Fund (an increase in transfer from Flexible Highway Account), and the State Airports Fund. This section is updated to reflect enacted changes from HF 3172 (Chapter 312, Articles 9-11). It also summarizes other financial provisions and financial policy changes.

OPERATIONS AND MAINTENANCE INVESTMENTS

The enacted change item is a \$5 million trunk highway fund base increase in FY 14 to accelerate the replacement of snow plow equipment from a 20 year average to a more appropriate 14 year average. A \$16 million one-time trunk highway appropriation in FY 15 was also enacted for snow and ice support equipment, LED lighting on trunk highways, enhanced patching methods, changeable message signs, detection devices, and enhanced project management practices. The total additional funding for this request for FY 2014-15 is \$26 million of which \$5 million is ongoing. This amount includes \$3 million for enhanced project management which is funded within program planning & delivery, with the remaining \$23 million for operations & maintenance.

STILLWATER LIFT BRIDGE ENDOWMENT

The enacted change items transfers up to \$6 million from the current trunk highway appropriation for State Road Construction to an endowment account for the operation and maintenance of the Stillwater lift bridge. This funding would establish an endowment, and only interest earnings would be spent. This maintenance account was part of the agreement to build the new St. Croix River Crossing. The maintenance costs will be shared with Wisconsin. This would technically not be an increase in expenditures, but would instead permit a transfer from an appropriation in the approved FY 2014-15 biennial budget.

AERONAUTICS APPROPRIATION

The enacted change item is an increase of \$4 million (\$1 million in FY 14 and \$3 million in FY 15) from the state airports fund to provide the local match to federal grants, and to fund pavement maintenance and other improvements to the state's 135 airports. This proposal is made possible by the repayment by the General Fund of \$15 million that was "borrowed" in 2008 to address a General Fund budget shortfall.

HIGHWAY 14 TURNBACK SETTLEMENT

The enacted change item is an increase of \$14 million to the State Road Construction appropriation in the Trunk Highway Fund that would be used to upgrade a section of trunk highway 14 before turning it over to Steele and Waseca counties. An additional \$21 million is transferred from the Flexible Highway Account in the County State Aid Highway Fund to the Trunk Highway Fund in FY 15 to provide additional funding for this project, but is direct appropriated through the SRC. This funding is proposed as a result of a legal settlement agreement and release executed between the state and Steele and Waseca Counties agreed to by MnDOT, Steele County, and Waseca County, dated January 7, 2014.

OTHER ENACTED PROVISIONS: SUPPLEMENTAL APPROPRIATIONS LAW - CHAPTER 312, HF 3172, ART. 9-11

ADDITIONAL APPROPRIATION ITEMS:

- Transit – appropriation from the general fund for Greater MN Transit (\$ 6.5 million in FY 15), to fund 2014 election day free transit rides (\$32,000 in FY15), and a base increase for the Safe Routes to School program non—

- infrastructure grants (\$250,000 in FY 15 and beyond).
- Freight – appropriation from the general fund for railroad grade crossing safety improvements (\$2 million in FY 15).
 - Program Planning and Delivery – an appropriation from the trunk highway fund for a work zone safety education/outreach effort (\$120,000 in FY 15)
 - Operations and Maintenance - an appropriation from the trunk highway fund for snow and ice removal (\$20 million in FY 14) and winter-related trunk highway road repair (\$10 million in FY 14).
 - State road construction – an appropriation from the trunk highway fund for the Corridors of Commerce program (\$6.5 million in FY 14 and \$25 million in FY 15), and a \$505,000 base increase beginning in FY 15 for highway work zone safety initiatives.
 - A policy language change requires MnDOT add an additional two state rail safety inspector positions (from one) in FY 15, with the option to add a third position in FY 16 after consulting with railroad companies. These positions will be paid from the Special Revenue Fund, with the funding provided by assessments made of the railroad companies (a statutory appropriation). The estimated additional appropriations are \$285,000 in FY 15, \$344,000 in FY 16, and \$307,000 in FY 17 (assumes third additional position).
- for the greater Minnesota transit account in the Transit Assistance Fund.
- All MnDOT language items have been enacted and are described in more detail in the following Policy section: Rochester Maintenance Facility bond appropriation change, Flood bond appropriation cancellation correction, products and services language added, and changed TED appropriation language.
 - Certain overweight vehicle permits applicants may request that the permit expires on the same expiration date as the vehicle's registration. If requested, the fee would be prorated for the amount of the year that remains until the vehicle's registration date. Effective November 30, 2016, and results in minimal costs to the Office of Freight and Commercial Vehicles.
 - MnDOT will conduct a study on highway-rail grade crossing improvement for oil and hazardous materials transported by rail, and on rail safety. This results in minimal costs to the Office of Freight and Commercial Vehicle Operations.
 - Railroad lighting status reports are to be submitted by railroad common carriers and worker representatives each year to MnDOT. In cases of discrepancies, MnDOT will investigate. This may result in minimal costs to the Office of Freight and Commercial Vehicle Operations.
 - Money may also be expended from the rail service improvement account to pay the state matching portion of TIGER grants.
 - MnDOT must report on efficiencies implemented in FY 15 in planning and project management and delivery. The level of savings must equal a minimum of 5% of the total SRC budget that year. This will result in costs in several MnDOT offices.
 - Where feasible with existing resources, MnDOT and the DNR will cooperate to use rest areas as sites for watercraft decontamination.
 - MnDOT shall perform speed studies on all TH segments that are two-lane, two-way roads with a speed limit of 55 mph. These must all be completed in five years, approximately 1/5 each year. Where the speed limit can be safely

REVENUE AND FINANCIAL POLICY CHANGES:

- MVLST Change – Motor Vehicle Lease Sales Tax greater than \$32 million is allocated to the County State Aid Highway (CSAH) Fund and the greater Minnesota transit account in the Transit Assistance Fund. Each fund was to receive one-half of the total, but the amount allocated to the CSAH fund was capped at \$9 million for FY 2014 and 2015 by the 2013 legislature. The 2014 legislature removed the \$9 million cap for the CSAH fund for FY 2015. This resulted in an increase of \$12.685 million for the CSAH fund in FY 2015, with a corresponding decrease of the same amount

raised, MnDOT may do so and erect appropriate signs. A report is also required. This will result in costs in several MnDOT offices and districts.

- MnDOT will establish a community destination sign pilot program for wayfinding with the city of Two Harbors. This will result in minimal costs in the Office of Traffic, Safety and Technology.
- The work zone safety appropriations noted above relate to a policy change which requires speed limits to be 45 miles per hour in work zones with a lane segment closed and workers present. The estimated costs of an education campaign and the daily sign changes needed were appropriated.

OTHER ENACTED FINANCIAL PROVISIONS:

- Ch. 312 – Art. 24 (HF 3172) contains many changes related to non-emergency medical transportation (NEMT) under Medical Assistance. MnDOT currently is responsible for operating standards, including annual vehicle inspections, for all special transportation vehicles, and now all NEMT providers must comply with these standards. MnDOT will recommend the best methods to implement the operating standards provisions through a legislative report. The recommendation will include the amount of the fee required to cover the cost of MnDOT’s inspection and certification. The research and report will require minimal costs in the Office of Freight and Commercial Vehicle Operations. The inspection costs, assumed to begin February 2016, will be covered by fees from providers.
- Ch. 253 (SF 1919) requires MnDOT to obtain additional signed affidavits or statements of compliance from every contractor submitting

bids or proposals for MnDOT-let projects over \$50,000. These relate to new minimum criteria established to ensure only responsible contractors are awarded construction contracts. This will result in minimal costs in several MnDOT offices.

