



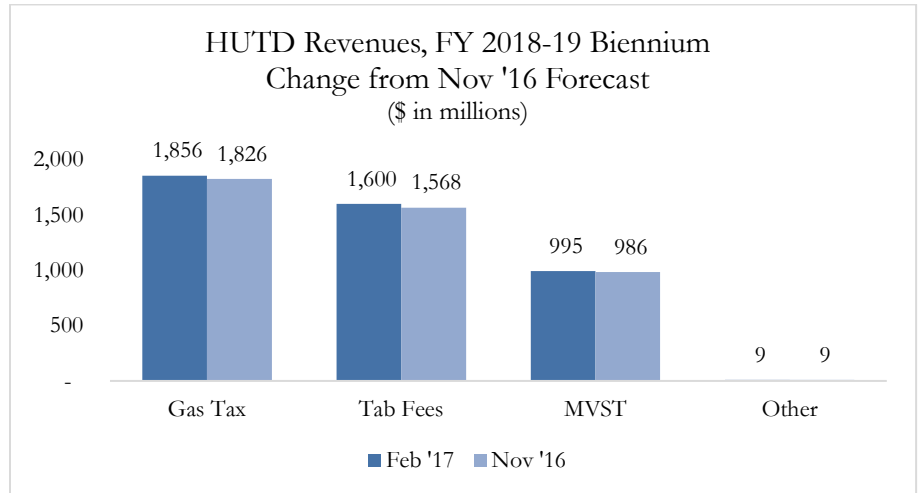
Transportation Funds Forecast February 2017

Released March 3rd, 2017

Forecast Highlights

FY 2018-19 HUTD revenues are up \$72 million (1.6 percent) from November 2016 Forecast

Gas taxes are up \$30 million (1.7 percent), registration taxes are up \$33 million (2.1 percent) and motor vehicle sales taxes are up \$8 million (0.8 percent) in the FY 2018-19 biennium compared to the November 2016 forecast.



HUTD Allocations by Fund Biennial Totals and Change from Nov '16 Forecast (\$ in millions)

Revenue Source	FY 16-17*	Change	FY 18-19	Change
Trunk Highway	2,421	18	2,587	42
CSAH	1,338	10	1,429	23
MSAS	351	3	375	6
Other (DNR, DPS, Revenue)	52	0	69	1
Total	4,162	30	4,461	72

*Note: FY 2016 allocations include prior year adjustments

HUTD Allocations by Fund

HUTD revenues are transferred to the Trunk Highway, County State Aid Highway (CSAH) and Municipal State Aid Street (MSAS) funds based on formulas established in the Minnesota Constitution and statute. Total HUTD revenues increased slightly in both biennia.

State Airports Fund Revenues

The chart details the current forecast for the four primary revenues that are collected in the State Airports Fund. Revenues did not change in this forecast.

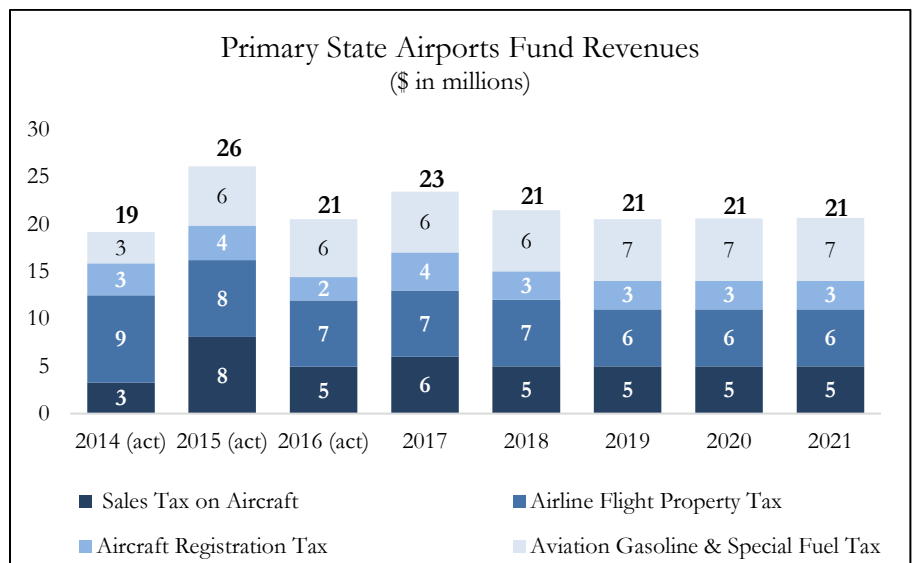


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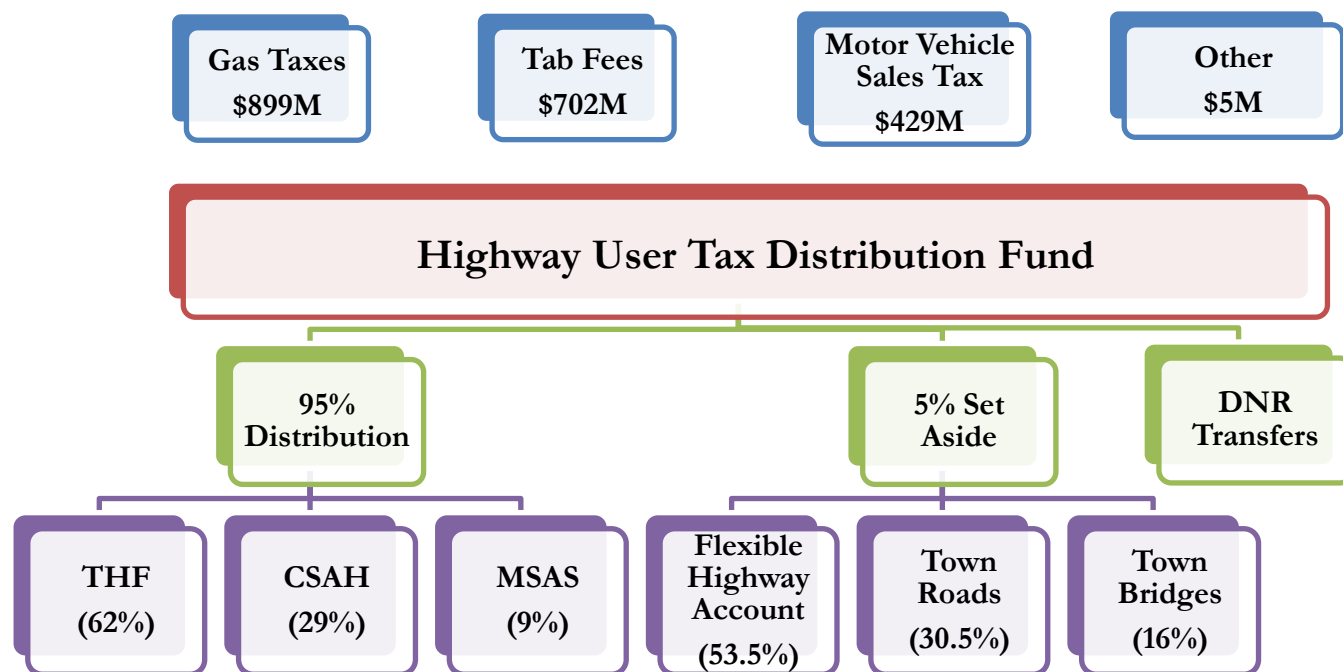
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Introduction to Transportation Funding

MnDOT is a multimodal agency encompassing not only highway construction and maintenance but aeronautics, rail and transit activities. In consultation with the Department of Minnesota Management and Budget (MMB), we prepare fund statements for six transportation funds. These fund statements are prepared in November and February of each fiscal year. Additional updates are prepared at the end of each legislative session (EOS) to incorporate law changes impacting the transportation funds. Where comparisons are made in this document to the prior forecast, changes reflect the difference from the November 2016 fund statements. MnDOT prepares fund statements for the following funds:

- Highway User Tax Distribution Fund (HUTD)
- Trunk Highway Fund (TH)
- County State Aid Highway Fund (CSAH)
- Municipal State Aid Street Fund (MSAS)
- Transit Assistance Fund (TAF)
- State Airports Fund (SAF)

HUTD Sources and Uses FY 2016



-Article XIV of the Minnesota Constitution

-DNR transfers for unrefunded gas taxes per Minnesota Statute 296A.18

Note: Numbers in the text and tables may not add to the totals due to rounding. Unless otherwise noted, years used to describe the budget outlook are state fiscal years, from July 1 to June 30.

Legal Authority for Collection of Revenue

Article XIV of the Minnesota Constitution establishes three primary sources of revenue for transportation programs that are deposited into the Highway User Tax Distribution Fund (HUTD):

Motor Fuel Excise Tax (Gas Tax): The Legislature may levy an excise tax on any means or substance used for propelling vehicles on the public highways of this state. This tax is levied on gasoline, diesel fuel, compressed natural gas and a variety of other special fuels.