- Ch.227 (HF3084) – the primary unsession bill (described in the subsequent Policy section) contained some minimal cost reductions for various MnDOT offices by eliminating or changing the timing of various legislative reports
- Ch. 287 (HF 2214) - MnDOT’s housekeeping bill detailed in the subsequent Policy section contains one provision with minimal costs – extending the life of the Non-Motorized Transportation Advisory Committee by 4 years requires reimbursing members who are not government employees for expenses an additional 4 years.

MNDOT’S DEBT MANAGEMENT FORECAST AS OF 2014 END OF SESSION:

Debt Service for the TH Fund
should not exceed 20% of
annual state revenues

| \$ in millions | Actual/ Forecast | Variance from 20% |
|----------------|---------------------|----------------------|
| | | Bold = Actual |
| 2012 | 7.5% | \$ 133.6 |
| 2013 | 11.2% | 99.1 |
| 2014 | 12.4% | 88.8 |
| 2015 | 16.4% | 43.1 |
| 2016 | 18.4% | 19.7 |
| 2017 | 18.8% | 15.0 |
| 2018 | 18.4% | 19.7 |
| 2019 | 18.4% | \$ 20.4 |

FY 2014 – 2015 Direct Appropriations, including Enacted Supplemental Appropriation Changes

Dollars in thousands

| Program Name | Budget Activity Name | Fund | FY 2014-15 Enacted Budget Chapter 117 | | FY 2014-15 Supplemental Changes Chapter 312 | | FY 2014-15 Total Direct Appropriations | |
|---|---|------|---------------------------------------|------------------|---|---------------|--|------------------|
| | | | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| Multimodal Systems | Aeronautics | AIR | \$ 18,934 | \$ 18,934 | \$ 1,000 | \$ 3,000 | \$ 19,934 | \$ 21,934 |
| | | TH | 1,100 | 1,100 | - | - | 1,100 | 1,100 |
| | Transit | GF | 16,451 | 16,470 | - | 6,532 | 16,451 | 23,002 |
| | | TH | 775 | 775 | - | - | 775 | 775 |
| | Safe Routes to School | GF | 250 | 250 | - | 250 | 250 | 500 |
| | Freight | GF | 756 | 256 | - | 2,000 | 756 | 2,256 |
| | | TH | 4,897 | 4,897 | - | - | 4,897 | 4,897 |
| Commuter & Passenger Rail | GF | 500 | 500 | - | - | 500 | 500 | |
| State Roads | | | | | | | | |
| | Program Planning & Delivery | TH | 206,720 | 206,720 | - | 3,120 | 206,720 | 209,840 |
| | | HUTD | 75 | - | - | - | 75 | - |
| | State Road Construction <i>(Note 1)</i> | TH | 909,400 | 815,600 | 20,500 | 46,505 | 929,900 | 862,105 |
| | Economic Recovery Funds | TH | 1,000 | 1,000 | - | - | 1,000 | 1,000 |
| | Operations & Maintenance | TH | 262,395 | 262,395 | 35,000 | 18,000 | 297,395 | 280,395 |
| | Electronic Communications | GF | 3 | 3 | - | - | 3 | 3 |
| | | TH | 5,168 | 5,168 | - | - | 5,168 | 5,168 |
| | Debt Service | TH | 158,417 | 189,821 | - | - | 158,417 | 189,821 |
| Local Roads | | | | | | | | |
| | County State Aids | CSAH | 594,883 | 607,505 | - | - | 594,883 | 607,505 |
| | Municipal State Aids | MSAS | 152,219 | 155,060 | - | - | 152,219 | 155,060 |
| Agency Management | | | | | | | | |
| | Agency Services | AIR | 25 | 25 | - | - | 25 | 25 |
| | | TH | 41,972 | 41,972 | - | - | 41,972 | 41,972 |
| | Building Services | GF | 54 | 54 | - | - | 54 | 54 |
| | | TH | 17,784 | 17,784 | - | - | 17,784 | 17,784 |
| Total Direct Appropriations (Note 2) | | | 2,393,778 | 2,346,289 | 56,500 | 79,407 | 2,450,278 | 2,425,696 |

Totals by Fund:

| | | | | | | |
|--------------------------------------|---------------------|---------------------|------------------|------------------|---------------------|---------------------|
| Trunk Highway (TH) <i>(Note 2)</i> | 1,609,628 | 1,547,232 | 55,500 | 67,625 | 1,665,128 | 1,614,857 |
| General (GF) | 18,014 | 17,533 | - | 8,782 | 18,014 | 26,315 |
| Airports (AIR) | 18,959 | 18,959 | 1,000 | 3,000 | 19,959 | 21,959 |
| County State Aid Highway (CSAH) | 594,883 | 607,505 | - | - | 594,883 | 607,505 |
| Municipal State Aid Street (MSAS) | 152,219 | 155,060 | - | - | 152,219 | 155,060 |
| Highway User Tax Distribution (HUTD) | 75 | - | - | - | 75 | - |
| | \$ 2,393,778 | \$ 2,346,289 | \$ 56,500 | \$ 79,407 | \$ 2,450,278 | \$ 2,425,696 |

Note 1: The Legislature did direct appropriate the \$21 million transferred from the flexible highway account as part of the Highway 14 settlement. The amount is included in the 2015 State Road Construction total above, but the net impact to the trunk highway fund remains \$0.

Note 2: Does not include the 2014 enacted Capital Budget amounts for trunk highway fund cash capital building projects of \$7.950 million.

MnDOT 2014 LEGISLATIVE POLICY INITIATIVES

A number of initiatives were proposed and enacted during the 2014 legislative session. Those relating to appropriations are included in the previous summary of the supplemental budget. Others are policy oriented. All the policy initiatives are enacted in Chapter 287 (HF 2214), unless otherwise noted. Summaries of the policy initiatives follow. Further information regarding these initiatives and all other session activity can be found in [MnDOT's Office of Government Affairs' 2014 Legislative Summary](#).

ROCHESTER MAINTENANCE FACILITY

MnDOT received two appropriations for reconstruction of the Rochester Maintenance Facility, one in 2010 and the other in 2012. The unused portion (\$1,493,000) of the 2010 appropriation is transferred to the 2012 appropriation, which is being used for the second phase of this project. Ch. 312 (HF3172)

PRODUCTS AND SERVICES

MnDOT is revising its budgeting approach to one based on products and services. In conjunction with this initiative MnDOT is proposing legislation that would permit internal billing operations units for the costs of centrally managed products or services. CH. 312 (HF3172)

TRANSPORTATION ECONOMIC DEVELOPMENT (TED) PROGRAM

In previous sessions, MnDOT has received appropriations for the Transportation Economic Development Program (TED). One active appropriation is only for the current biennium, while another is available until expended. MnDOT proposes having all TED appropriations be available until expended to accommodate the nature of this program. TED projects typically are multi-year projects, which may extend from one biennium to another. Ch. 312 (HF3172)

FLOOD BOND APPROPRIATION CANCELLATION CORRECTION

MnDOT is correcting a 2007 trunk highway appropriation cancellation to reflect the actual balance that is available to be canceled. This is a technical correction that has no impact on expenditures or the fund balance. Ch. 312 (HF3172)

CONTRACTOR PAYMENTS

MnDOT is adding clarifying language to identify when a contractor payment needs to be made and to clarify that contractors are not entitled to interest under two separate sections of statute.

60 DAY CURE PERIOD

Language eliminates the 60 day period of time after default by a MnDOT contractor that MnDOT currently has to wait before making alternate arrangements for the work.

TRANSFER OF MNDOT OWNED RIGHT-OF-WAY

Language clarifies the circumstances under which MnDOT would be allowed to dispose of right-of-way, taking into account the possible suitability for bicycle and pedestrian use.

ACCRUAL OF REVENUE FOR COUNTY STATE AID HIGHWAY FUND (CSAH) AND MUNICIPAL STATE AID STREET FUND (MSAS) FOR USE IN APPORTIONMENT PROCESS

Language allows the number of months of actual revenue (currently five) that must be used in calculating the amount of revenue in a current

fiscal year available for apportionment to counties and municipalities to the number of months available at the time of the apportionment calculation. This would allow issuing the apportionments at a time earlier than what is currently done which is in January.

REPAIR OF TOWNSHIP BRIDGES WHEN INSPECTION SHOWS DEFICIENCIES

Language clarifies responsibilities between counties and townships when bridge inspections uncover deficiencies in township bridges.

WIDE TURNS BY LARGE COMBINATION VEHICLES

Due to their configuration, certain large vehicles are unable to make right turns and U-turns into the closest lane of the roadway. This language change allows these vehicles to use multiple lanes for turning if the roadway has two or more lanes of traffic in the same direction.

CONFORM AGRICULTURE VEHICLES PROVISION WITH MAP-21

A number of revisions to state laws were made as they relate to agricultural vehicles in order to conform to Minnesota law and to the provisions of the federal MAP-21 (Moving Ahead For Progress in The 21st Century) law.

NON-MOTORIZED VEHICLE TASK FORCE

Language extending the life of the Non-Motorized Vehicle Task Force by four years; the task force will expire in 2018 under this law. It is currently scheduled to expire this year.

BLUE EARTH COUNTY TURNBACK

This language amends the turnback passed by the 2013 legislature of a road in District 7. The amendment facilitates having part of the road being turned back to the City of Mankato, rather than all of it being turned back to Blue Earth County.

ROADWAY NEAR BRAINERD STATE HOSPITAL

The Department of Administration agrees to take over responsibility for a trunk highway near the old Brainerd State Hospital. MnDOT proposes that this highway be deleted from the list of statutory trunk highways contained in Minnesota Statutes Chapter 161.

UNSESSION PROPOSALS

Governor Dayton has directed state agencies to propose Minnesota state laws that are no longer needed and can be repealed. MnDOT has developed 86 proposals that would eliminate about 37 pages of statute for consideration by the legislature. These proposals have not been included in MnDOT's housekeeping bill. Two of these proposals – combining two state aid rules advisory committees into one committee and abolishing the Commuter Rail Advisory Committee – have been included in HF 1865 and eventually into HF 1863. A few others were incorporated into SF 2614, and the majority in HF 3084, Ch. 227 (HF3084), Ch. 243 (SF2614), Ch. 286 (HF1863)

MINNESOTA'S TRANSPORTATION FINANCES

This section describes Minnesota's highway and some transit financing, followed by historical revenue trends since 1975.

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 \$17 million in revenues to the Trunk Highway (TH) Fund. The current tax yielded \$860 million in FY 2013 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 \$22 million in FY 2013, were termed "unrefunded" and were transferred from the HUTD Fund to DNR accounts.

Based on information supplied by the American Petroleum Institute (as of January 2014), seven 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 these additional taxes are taken into account, nineteen states have higher gas tax rates than Minnesota.

MOTOR VEHICLE REGISTRATION TAXES

In FY 2013, motor vehicle registration taxes, after refunds, but before collection costs, yielded \$623 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 constitutionally dedicated to transportation, with 40% allocated to transit and 60% allocated to highways by state statute. In FY

2013, this amounted to \$359 million to the HUTD and \$239 million to transit.

MOTOR VEHICLE LEASED SALES TAX

In 2008, the Legislature statutorily dedicated a new source of revenue to transportation: revenue from the sales tax on motor vehicles leases. One-half of this revenue, greater than \$32 million in FY 2013 and beyond, was allocated to the CSAH Fund and one-half was allocated to the greater Minnesota transit account in the Transit Assistance Fund. The portion of this revenue received by the CSAH Fund is allocated to five of the seven metropolitan counties, not including Hennepin and Ramsey counties. The 2013 Legislature changed this policy for FY 2014 and FY 2015 by capping the amount of this revenue to be deposited in the CSAH Fund at \$9 million. The 2014 legislature again modified this provision by removing the \$9 million cap for FY 2015. The total amount of revenue greater than \$32 million received in FY 2013 was \$28.9 million.

FEDERAL HIGHWAY FUNDS

The level of federal funding is a critical issue for MnDOT 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 MnDOT and which also provides significant funding for the Department of Public Safety, \$551 million of federal aid agreements were entered into in FY 2013; this is about 33% of total revenue. In addition, a substantial amount of federal revenue is made available for local government projects. In FY 2013 \$195 million was received for local government use.

The February 2014 forecast for federal agreements revenue has not changed since the November 2013 forecast. This forecast is for lower amounts of revenue in FY 2016 and 2017, compared with FY 2014 and 2015, which in turn are lower than the amount received in FY 2013. However, it should be noted that there is a high

level of uncertainty about forecasts for years beyond FY 2014. This is due both to the expiration of the current federal authorization law (Moving Ahead for Progress in the 21st Century, or MAP-21) on September 30, 2014, and to the deteriorating ability of the federal highway trust fund (funded primarily by the federal motor fuel taxes) to fully fund the various federal transportation programs.

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. This formula may only be changed once every six years, and was most recently changed by the 1998 Legislature.

Since July 1, 1999, the five percent set-aside revenues, \$90 million in FY 2013, 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 – 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 FY 2012 through 2015. The amounts for the town road and town bridge accounts are based on percentages contained in statute. The allocations of the Flexible Highway Account are based on: FY2012 and 2013 – actual transfers; and FY 2014 and 2015 - recommendations included in the biennial budget request.

| Fiscal Year | Actual 2012 | Actual 2013 | 2014 | 2015 |
|---|-------------|-------------|------|------|
| Town Road Account @ 30.5% | 26.4 | 27.6 | 28.8 | 29.3 |
| Town Bridge Account @ 16% | 13.8 | 14.5 | 15.1 | 15.4 |
| Subtotal Township Funding | 40.2 | 42.0 | 43.9 | 44.6 |
| Flexible Highway Account | | | | |
| County Turn Back Account | 43.4 | 48.3 | 31.8 | 20.4 |
| Municipal Turn Back Account | 1.0 | - | 13.0 | 10.0 |
| Trunk Highway Fund | 1.9 | - | 5.7 | 21.0 |
| Subtotal Flexible Highway (53.5%) | 46.3 | 48.3 | 50.5 | 51.4 |
| Total Distributions of the Five Percent Set-Aside | 86.5 | 90.4 | 94.3 | 96.0 |

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 allocation (formally termed apportionment) of this money to 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%). The allocation of money for the MSAS Fund was unchanged by the 2008 legislature; the 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. Of the 147 cities that qualify for funding, 5 are below 5,000 in population, but will remain eligible for funding through 2015 due to legislation passed in 2012.

| | | | | | | |
|--|------|------|------|------|------|------|
| Number of municipalities qualifying for MSAS funds | | | | | | |
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Number of cities: | 143 | 144 | 147 | 142 | 147 | 147 |

BONDING

As of October 2013, the principal amount of outstanding trunk highway bonds totaled approximately \$1,025 million, of which \$641 million were authorized by Chapter 152 and the remainder by other laws. Approximately \$527 million of interest must be paid on these bonds. When refunding bonds are included, the total of outstanding debt service is approximately \$1,936 million.