Motor Vehicle Registration Tax (Tab Fees): A tax may be put in place, by law, on motor vehicles using public streets and highways. The current passenger motor vehicle registration tax policy was instituted in 2008, wherein vehicles are taxed based on \$10 plus 1.25 percent of the vehicle's value, depreciated over time through the 10th year of registration, after which the additional tax is \$25 (\$35 total). These rates are set according to Minnesota Statute 168.013, subdivision 1a. The tax for commercial vehicles is based on vehicle weight and age.

Motor Vehicle Sales Tax (MVST): This is a 6.5 percent tax on the sale of new and used motor vehicles. Revenue from a tax on the sale of a new or used motor vehicle must be allocated for the following transportation purposes:

- Not more than 60 percent must be deposited in the HUTD Fund
- Not less than 40 percent must be deposited in a fund dedicated solely to public transit

Current statute: 60 percent of this revenue is deposited in the HUTD Fund and 40 percent is deposited in the TAF.

Other Revenue: The motor vehicle lease sales tax (MVLST) is a 6.5 percent tax on most leased motor vehicles. The first \$32 million of MVLST revenue is allocated to the General Fund, and all revenue greater than \$32 million is shared equally by the CSAH and the TAF. The TAF portion is dedicated for greater Minnesota transit funding.

State Airports Fund: The SAF receives revenue from four different revenue sources that are not shared with any of the other five transportation funds. These revenues are: sales tax on aircraft, airline flight property tax, aircraft registration tax and aviation gasoline and special fuels tax. This fund was statutorily created to carry out aviation functions in Minnesota Statute (MS) 360.017.

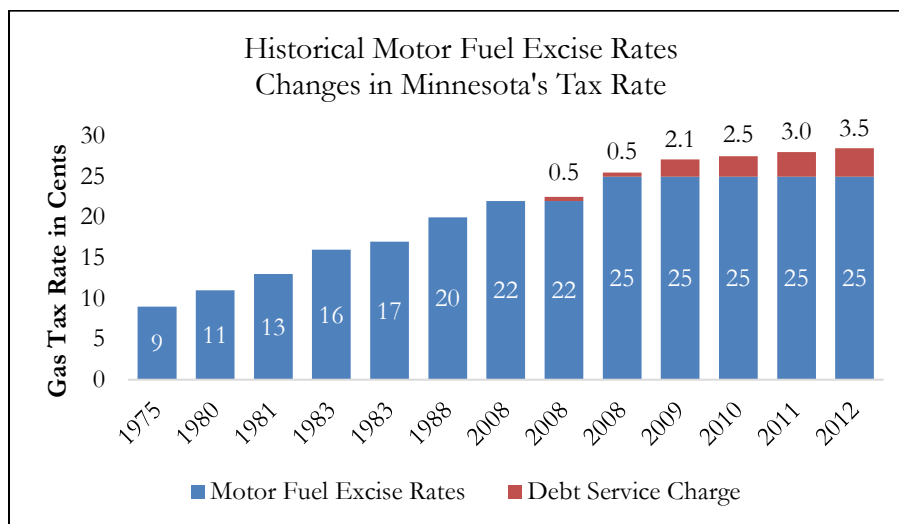
All of the funds, except the TAF, receive investment income earned on the cash balances in the funds.

Legal Citation – Quick Reference Guide	
Motor Fuel Tax	<ul style="list-style-type: none"> • Article XIV of the Minnesota Constitution • MS 296A - Tax on petroleum and other fuels • MS 296A.083 - Debt service surcharge
Vehicle Registration Tax	<ul style="list-style-type: none"> • Article XIV of the Minnesota Constitution • MS 168.013 - Taxes on passenger vehicles
Motor Vehicle Sales Tax	<ul style="list-style-type: none"> • Article XIV of the Minnesota Constitution • MS 297B.09 - Allocation of revenue
Motor Vehicle Lease Sales Tax	<ul style="list-style-type: none"> • MS 297A.815 - Allocation of revenue
Transit Assistance Fund	<ul style="list-style-type: none"> • MS 297B.09 - Allocation of motor vehicle sales tax revenue • MS 297A.815 - Allocation motor vehicle lease sales tax revenue
State Airport Fund	<ul style="list-style-type: none"> • MS 360.017

Revenue Forecast

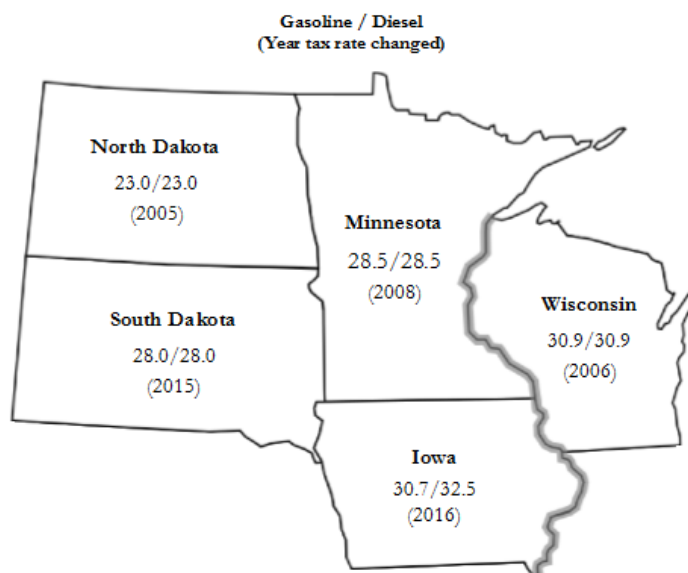
Motor Fuel Excise Tax (Gas Tax)

The current gas tax rate in Minnesota is 28.5 cents per gallon: 25 cents plus a 3.5 cent debt service surcharge. This surcharge is intended to partially cover the debt obligations for capital projects on the Trunk Highway system¹.



The map below provides information about how Minnesota's gas tax rates compare with those in the surrounding states and with federal tax rates:

Comparison of January 2017 Motor Fuel Tax Rates (per gallon)

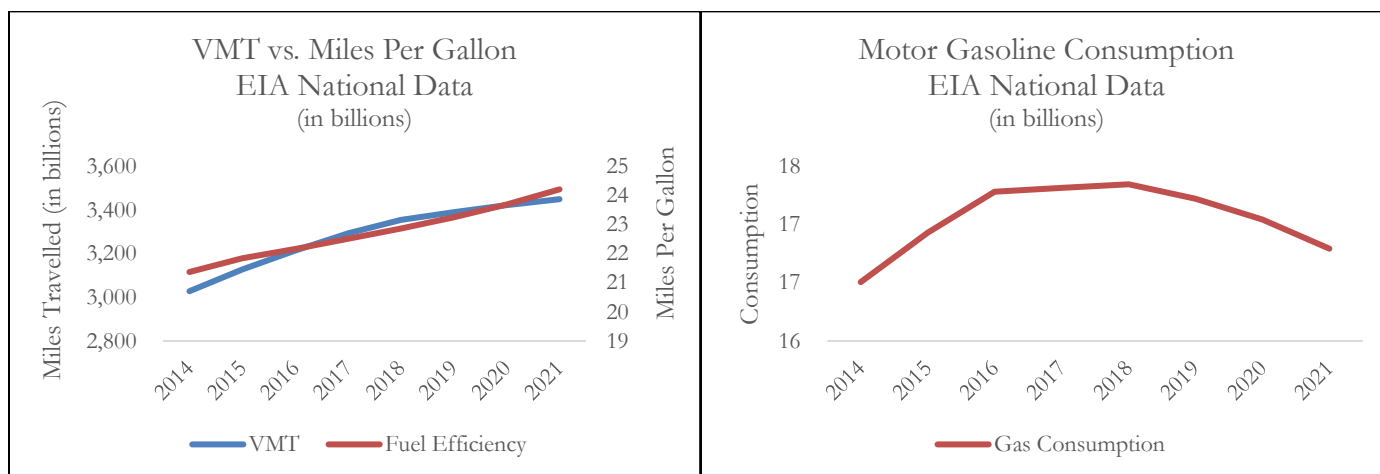


Note: Federal gas tax rate is 18.4 cents per gallon

¹ Authorized in the Laws of 2008, Chapter 152. The final debt service surcharge increase of a half cent was implemented on July 1, 2012.

The outlook for fuel consumption is affected by vehicle miles traveled (VMT) and the fuel efficiency of vehicles, which are impacted by:

- the economy and world oil prices
- long-term policy (e.g. corporate average fuel economy (CAFE) standards)
- consumer trends toward more fuel efficient vehicles
- utilization of other transportation options



To forecast the gas tax, MnDOT reviews regional forecast information from the U.S. Energy Information Administration (EIA), the federal agency that collects and analyzes energy information. MnDOT also consults the macroeconomic national forecast of U.S. gasoline consumption produced by IHS Markit (IHS). IHS provides economic information and analysis, and is the same macroeconomic consultant that MMB uses to assist with forecasting the General Fund. Finally, this information is compared with actual fuel consumption history in Minnesota.