The total amount of trunk highway bond authorizations provided by the Legislature since 2003 is \$2.8 billion. From these authorizations, \$1.8 billion of bonds have been issued. The most recent bond authorizations occurred when the 2013 Legislature approved \$300.3 million of trunk highway bonds for a Corridor of Commerce program.

If MnDOT did not sell any additional bonds in the future, principal and interest on the **outstanding** trunk highway bonds for upcoming fiscal years are:

| | | | |
|---|---------|---------|---------|
| Debt service payments on outstanding trunk highway bonds (\$ thousands) | | | |
| | FY2015 | FY2016 | FY2017 |
| Principal | 92,255 | 92,155 | 91,690 |
| Interest | 60,837 | 56,478 | 52,096 |
| Total | 153,092 | 148,633 | 143,786 |

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 2014 forecast:

| | | | | |
|---|---------|---------|---------|---------|
| Scheduled debt service transfers from the trunk highway fund (\$ thousands) | | | | |
| | FY2014 | FY2015 | FY2016 | FY2017 |
| Est. Amount: | 136,488 | 189,188 | 215,870 | 229,301 |

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 MnDOT's plans to sell significant amounts of additional bonds from the authorizations provided by the 2008 - 2013 Legislatures. As estimates of cash flow expenditures from the additional bonding authorizations are refined, these estimates of debt service will change. 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

MnDOT utilizes a type of federal financing called advance construction (AC). In general, this technique permits recognizing federal

revenues in the current year that are 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. MnDOT has developed and continues to refine advance construction and cash management techniques and policies.

HISTORY OF MnDOT 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 increases 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, JANUARY 2014

| Cents per gallon | Federal | MN | WI | SD | IA | ND |
|---------------------|---------|------|------|------|------|------|
| Gasoline | 18.4 | 28.5 | 30.9 | 22.0 | 21.0 | 23.0 |
| Diesel | 24.4 | 28.5 | 30.9 | 22.0 | 22.5 | 23.0 |
| Gasohol (10% blend) | 18.4 | 28.5 | 30.9 | 22.0 | 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

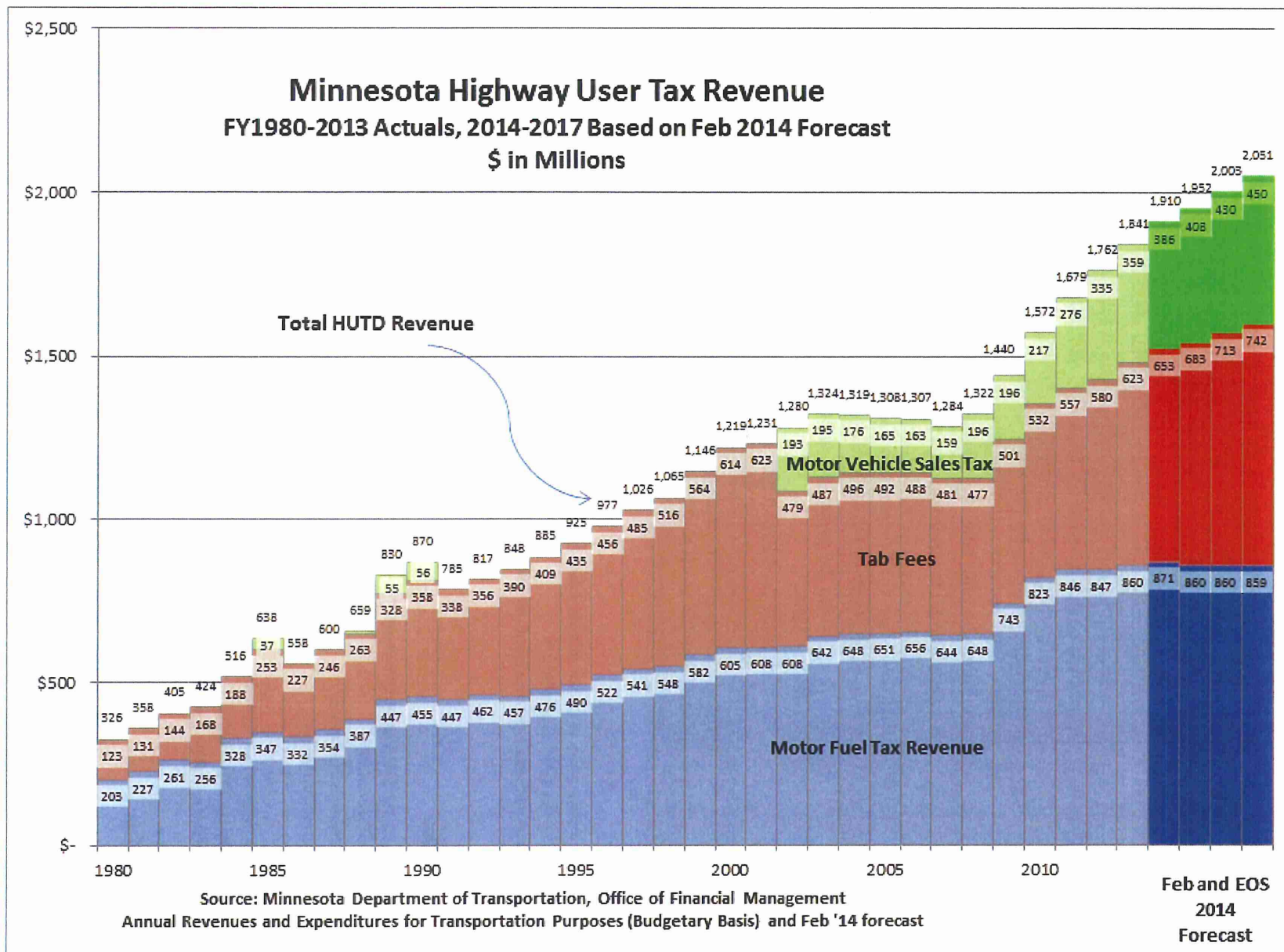
| Fiscal Year | 2008 | 2009 | 2010 | 2011 | 2012 and beyond |
|------------------------------------|-------------|-------------|-------------|-------------|------------------------|
| Highway user tax distribution fund | 38.25% | 44.25% | 50.25% | 56.25% | 60% |
| Metropolitan transit | 24.00% | 27.75% | 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 | 2008 | 2009 | 2010 | 2011 | 2012 and beyond |
|------------------------------------|-------------|-------------|-------------|-------------|------------------------|
| Highway user tax distribution fund | 38.25% | 44.25% | 47.50% | 54.50% | 60% |
| Metropolitan transit | 24.00% | 27.75% | 31.50% | 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% |



Appendix

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

- 2014 End of Session (EOS) fund statements for the major state transportation funds:
 - Highway User Tax Distribution fund statement;
 - Trunk Highway fund statement;
 - Transit Assistance fund statement;
 - State Airports fund statement;
 - County State Aid fund statement;
 - Municipal State Aid Streets fund statement;

- Vehicles Miles Traveled (VMT) and Motor Fuel Consumption from 1975 to the present, together with implied overall fleet efficiency (VMT per gallon of fuel);

- Transportation Funding, Fiscal Year 2013 - where it comes from and where it goes;

- Revenue and expenditures for transportation purposes, all sources of funds, FY 2013 final (budgetary basis), on the last page.

Note: The Governor's FY 2014-15 Supplemental Budget Recommendations are available on MMB's website.

Appendix 1

2014 End of Session - Transportation

Highway User Tax Distribution Fund

End of Session 2014 Forecast

Comparison to February 2014 Forecast

| (\$ in thousands) | End of Session 2014 Forecast | | | | | | Change from February 2014 | | | | |
|--|------------------------------|-----------|-----------|-----------|--------------|--------------|---------------------------|---------|---------|--------------|--------------|
| | Close | Close | Budget | Budget | Planning Est | Planning Est | Close | Budget | Budget | Planning Est | Planning Est |
| | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
| Balance Forward from prior year | \$1,848 | \$2,025 | \$8,691 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Prior year adjustments | \$1 | \$4,595 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Adjusted Balance Forward | \$1,850 | \$6,620 | \$8,691 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Net Revenue and Transfers-In | | | | | | | | | | | |
| Motor Fuel Excise Tax | 846,741 | 860,007 | 870,615 | 860,371 | 859,639 | 858,808 | 0 | 0 | 0 | 0 | 0 |
| Motor Vehicle Registration Tax | 579,619 | 622,586 | 652,997 | 683,000 | 713,407 | 742,161 | 0 | 0 | 0 | 0 | 0 |
| Motor Vehicle Sales Tax | 335,351 | 358,671 | 386,302 | 408,298 | 429,923 | 449,623 | 0 | 0 | 0 | 0 | 0 |
| Other income | 2,690 | 2,280 | 2,989 | 2,975 | 3,706 | 5,219 | 0 | 0 | 0 | 0 | 0 |
| Total Net Revenue and Transfers-In | 1,764,401 | 1,843,544 | 1,912,903 | 1,954,643 | 2,006,674 | 2,055,811 | 0 | 0 | 0 | 0 | 0 |
| Expenditures and Transfers-Out | | | | | | | | | | | |
| Appropriations to MnDOT, Revenue, DPS | 10,866 | 11,126 | 11,529 | 11,472 | 11,472 | 11,480 | 0 | 0 | 0 | 0 | 0 |
| Transfers--DNR | 21,196 | 21,866 | 22,051 | 22,008 | 21,876 | 21,854 | 0 | 0 | 0 | 0 | 0 |
| Transfers--5% Set-Aside | 86,542 | 90,358 | 94,334 | 95,992 | 98,600 | 101,058 | 0 | 0 | 0 | 0 | 0 |
| Transfers--County State-Aid Highway | 476,846 | 497,870 | 519,783 | 528,915 | 543,286 | 556,827 | 0 | 0 | 0 | 0 | 0 |
| Transfers--Municipal State-Aid Highway | 147,987 | 154,511 | 161,312 | 164,146 | 168,606 | 172,808 | 0 | 0 | 0 | 0 | 0 |
| Transfers--Trunk Highway | 1,019,463 | 1,064,412 | 1,111,259 | 1,130,784 | 1,161,508 | 1,190,458 | 0 | 0 | 0 | 0 | 0 |
| Other | 1,326 | 1,330 | 1,326 | 1,326 | 1,326 | 1,326 | 0 | 0 | 0 | 0 | 0 |
| Total Expenditures and Transfers-Out | 1,764,225 | 1,841,473 | 1,921,594 | 1,954,643 | 2,006,674 | 2,055,811 | 0 | 0 | 0 | 0 | 0 |
| Ending Balance | \$2,025 | \$8,691 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| No End of Session Changes | | | | | | | | | | | |

Appendix 2

2014 End of Session - Transportation

Trunk Highway Fund
End of Session 2014 Forecast
Comparison to February 2014 Forecast

(\$ in thousands)

| | End of Session 2014 Forecast | | | | | | Change from February 2014 | | | | |
|---|------------------------------|------------------|------------------|------------------|------------------|------------------|---------------------------|------------------|-------------------|-------------------|-------------------|
| | Close | Close | Budget | Budget | Planning Est | Planning Est | Close | Budget | Budget | Planning Est | Planning Est |
| | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
| Balance Forward from prior year | \$199,967 | \$397,785 | \$316,756 | \$140,346 | \$92,856 | \$99,008 | \$0 | \$0 | -\$55,500 | -\$116,024 | -\$127,029 |
| Prior year adjustments | 15,106 | 25,299 | 0 | 0 | 0 | 0 | 0 | 0 | \$0 | \$0 | \$0 |
| Adjusted Balance Forward | 215,073 | 423,084 | 316,756 | 140,346 | 92,856 | 99,008 | 0 | 0 | -\$55,500 | -\$116,024 | -\$127,029 |
| Net Revenue and Transfers-In | | | | | | | | | | | |
| Transfer from HUTD | 1,019,463 | 1,064,412 | 1,111,259 | 1,130,784 | 1,161,508 | 1,190,458 | 0 | 0 | 0 | 0 | 0 |
| Federal aid agreements | 393,993 | 550,712 | 438,775 | 512,080 | 362,980 | 361,980 | 0 | 0 | 0 | 0 | 0 |
| Other income and transfers-in | 51,041 | 63,154 | 62,622 | 78,060 | 64,064 | 78,536 | 0 | 0 | 21,000 | 0 | 0 |
| Total Net Revenue and Transfers-In | 1,464,497 | 1,678,278 | 1,612,656 | 1,720,924 | 1,588,552 | 1,630,974 | 0 | 0 | 21,000 | 0 | 0 |
| Expenditures and Transfers-Out | | | | | | | | | | | |
| Transportation Department | 1,124,582 | 1,573,451 | 1,562,609 | 1,476,787 | 1,270,515 | 1,268,417 | 0 | 55,500 | 69,575 | 5,505 | 5,505 |
| Public Safety | 84,603 | 90,850 | 89,309 | 95,779 | 95,355 | 95,877 | 0 | 0 | 5,949 | 5,500 | 5,500 |
| Transfers-Out and other | | | 660 | 6,660 | 660 | 660 | | 0 | 6,000 | 0 | 0 |
| Debt service | 72,601 | 120,305 | 136,488 | 189,188 | 215,870 | 229,301 | 0 | 0 | 0 | 0 | 0 |
| Total Expenditures and Transfers-Out | 1,281,785 | 1,784,606 | 1,789,066 | 1,768,414 | 1,582,400 | 1,594,255 | 0 | 55,500 | 81,524 | 11,005 | 11,005 |
| Balance before reserves | 397,785 | 316,756 | 140,346 | 92,856 | 99,008 | 135,727 | 0 | -\$55,500 | -\$116,024 | -\$127,029 | -\$138,034 |
| Less Appropriation Carryforward | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ending Balance | 397,785 | 316,756 | 140,346 | 92,856 | 99,008 | 135,727 | \$0 | -\$55,500 | -\$116,024 | -\$127,029 | -\$138,034 |
| Reserved Fund Balance per Policy | | \$88,398 | \$90,932 | \$86,610 | \$83,766 | \$83,900 | \$0 | \$0 | \$1,260 | \$0 | \$0 |
| Unreserved Fund Balance per Policy | | \$228,358 | \$49,414 | \$6,246 | \$15,242 | \$51,827 | \$0 | -\$55,500 | -\$117,284 | -\$127,029 | -\$138,034 |
| Debt Service Percentage Compared to State Revenue | | 11.2% | 12.4% | 16.4% | 18.4% | 18.8% | 0.0% | 0.0% | -0.3% | 0.0% | 0.0% |