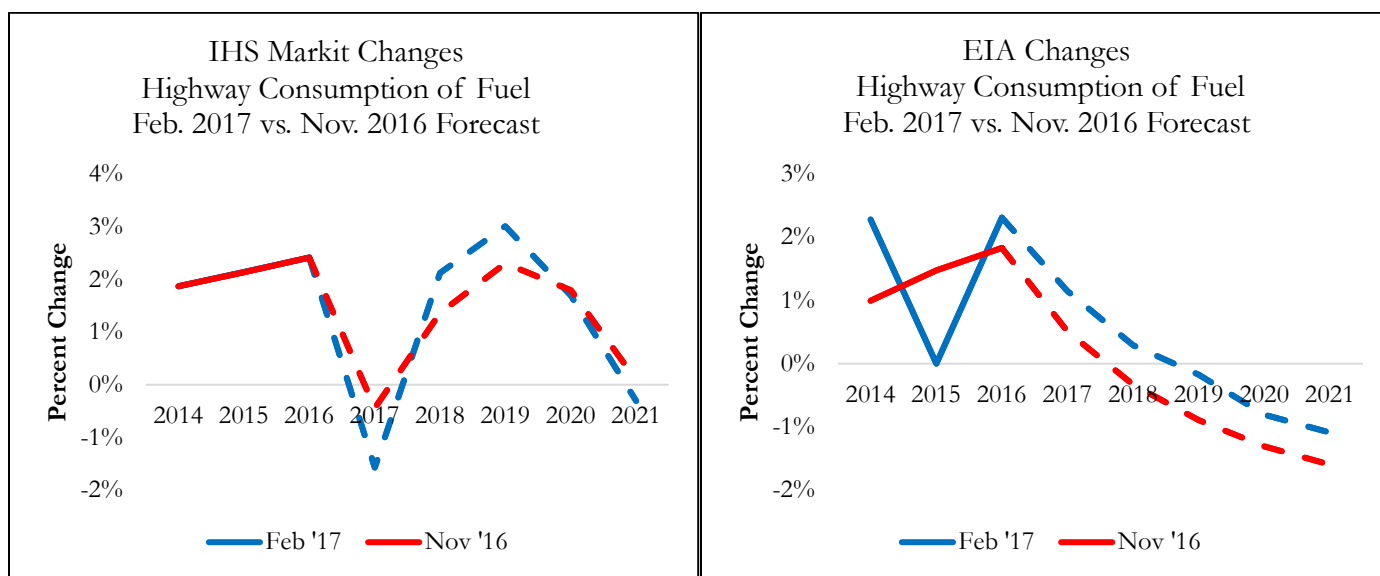
IHS Forecast

The most current IHS forecast, from February 2017, projects a sharp decline in consumption in the near term of the forecast period, but an increase in 2019 and a decline in the out years.

EIA Forecast

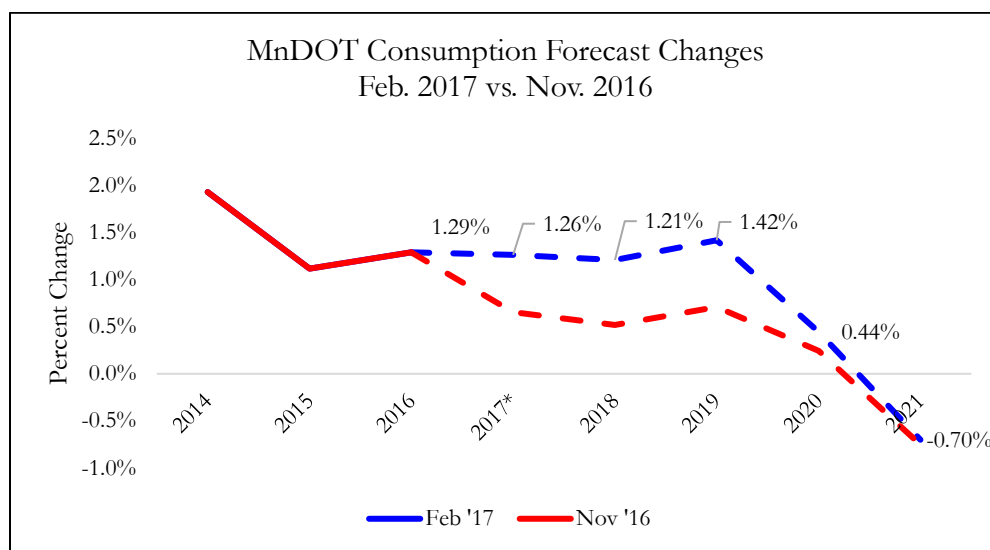
The most current forecast from EIA, the Annual Energy Outlook released in January 2017, is very similar to the version available for the November 2016 forecast, projecting declining consumption in the forecast years, although at a slower decline.

The specific forecasts are shown in the tables below:



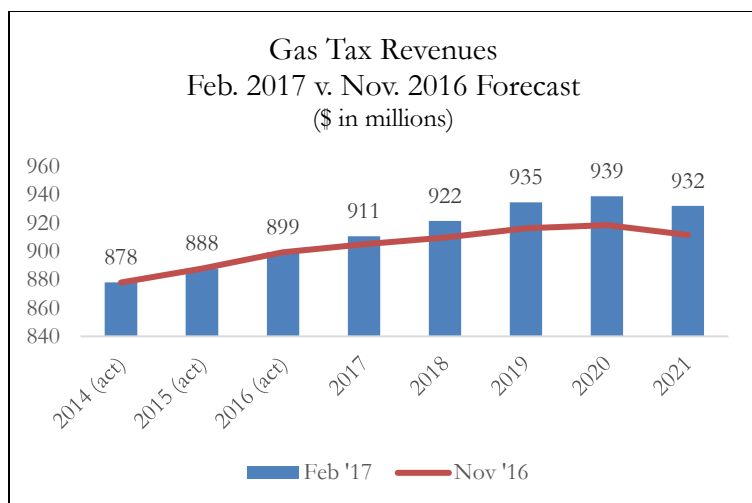
MnDOT Blended Average

MnDOT uses a blended average of the consumption forecasts by EIA and IHS for the forecast period. Although the two forecasts are somewhat divergent during the forecast years, the long-term projections from both agencies are for reduced fuel consumption as vehicle fuel efficiencies increase at a faster pace than vehicle miles traveled. When combined, the year-over-year consumption projections from EIA and IHS have increased slightly. These amounts are then multiplied by the motor fuel tax rate, resulting in the estimated revenue.



*EIA/IHS blended average of -0.21% adjusted to 1.26% in FY 2017 to account for actual YTD revenues

For the current year, the EIA and IHS forecasts are adjusted for actual year-to-date revenues. Through January, actual revenues were greater than both the November 2016 forecast and prior year actuals. Because year-to-date actual revenues are up, FY 2017 revenues increased from the November 2016 forecast, which also results in increases in all future years due to a higher base.



Gas Tax Revenues (\$ in millions)				
FY	Feb '17	Nov '16	\$ Change	% Change
2014 (act)	878	878	-	0.0%
2015 (act)	888	888	-	0.0%
2016 (act)	899	899	-	0.0%
2017	911	905	5.5	0.6%
2018	922	910	11.8	1.3%
2019	935	916	18.4	2.0%
2020	939	919	20.3	2.2%
2021	932	912	20.7	2.3%

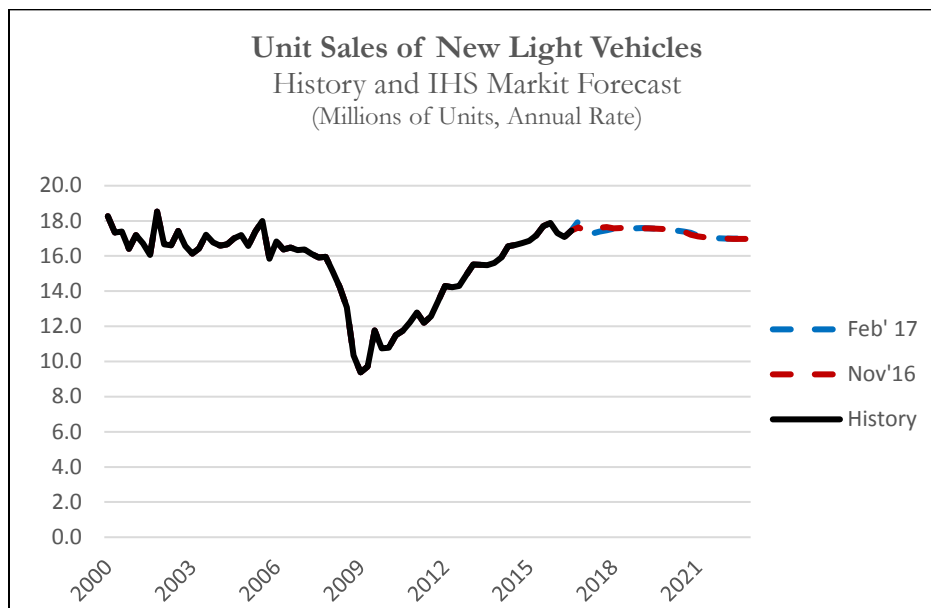
Motor Vehicle Registration Tax (Tab Fees)

Revenue collected on passenger vehicles comprises about 80 percent of the total revenue from tab fees, based on the value and age of the vehicle. The remaining revenue is provided primarily by taxes on commercial vehicles, such as trucks and buses.