Appendix 3

2014 End of Session -Transportation

Transit Assistance Fund
 End of Session 2014 Forecast
 Comparison to February 2014 Forecast

| (\$ in thousands) | End of Session 2014 Forecast | | | | | | Change from February 2014 | | | | |
|---------------------------------------|------------------------------|----------|----------|----------|--------------|--------------|---------------------------|---------|---------|--------------|--------------|
| | Close | Close | Budget | Budget | Planning Est | Planning Est | Close | Budget | Budget | Planning Est | Planning Est |
| | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
| Balance Forward from prior year | \$6,010 | \$15,622 | \$34,816 | \$27,580 | \$21,685 | \$24,975 | \$0 | \$0 | \$0 | -\$12,685 | \$0 |
| Prior year adjustments | 0 | 212 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Adjusted Balance Forward | 6,010 | 15,834 | 34,816 | 27,580 | 21,685 | 24,975 | 0 | 0 | 0 | -12,685 | 0 |
| Net Revenue and Transfers-In | | | | | | | | | | | |
| Metropolitan Area transit account | 201,210 | 215,202 | 231,781 | 244,979 | 257,954 | 269,774 | 0 | 0 | 0 | 0 | 0 |
| Greater Minnesota transit account | 22,357 | 23,911 | 25,753 | 27,220 | 28,662 | 29,975 | 0 | 0 | 0 | 0 | 0 |
| Total Motor Vehicle Sales Tax | 223,567 | 239,114 | 257,535 | 272,198 | 286,615 | 299,749 | 0 | 0 | 0 | 0 | 0 |
| Leased Vehicle Sales Tax | 9,299 | 14,438 | 27,580 | 21,685 | 24,975 | 27,560 | 0 | 0 | -12,685 | 0 | 0 |
| Total Net Revenue and Transfers-In | 232,866 | 253,552 | 285,115 | 293,883 | 311,590 | 327,309 | 0 | 0 | -12,685 | 0 | 0 |
| Expenditures and Transfers-Out | | | | | | | | | | | |
| Metropolitan Council | 201,210 | 210,929 | 236,054 | 244,979 | 257,954 | 269,774 | 0 | 0 | 0 | 0 | 0 |
| Transportation Department | 22,043 | 23,641 | 56,296 | 54,800 | 50,347 | 54,950 | 0 | 0 | 0 | -12,685 | 0 |
| Total Expenditures and Transfers-Out | 223,254 | 234,570 | 292,351 | 299,778 | 308,300 | 324,724 | 0 | 0 | 0 | 0 | 0 |
| Balance before reserves | 15,622 | 34,816 | 27,580 | 21,685 | 24,975 | 27,560 | 0 | 0 | -12,685 | 0 | 0 |
| Less Appropriation Carryforward | 0 | 0 | 27,580 | 21,685 | 24,975 | 27,560 | 0 | 0 | -12,685 | 0 | 0 |
| Less Met Council Balance | 0 | 4,273 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ending Balance | \$15,622 | \$30,543 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

Appendix 4

2014 End of Session - Transportation

State Airports Fund
End of Session 2014 Forecast
Comparison to February 2014 Forecast

| (\$ in thousands) | End of Session 2014 Forecast | | | | | | Change from February 2014 | | | | |
|---------------------------------------|------------------------------|---------|----------|---------|--------------|--------------|---------------------------|----------|----------|--------------|--------------|
| | Close | Close | Budget | Budget | Planning Est | Planning Est | Close | Budget | Budget | Planning Est | Planning Est |
| | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
| Balance Forward from prior year | 2,902 | 2,605 | 4,112 | 18,874 | 16,128 | 16,268 | \$0 | \$0 | -1,000 | -4,000 | -4,000 |
| Prior Year adjustments | 479 | 144 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Adjusted Balance Forward | 3,381 | 2,749 | 4,112 | 18,874 | 16,128 | 16,268 | 0 | 0 | -1,000 | -4,000 | -4,000 |
| Net Revenue and Transfers-In | | | | | | | | | | | |
| Transfer from General Fund | \$0 | \$0 | \$15,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | 0 | 0 |
| Sales Tax on Aircraft | 0 | 0 | 2,900 | 2,900 | 2,900 | 2,900 | \$0 | \$0 | \$0 | 0 | 0 |
| Airline Flight Property Tax | 7,287 | 12,017 | 9,201 | 8,000 | 8,000 | 8,000 | 0 | 0 | 0 | 0 | 0 |
| Aircraft Registration Tax | 6,496 | 8,704 | 3,816 | 2,500 | 2,500 | 2,500 | 0 | 0 | 0 | 0 | 0 |
| Gasoline & Special Fuel Tax | 3,470 | 2,522 | 3,539 | 5,507 | 5,775 | 5,945 | 0 | 0 | 0 | 0 | 0 |
| Other Income | 1,197 | 1,305 | 1,558 | 1,600 | 1,868 | 2,426 | 0 | 0 | 0 | 0 | 0 |
| Total Net Revenue and Transfers-In | 18,450 | 24,547 | 36,015 | 20,507 | 21,043 | 21,771 | 0 | 0 | 0 | 0 | 0 |
| Expenditures and Transfers-Out | | | | | | | | | | | |
| Transportation Department | 19,227 | 23,183 | 21,252 | 23,252 | 20,902 | 20,902 | 0 | 1,000 | 3,000 | 0 | 0 |
| Revenue Department | 0 | 0 | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 0 |
| Total Expenditures and Transfers-Out | 19,227 | 23,183 | 21,253 | 23,253 | 20,903 | 20,903 | 0 | 1,000 | 3,000 | 0 | 0 |
| Balance before reserves | 2,605 | 4,112 | 18,874 | 16,128 | 16,268 | 17,136 | 0 | -1,000 | -4,000 | -4,000 | -4,000 |
| Less Appropriation Carryforward | 1,521 | 1,487 | 1,651 | 1,815 | 1,979 | 2,143 | 0 | 0 | 0 | 0 | 0 |
| Ending Balance | 1,083 | 2,625 | 17,223 | 14,313 | 14,289 | 14,993 | \$0 | -\$1,000 | -\$4,000 | -\$4,000 | -\$4,000 |

This fund statement consists of three funds: State Airports Fund, Hangar Revolving Loan Fund, and Air Transportation Services Fund. Ending balances in the two revolving funds are not included in the consolidated fund statement ending balance since their receipts are dedicated to their specific functions.

Appendix 5

2014 End of Session -Transportation

County State Aid Fund
 End of Session 2014 Forecast
 Comparison to February 2014 Forecast

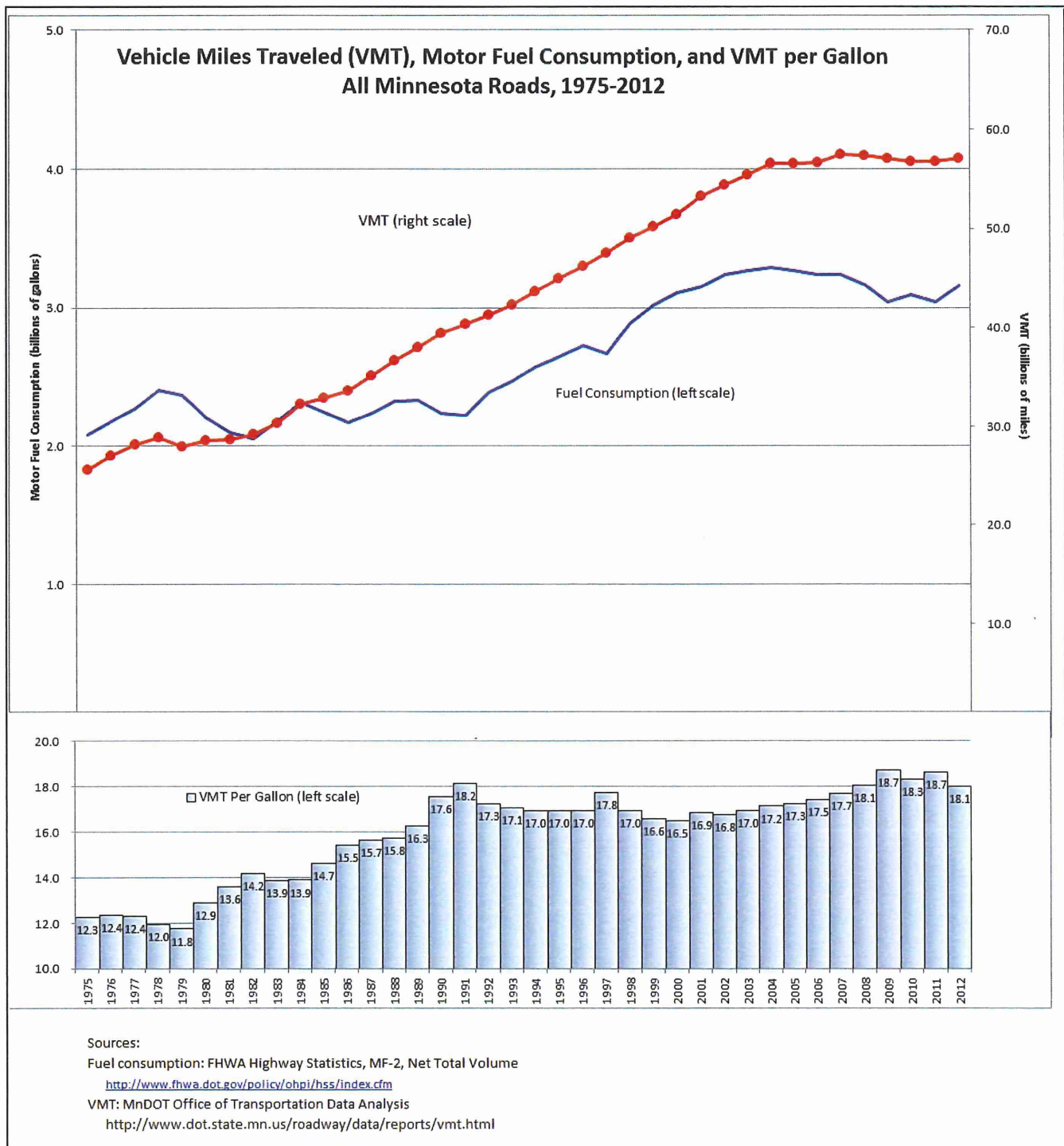
| (\$ in thousands) | End of Session 2014 Forecast | | | | | | Change from February 2014 | | | | |
|---------------------------------------|------------------------------|-----------|-----------|-----------|--------------|--------------|---------------------------|---------|----------|--------------|--------------|
| | Close | Close | Budget | Budget | Planning Est | Planning Est | Close | Budget | Budget | Planning Est | Planning Est |
| | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
| Balance Forward from prior year | \$314,720 | \$453,538 | \$488,869 | \$487,409 | \$503,136 | \$503,136 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Prior Year adjustments | 485 | 188 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Adjusted Balance Forward | 315,205 | 453,726 | 488,869 | 487,409 | 503,136 | 503,136 | 0 | 0 | 0 | 0 | 0 |
| Net Revenue and Transfers-In | | | | | | | | | | | |
| Leased Vehicle Sales Tax | 9,299 | 14,438 | 9,000 | 21,685 | 24,975 | 27,560 | 0 | 0 | 12,685 | 0 | 0 |
| Other income | 2,372 | 2,431 | 2,488 | 2,635 | 7,214 | 16,721 | 0 | 0 | 0 | 0 | 0 |
| Transfer from HUTD | 563,388 | 588,227 | 614,117 | 624,907 | 641,886 | 657,885 | 0 | 0 | 0 | 0 | 0 |
| Transfer from MSAS | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Net Revenue and Transfers-In | \$575,059 | \$605,096 | \$625,605 | \$649,227 | \$674,075 | \$702,166 | \$0 | \$0 | \$12,685 | \$0 | \$0 |
| Expenditures and Transfers-Out | | | | | | | | | | | |
| Grants to local governments | 425,372 | 560,979 | 595,518 | 588,936 | 659,799 | 687,266 | 0 | 0 | -8,569 | -63 | 0 |
| MnDOT Administrative and Research | 7,236 | 8,975 | 12,847 | 13,564 | 14,276 | 14,900 | 0 | 0 | 254 | 63 | 0 |
| Transfers to MSAS | 2,218 | 0 | 13,000 | 10,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers to Trunk Highway Fund | 1,900 | 0 | 5,700 | 21,000 | 0 | 0 | 0 | 0 | 21,000 | 0 | 0 |
| Total Expenditures and Transfers-Out | 436,726 | 569,954 | 627,065 | 633,500 | 674,075 | 702,166 | 0 | 0 | 12,685 | 0 | 0 |
| Balance before reserves | 453,538 | 488,869 | 487,409 | 503,136 | 503,136 | 503,136 | 0 | 0 | 0 | 0 | 0 |
| Less Appropriation Carryforward | 453,538 | 488,869 | 487,409 | 503,136 | 503,136 | 503,136 | 0 | 0 | 0 | 0 | 0 |
| Ending Balance | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

Appendix 6

2014 End of Session - Transportation

Municipal State Aid Fund
End of Session 2014 Forecast
Comparison to February 2014 Forecast

| (\$ in thousands) | End of Session 2014 Forecast | | | | | | Change from February 2014 | | | | |
|---------------------------------------|------------------------------|-----------|-----------|-----------|--------------|--------------|---------------------------|---------|---------|--------------|--------------|
| | Close | Close | Budget | Budget | Planning Est | Planning Est | Close | Budget | Budget | Planning Est | Planning Est |
| | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
| Balance Forward from prior year | \$129,016 | \$139,869 | \$161,492 | \$161,996 | \$167,808 | \$167,808 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Prior Year adjustments | 163 | 84 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Adjusted Balance Forward | 129,180 | 139,953 | 161,492 | 161,996 | 167,808 | 167,808 | 0 | 0 | 0 | 0 | 0 |
| Net Revenue and Transfers-In | | | | | | | | | | | |
| Other income | 1,009 | 918 | 960 | 1,002 | 2,464 | 5,521 | 0 | 0 | 0 | 0 | 0 |
| Transfer from HUDT | 147,987 | 154,511 | 161,312 | 164,146 | 168,606 | 172,808 | 0 | 0 | 0 | 0 | 0 |
| Transfer from CSAH | 2,218 | 0 | 13,000 | 10,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Net Revenue and Transfers-In | \$151,214 | \$155,429 | \$175,272 | \$175,148 | \$171,070 | \$178,329 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Expenditures and Transfers-Out | | | | | | | | | | | |
| Grants to local governments | 137,881 | 130,723 | 170,786 | 165,060 | 166,773 | 173,907 | 0 | 0 | 0 | 0 | 0 |
| MnDOT Administrative and Research | 2,644 | 3,167 | 3,982 | 4,276 | 4,297 | 4,422 | 0 | 0 | 0 | 0 | 0 |
| Transfers to CSAH | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Expenditures and Transfers-Out | 140,524 | 133,891 | 174,768 | 169,336 | 171,070 | 178,329 | 0 | 0 | 0 | 0 | 0 |
| Balance before reserves | 139,869 | 161,492 | 161,996 | 167,808 | 167,808 | 167,808 | 0 | 0 | 0 | 0 | 0 |
| Less Appropriation Carryforward | 139,869 | 161,492 | 161,996 | 167,808 | 167,808 | 167,808 | 0 | 0 | 0 | 0 | 0 |
| Ending Balance | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| No End of Session Changes | | | | | | | | | | | |