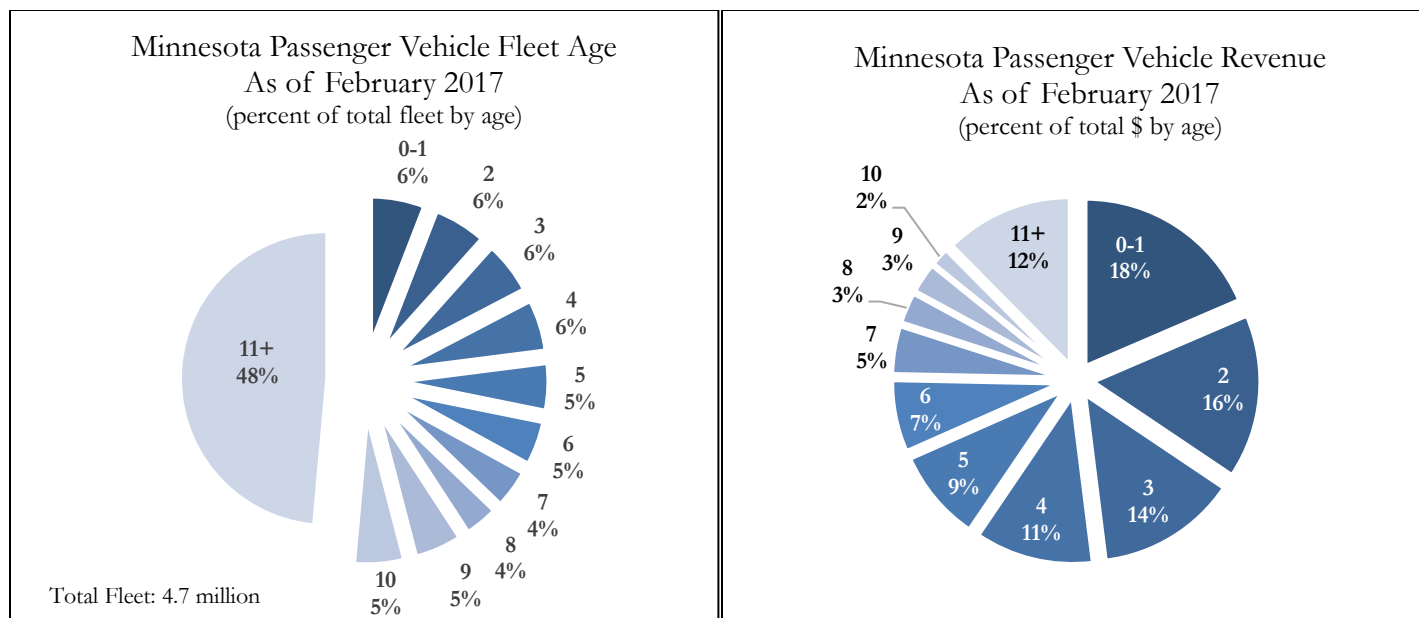
The forecast for the sale of new passenger vehicles is based on long term trends such as:

- households saving income and limiting big purchases
- increased length of vehicle ownership
- shrinking percentage of licensed drivers of legal driving age
- utilization of other transportation options

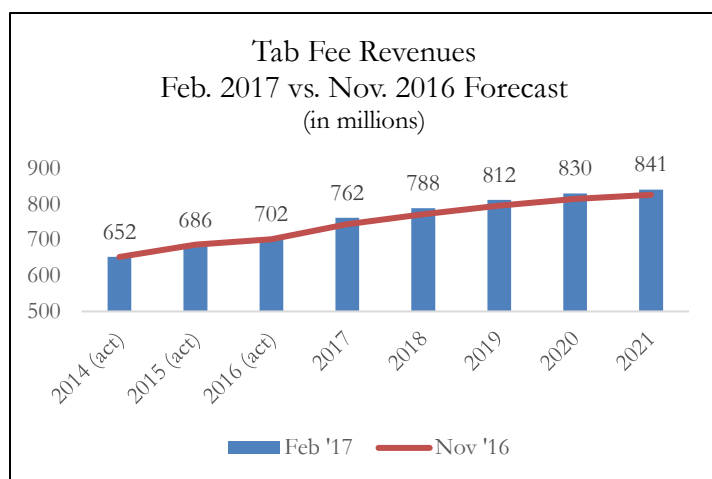
MnDOT has a model to forecast revenue from passenger vehicles that is largely based on the forecast of the purchase of new passenger vehicles. Forecasts of the sales of new vehicles are provided by IHS and reflect national levels. The chart suggests that new vehicle sales will be very similar, but slightly less, to the prior forecast.



In addition to IHS data, the forecast reflects detailed information on the state's existing fleet of vehicles by base value and age. The data is supplied by the Department of Public Safety (DPS) annually in February. This is updated once a year for the February forecast. Overall, the fleet increased 0.5 percent from the year before, and the mix of vehicles shifted from older to newer vehicles. This newer, slightly larger fleet, along with year-to-date revenues in FY 2017 being up significantly over the prior year, results in increased revenue projections in all forecast years. MnDOT assumes that an additional \$125 million per year of tab fee revenue is received from taxes on various other types of vehicles, primarily on heavy trucks.



The current forecast of revenues is shown below:

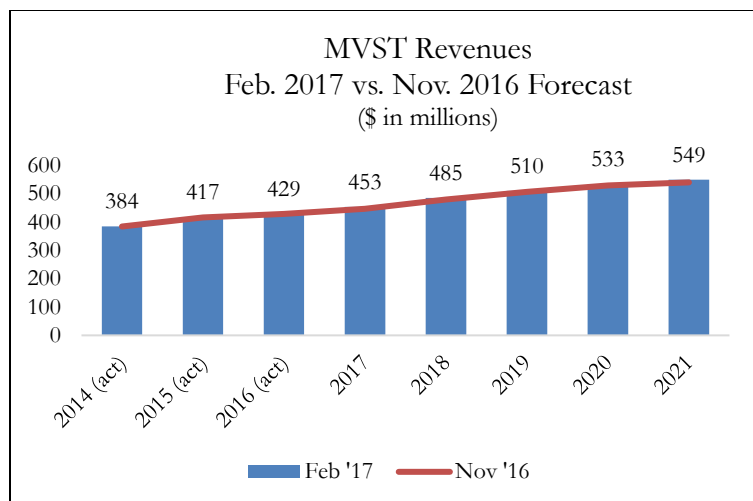


Tab Fee Revenues (\$ in millions)				
FY	Feb '17	Nov '16	\$ Change	% Change
2014 (act)	652	652	-	0.0%
2015 (act)	686	686	-	0.0%
2016 (act)	702	702	-	0.0%
2017	762	744	18.1	2.4%
2018	788	772	16.6	2.2%
2019	812	796	16.0	2.0%
2020	830	815	15.0	1.8%
2021	841	826	14.6	1.8%

Motor Vehicle Sales Tax (MVST)

The sale of motor vehicles is exempt from the general sales tax. Instead, most vehicles are subject to a 6.5 percent motor vehicle sales tax. This includes sales by car dealers and private individuals.

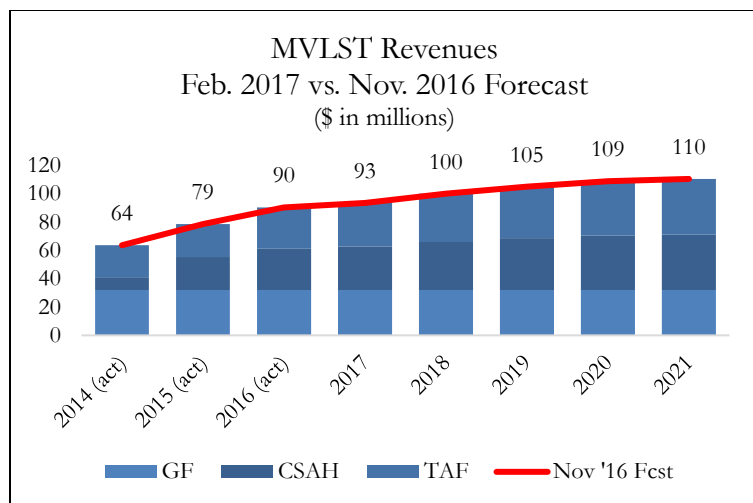
MMB prepares the official forecast of this revenue, which is based on input and data provided by IHS. Overall, MVST revenue is projected to increase in future years compared to the previous forecast. The current forecast of revenues is shown below:



MVST Revenues (\$ in millions)				
FY	Feb '17	Nov '16	\$ Change	% Change
2014 (act)	384	384	-	0.0%
2015 (act)	417	417	-	0.0%
2016 (act)	429	429	-	0.0%
2017	453	447	6.5	1.5%
2018	485	479	5.5	1.1%
2019	510	507	2.8	0.5%
2020	533	529	4.0	0.8%
2021	549	540	9.0	1.7%

Motor Vehicle Lease Sales Tax (MVLST)

The MVLST forecast is prepared by the Department of Revenue (DOR). The sales tax is collected by the lessor and reported and paid directly to DOR. The forecast in all years increased as compared to the November 2016 forecast. The current forecast of revenues is shown below:



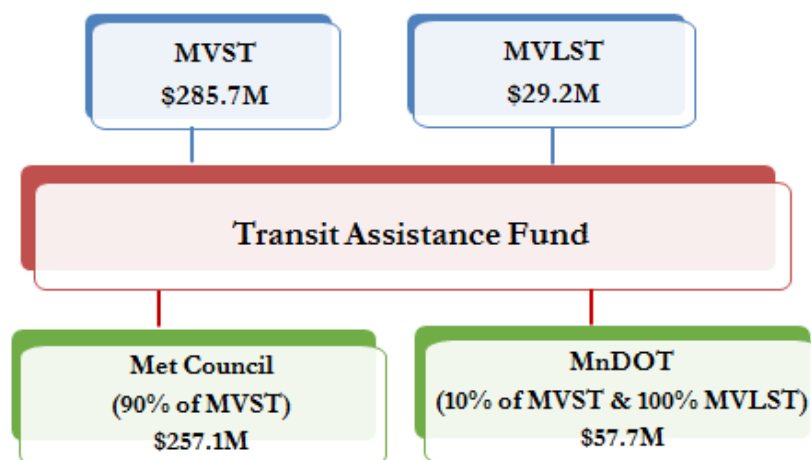
MVLST Revenues (\$ in millions)				
FY	Feb '17	Nov '16	\$ Change	% Change
2014 (act)*	64	64	-	0.0%
2015 (act)	79	79	-	0.0%
2016 (act)	90	90	-	0.0%
2017	93	92	1.3	1.4%
2018	100	98	2.4	2.5%
2019	105	103	2.2	2.1%
2020	109	106	2.4	2.3%
2021	110	107	3.4	3.2%

*Capped at \$9 million in FY2014 for CSAH

Transit Assistance Fund Revenue

The TAF receives revenue from MVST and MVLST. The MVST appropriation must be at least 40 percent of the total revenue according to the Constitution, and is currently set at 40 percent by statute (Minnesota Statute 297B.09). Of this revenue, 90 percent is allocated to metropolitan transit (36 percent of total MVST) and 10 percent is allocated to Greater Minnesota Transit (4 percent of total MVST). The fund receives fifty percent of the total MVLST revenues above the first \$32 million that is appropriated to the General Fund.

Transit Assistance Fund Sources of Revenue FY 2016



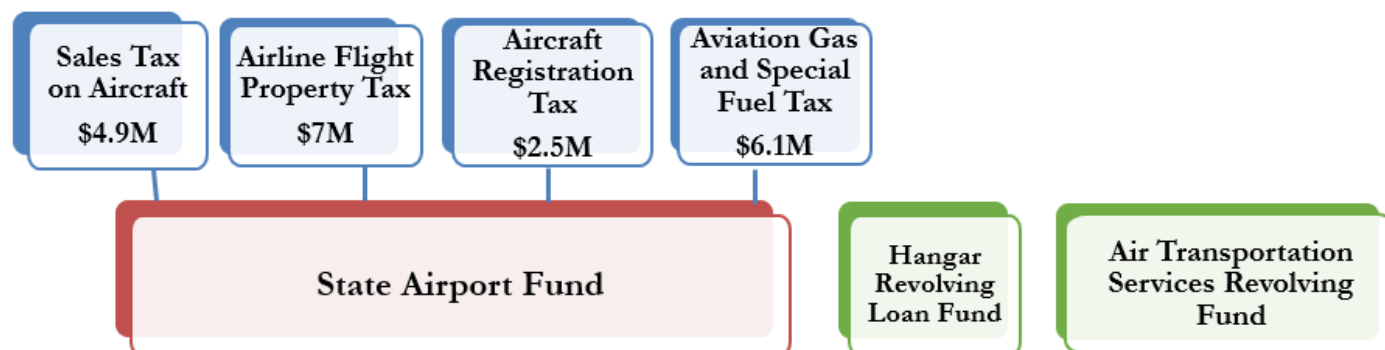
State Airports Revenue

Three funds make up the total consolidated SAF:

- State Airports Fund
- Hangar Revolving Loan Fund
- Air Transportation Services Revolving Fund

The two revolving funds are not included in the consolidated fund statement ending balance, because their receipts are dedicated to their specific functions.

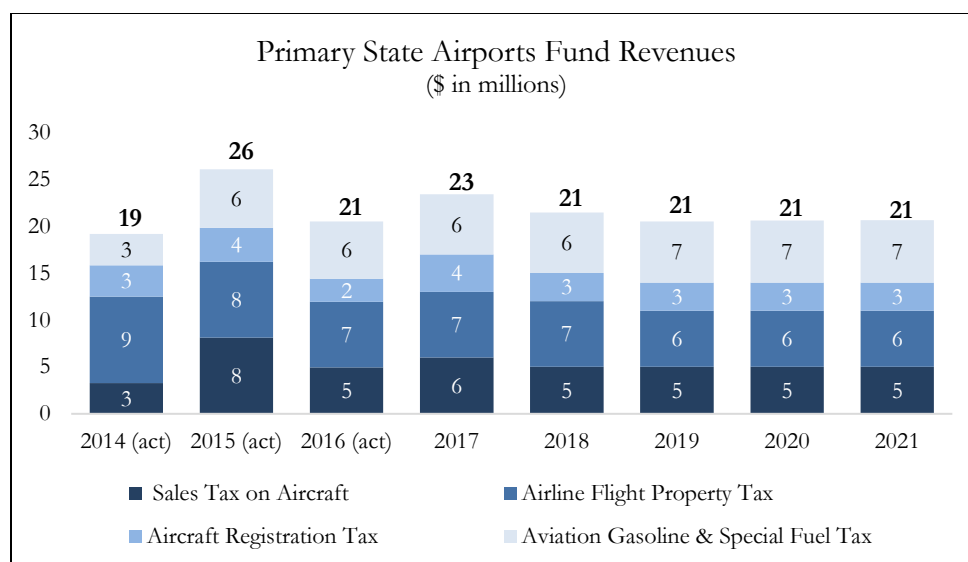
State Airport Fund Sources of Revenue FY 2016



The 2013 Legislature made significant changes to the revenues dedicated to the State Airports Fund. The [Aviation Tax Report](https://www.dot.state.mn.us/govrel/reports/2016/2016-aviation-tax-report.pdf) (<https://www.dot.state.mn.us/govrel/reports/2016/2016-aviation-tax-report.pdf>), required by Minnesota Statute 360.675 and first completed in 2016, summarizes these Legislative changes as well as historical tax revenues and expenditures. This is a recurring report that is prepared every four years.

The forecast for the SAF is focused on aviation gasoline and special fuel taxes, sales taxes on aircraft, aircraft registration taxes and investment income. The forecast for sales tax on aircraft and registration taxes are both based primarily on prior history, but have varied significantly by year. The aviation fuel tax forecast uses a blended average of the national jet fuel consumption forecast from the Federal Aviation Administration (FAA) and the regional jet fuel consumption forecast from the EIA. The airline flight property tax amount is a calculation specified in Minnesota Statute 270.075. This statute requires MnDOT to determine the amount as the difference between the “total fund appropriation and the estimated total fund revenues from other sources for the state fiscal year in which the tax is payable.”

There were no changes made to revenues in this forecast. The current forecast of revenues is shown below:

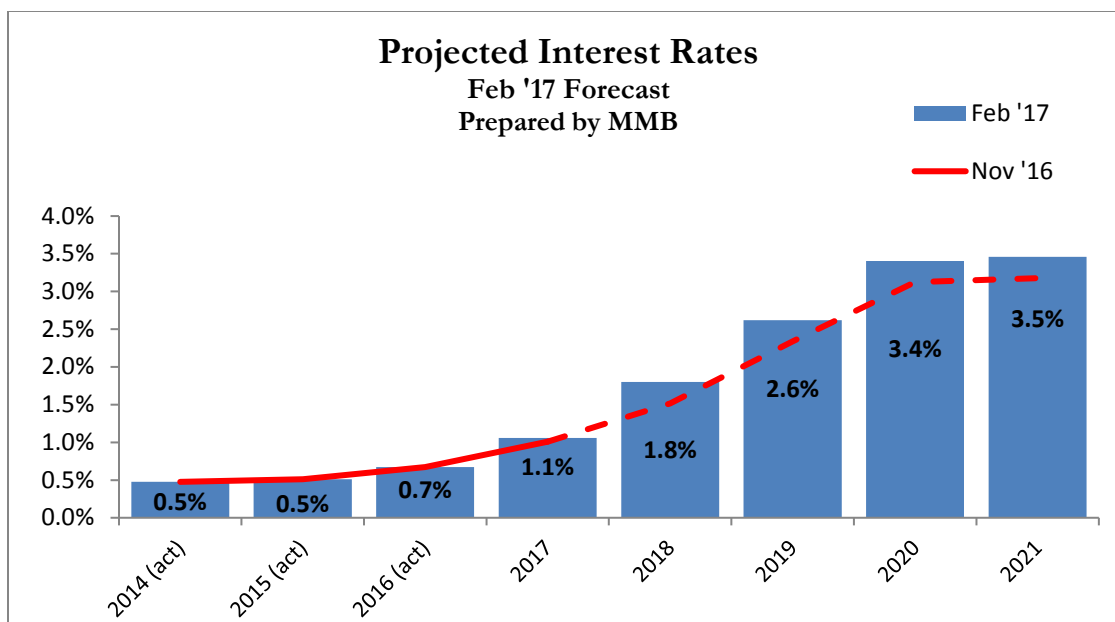


Investment Income

All of the transportation funds discussed in this document, with the exception of the TAF, earn investment income on cash balances. The amount of revenue is based on the amount of cash anticipated to be in the funds and the forecast interest rates for the invested cash.

Interest rates are currently very low; they have averaged about 0.5 percent over the past few years. The February 2017 forecast, provided by MMB, assumes that interest rates will increase in the latter years of the forecast period, especially in FY 2020 and FY 2021 where rates are projected to exceed 3 percent.

Rates are expected to increase over the forecast period, and are also higher than November 2016 in all years. Cash balances in all funds are expected to be similar to the November 2016 forecast, so the higher interest rates result in increased interest income in all funds in all years.



Fund Statements

Transfers from HUTD Fund

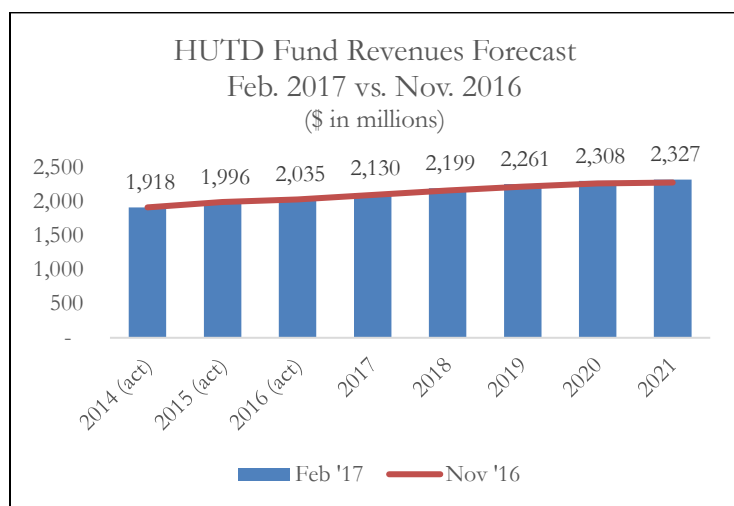
The HUTD Fund receives revenues from the three sources dedicated to highways and transit (gas tax, tab fees and MVST), as well as several minor sources of revenue. With the exception of the 40 percent of MVST dedicated to public transit, revenues from these three taxes are deposited into the HUTD Fund. These revenues are transferred to the TH, CSAH and MSAS Funds, with small distributions specified in statute to the Department of Natural Resources (DNR).

Of the total revenue to the HUTD Fund, after distributions to the DNR, 95 percent is allocated by the following formula specified in the Minnesota Constitution:

- TH Fund – 62 percent
- CSAH Fund – 29 percent
- MSAS Fund – 9 percent

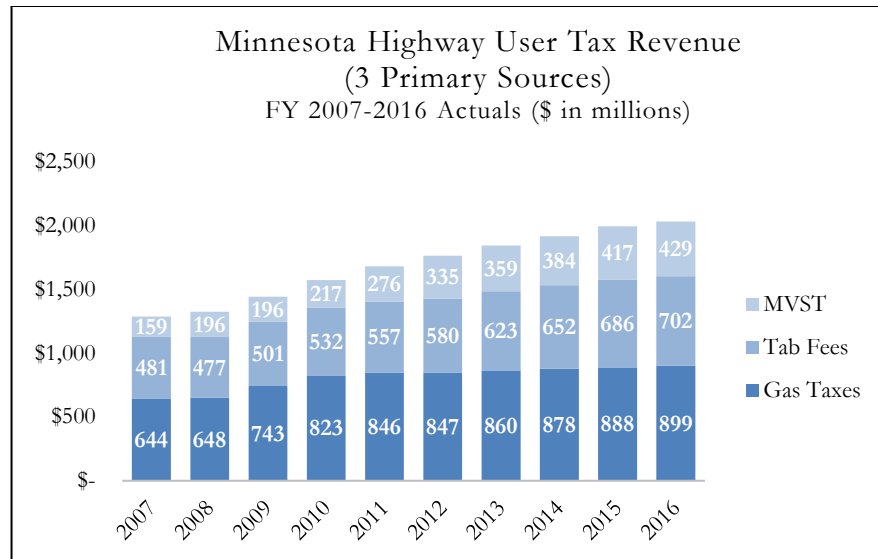
The remaining 5 percent, referred to as the 5 percent set-aside, is allocated to the CSAH Fund. This funding is further allocated to Township Roads, Township Bridges and the Flexible Highway Account.

The current forecast is shown below:



HUTD Fund Revenues (\$ in millions)				
FY	Feb '17	Nov '16	\$ Change	% Change
2014 (act)	1,918	1,918	-	0.0%
2015 (act)	1,996	1,996	-	0.0%
2016 (act)	2,035	2,035	-	0.0%
2017	2,130	2,099	30.3	1.4%
2018	2,199	2,165	34.1	1.6%
2019	2,261	2,224	37.4	1.7%
2020	2,308	2,268	39.5	1.7%
2021	2,327	2,283	44.5	1.9%

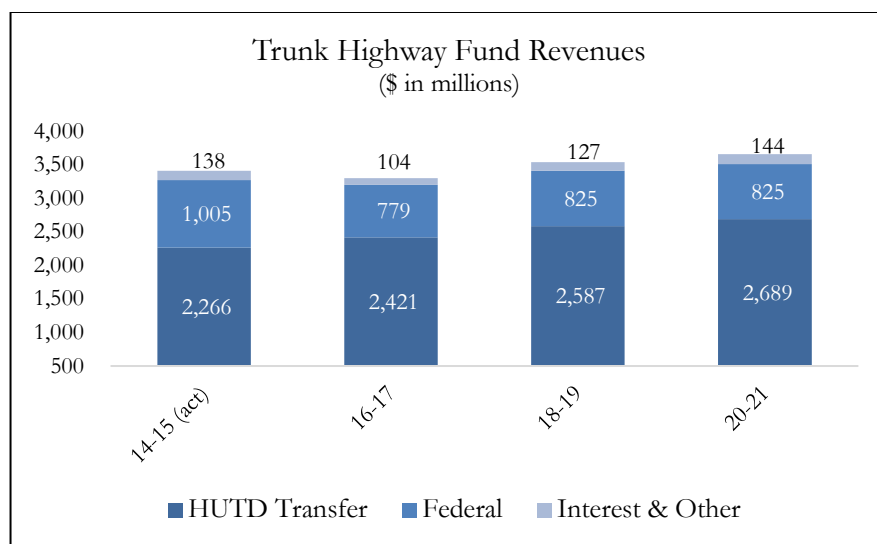
The bar chart below details a 10-year history of actual revenues for the HUTD Fund (2007-16), and the relative shares of revenue attributed to gas taxes, tab fees and MVST over that period. During the last ten years, gas taxes have decreased as a percentage of total revenue, while tab fees and MVST provide increased percentages of total revenue.



Trunk Highway Fund

The TH Fund receives transfers from the HUTD Fund and revenue from investment income. One other substantial source of revenue is federal aid agreements with the Federal Highway Administration (FHWA), where reimbursements for the federal share of highway construction projects are received. In addition, the fund receives revenues and transfers from several other smaller sources. Across FY 2016-21, 73 percent of resources are transfers from the HUTD Fund, 23 percent of resources are federal aid agreements and 4 percent of resources are other sources such as investment income.