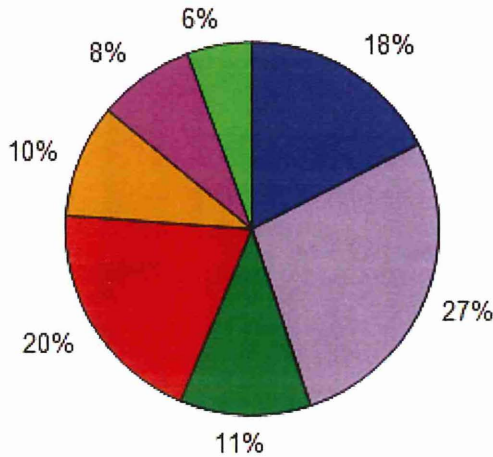


Transportation Funding, Fiscal Year 2013

Where it comes from and where it goes

\$3.14 billion

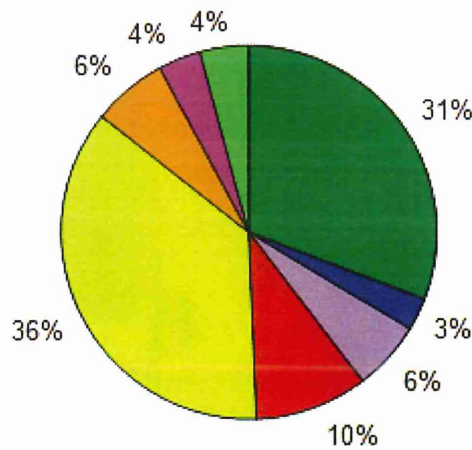
Sources of Minnesota state transportation funds:



- Federal Aid: Trunk Highway
- State Fuel Tax
- Motor Vehicle Sales Tax (MVST)
- Motor Vehicle Registration Tax
- Federal Aid: Local Roads and Multimodal
- Long-Term Debt
- Other Income and Transfers

About 80 percent of MnDOT funds are appropriated by the legislature and 20 percent are statutorily appropriated. Sources of legislative appropriations include state motor fuel taxes, motor vehicle registration fees, motor vehicle sales taxes (MVST), and federal motor fuel tax grants.

Uses of Minnesota state transportation funds:

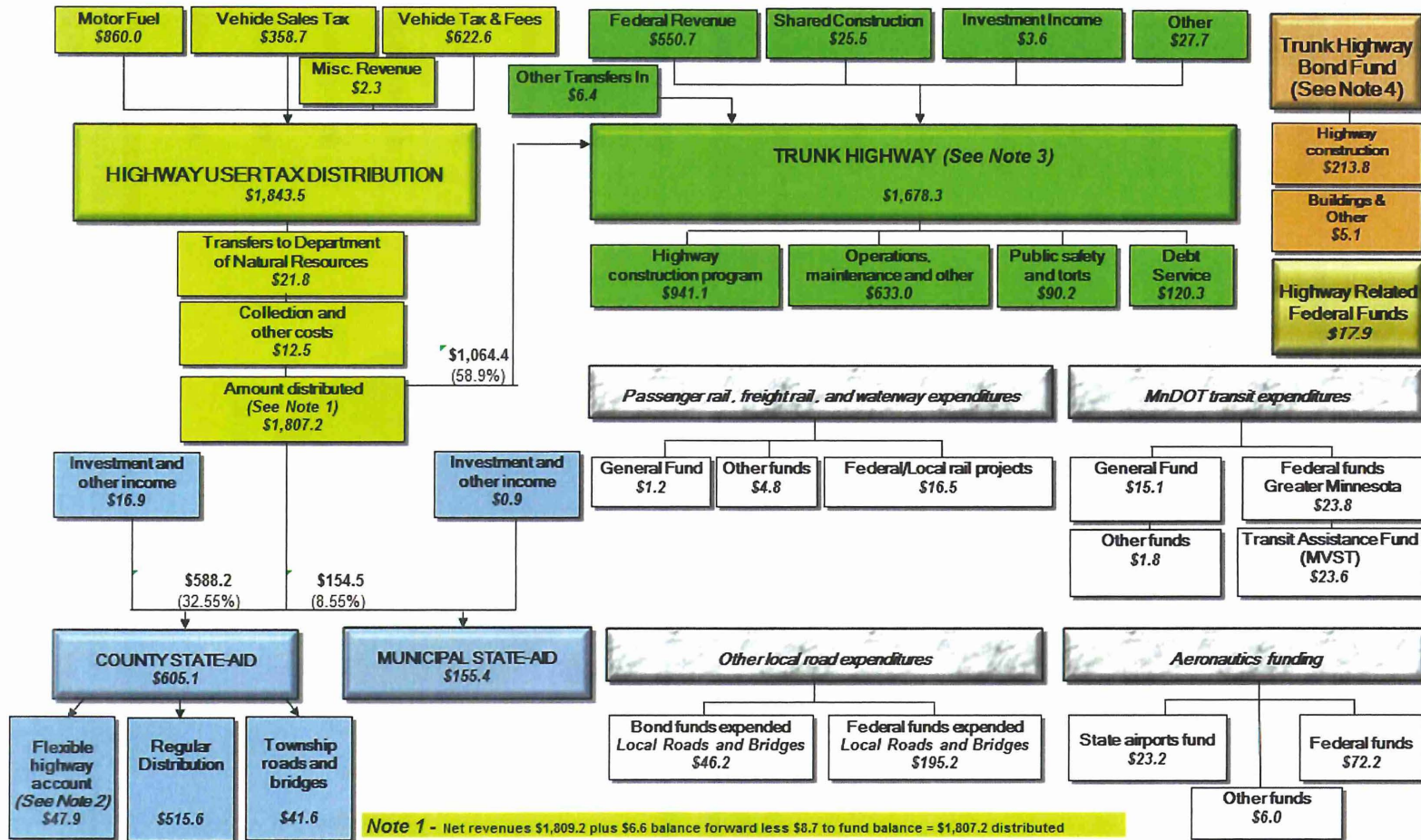


- State Aid for Local Transportation
- Public Safety Department
- Multimodal Systems
- Operations and Maintenance
- State Highway and Bridge Construction
- Program Planning and Delivery
- Debt Service
- Agency Management and Other

Mn/DOT is a multi-modal agency. Its activities include transit, aeronautics, freight and commercial vehicles, construction, maintenance, and operation of 12,000 miles of state highways. Approximately 30% of MnDOT's appropriations are state aid to local governments for road and bridge projects and other activities.

Note 1: Revenues and expenditures of the Metropolitan Airports Commission (MAC) and Metro Transit are not included.
 Note 2: Data from the State of Minnesota Revenue and Expenditures for Transportation Purposes flowchart (budgetary basis). Includes bond expenditures. Total of Sources: differs from Uses due to fund balance changes.

STATE OF MINNESOTA
REVENUE AND EXPENDITURES FOR TRANSPORTATION PURPOSES
ALL SOURCES OF FUNDS (\$ MILLIONS)
 FY 2013 (BUDGETARY BASIS)



Note 1 - Net revenues \$1,809.2 plus \$6.6 balance forward less \$8.7 to fund balance = \$1,807.2 distributed

Note 2 - County turnback = \$47.9, municipal turnback = \$0, TH turnback = \$0

Note 3 - Net revenues \$1,678.3 plus \$106.3 of fund balance = \$1,784.6 expends & transfers out

Note 4 - Bond funds reflect actual cash expenditures (FY13 budgetary expenditures = \$26.0M)

Prepared by MnDOT Office of Financial Management
 Budget and Forecasts Unit
 January 16, 2014