The current forecast, by biennium, is shown below:



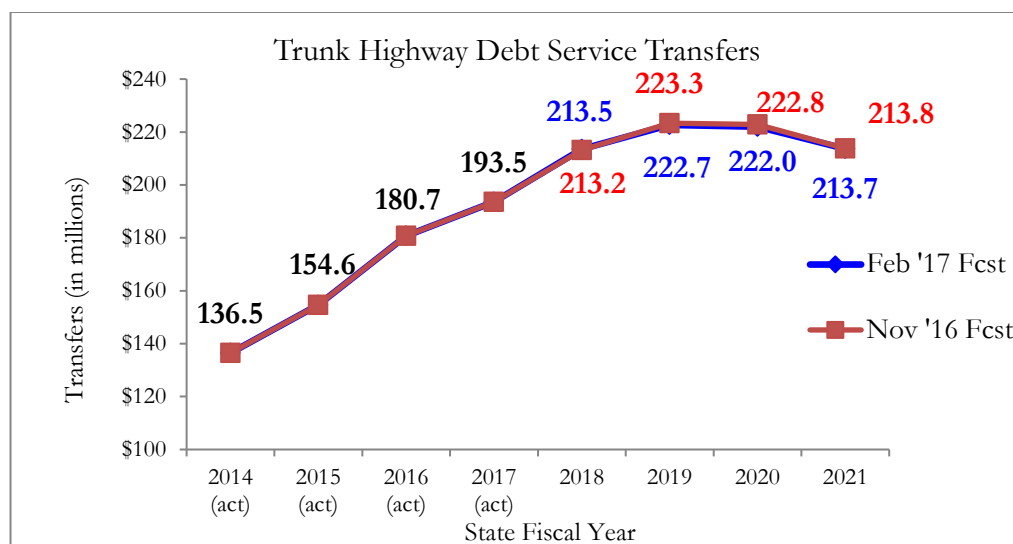
Debt Service – Trunk Highway Fund

The forecast for expenditures is generally based on the previously enacted biennial budget, so there are typically no significant changes in forecasted spending. However, the TH Fund has unique constitutional authority to sell authorized Trunk Highway bonds². The debt service on these bonds (payment of principal and interest) is specified as the first obligation of the fund. The biennial budget includes appropriation amounts for debt service, but the law also states that any increase in the amount of estimated debt service is to be transferred, because there is a statutory open appropriation for trunk highway debt service.

Since the November 2016 forecast, the debt service estimates for future years have changed slightly. Cash flow estimates, used in forecasting future bond sales and debt service amounts, are revised for scheduled bond sales.

² See Article XIV, section 11 of the Minnesota Constitution

The graph below depicts the debt service transfer amounts by year, compared to the November 2016 forecast:



MnDOT's TH Fund is governed by four financial policies: Debt Management, Fund Balance, Cash Balance and Advance Construction (a link to all of the policies is included in the appendices index). The Debt Management Policy states that debt service should not exceed 20 percent of annual state revenues to the TH Fund³. This includes transfers to the state bond fund for debt service on Trunk Highway bonds, repayments of local government advances (LGA) in accordance with Minnesota Statute 161.361 and transportation revolving loan fund (TRLF) repayments in accordance with Minnesota Statute 161.04, subdivision 4.

Our debt management policy estimates include FY 2022-23 to be consistent with the approach MMB uses when publishing the Debt Capacity Forecast. The table below demonstrates that estimated debt service expenditures from the TH Fund range between 15 percent and 17 percent through the end of FY 2023, decreasing each year after peaking at 16.8 percent in FY 2019.

Debt Management Policy
(\$ in millions)

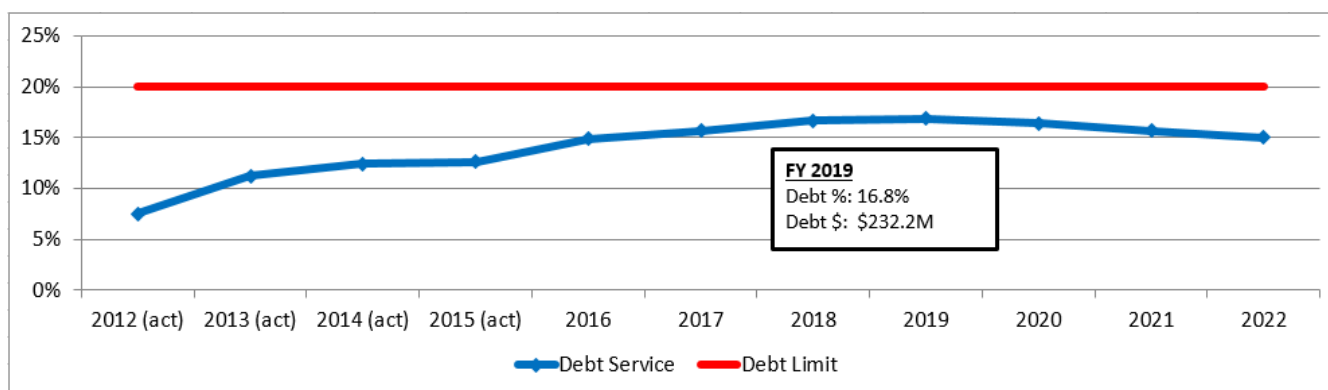
Year	Total Debt Service ⁽¹⁾	Estimated Current %	Variance from 20% Policy Limit ⁽²⁾
2014 (act)	144.2	12.5%	87.4
2015 (act)	157.0	12.6%	92.2
2016 (act)	183.2	14.9%	62.9
2017	203.0	15.7%	55.7
2018	223.0	16.7%	44.2
2019	232.2	16.8%	43.4
2020	231.5	16.4%	50.6
2021	223.2	15.7%	61.3
2022	213.8	15.0%	70.7
2023	209.2	14.7%	75.3

(1) Includes bond debt transfers, transportation revolving loans and local government advances

(2) Represents amount of additional debt service to reach 20 percent limit

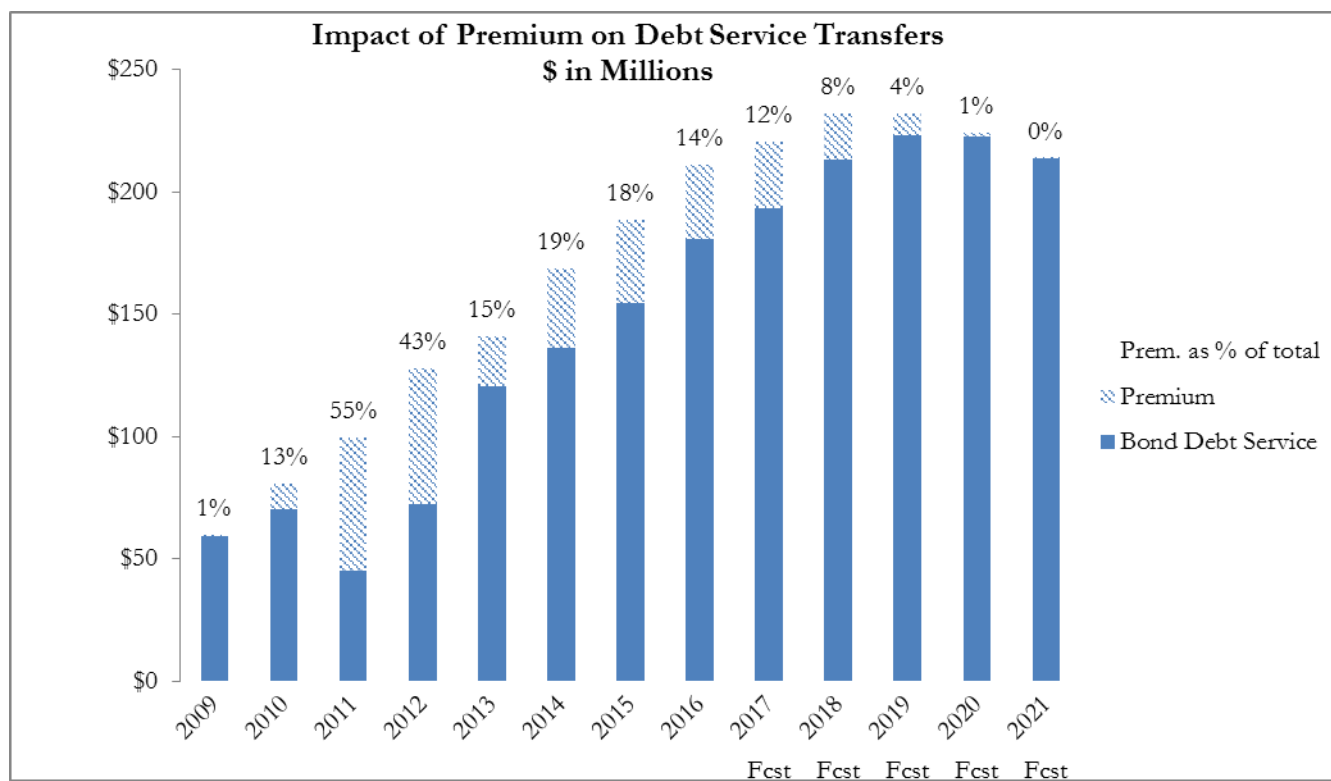
³ Developed to comply with Minnesota Statute 167.60

The graph below depicts the debt service estimates compared with the policy limit:



As MnDOT manages to this policy, there are variables to the debt management calculation outside of the agency's control. One of the largest variables is interest rate fluctuation, which can lead to large debt service expenditure fluctuations. Due to low interest rates, the fund balance has benefited the past several years. When bond interest rates drop below 5 percent, Trunk Highway General Obligation bonds command a premium which is accounted for in the year of sale. Therefore, debt service is lower the year the bonds are sold, but this decrease is then offset over the 20 year life of the bonds. In recent years MnDOT's debt has increased, primarily as a result of a large \$1.8 billion bonding program from 2008; MnDOT anticipates sales from this program to end in FY 2020.

The bar chart below illustrates the reduction to debt service as the result of bond sale premiums:



Fund Balance Impacts

The table below summarizes the impacts on the TH Fund balance for the revenue and expenditure forecasts previously discussed.

	FY16-17	FY18-19
Transfers from HUTD	17.8	41.8
Federal Aid Agreements	-	-
Interest	0.5	4.6
Other Revenues and Transfers	-	-
Prior Year Adjustments	-	-
Total Revenue and Transfer Impact	18.3	46.4
Transportation Expenditures	-	-
Other Agencies	-	-
Transfers Out	-	-
Debt Service Transfer	-	(0.4)
Total Expenditure and Transfer Impact	-	(0.4)
Fund Balance Change	18.3	46.7
Total Cumulative Change	18.3	65.1
Nov '16 Forecast	152.1	292.5
Feb '17 Forecast	170.4	357.6
Change	18.3	65.1
<i>Reserved Fund Balance (Feb '17)</i>	<i>84.6</i>	<i>83.5</i>
<i>Unreserved Fund Balance (Feb '17)</i>	<i>85.8</i>	<i>274.1</i>

County State Aid Highway (CSAH) Fund

The CSAH Fund receives transfers from the HUTD Fund and revenues from investment income and MVLST. Minnesota Statutes, Chapter 162 provides the criteria by which funds are allocated to statutory accounts within the CSAH fund and Minnesota's 87 counties. Beginning in 2016, estimated revenues for counties will be split between "apportionment sum" and "excess sum" based on fixed percentages. 68 percent is allocated to apportionment sum and 32 percent is allocated to excess sum. These two amounts are then allotted to counties using different formulas specified in statute. These allotments are calculated each year based primarily on revenue estimates for the CSAH Fund.

The portion of revenue received from MVLST is allocated to 5 of the 7 metropolitan counties, excluding Hennepin and Ramsey counties. These funds are added to the regular allocation for these counties.

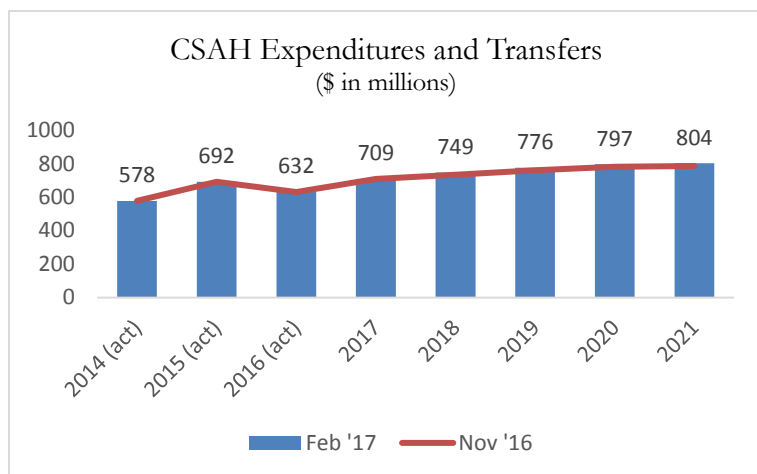
These allocations also include the 5 percent set-aside portion of the total revenues from the HUTD Fund. The Constitution allows the legislature to allocate this 5 percent in a manner different from the constitutional formula (62 percent to the TH Fund, 29 percent to the CSAH Fund and 9 percent to the MSAS Fund). The current allocation is 100 percent to the CSAH Fund (Minnesota Statute 161.081). This funding is further allocated to Township Roads (30.5 percent), Township Bridges (16.0 percent) and the Flexible Highway Account (53.5 percent). The portion allocated to the Flexible Highway Account is also available for transfer to the TH and MSAS Funds, if so designated in the appropriation law. Any transfers authorized by the current appropriation law are included in the totals shown below.

The CSAH Fund is directly appropriated based on the most current revenue forecast at the time the biennial budget is prepared. The [Commissioner's Order](http://www.dot.state.mn.us/safinance/commorder/commorder2017.pdf) (www.dot.state.mn.us/safinance/commorder/commorder2017.pdf) is on a calendar year basis and allocates the funds based on revenue estimates in the preceding November forecast each year. The result is an increase or decrease to the direct appropriation amount each year after the Commissioner's Order is executed in January.

CSAH Expenditure Forecast

Once allocations are made to the counties the funds are considered committed. Actual spending is at the discretion of the counties, with guidance from MnDOT's State Aid Division.

The current forecast is shown below:



CSAH Expenditures and Transfers (\$ in millions)				
FY	Feb '17	Nov '16	\$ Change	% Change
2014 (act)	578	578	-	0.0%
2015 (act)	692	692	-	0.0%
2016 (act)	632	632	-	0.0%
2017	709	710	(0.8)	-0.1%
2018	749	735	13.7	1.9%
2019	776	761	14.6	1.9%
2020	797	781	15.3	2.0%
2021	804	787	17.4	2.2%

Municipal State Aid Street (MSAS) Fund

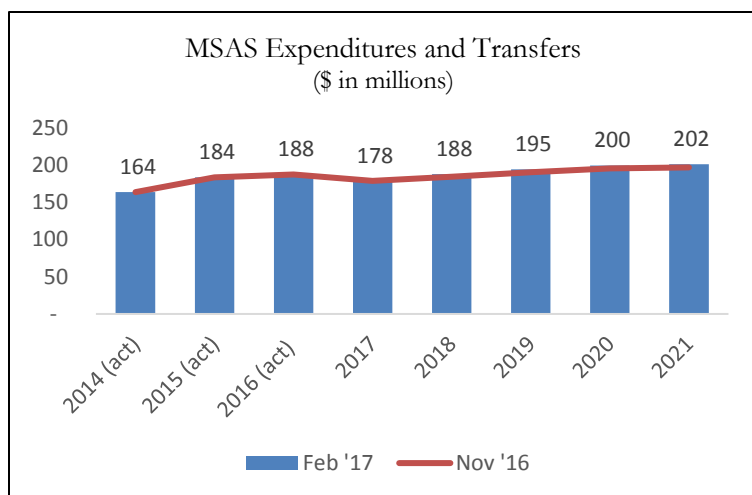
The MSAS Fund receives transfers from the HUTD Fund, authorized transfers from the CSAH Fund and revenues from investment income. Minnesota Statutes, Chapter 162 provides the criteria by which funds are allocated to statutory accounts within the MSAS fund and to each of the Minnesota State Aid cities defined as having a population of 5,000 or greater. The allocations are calculated based primarily on revenue estimates for the MSAS Fund, not including transfers from the CSAH Fund.

The MSAS Fund is also directly appropriated based on the most current revenue forecast at the time the biennial budget is prepared. The [Commissioner's Order](http://www.dot.state.mn.us/safinance/commorder/commorder2017.pdf) (www.dot.state.mn.us/safinance/commorder/commorder2017.pdf) is on a calendar year basis and allocates the funds based on revenue estimates in the preceding November forecast each year. The result is an increase or decrease to the direct appropriation amount each year after the Commissioner's Order is executed in January.

MSAS Expenditure Forecast

Once allocations are made to the municipalities, the funds are considered committed. Actual spending is at the discretion of the municipalities, with guidance from MnDOT's State Aid Division.

The current forecast is shown below:

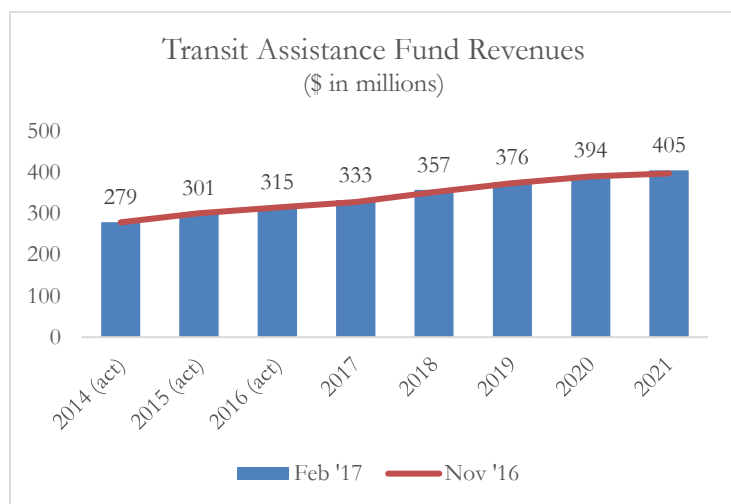


MSAS Expenditures and Transfers (\$ in millions)				
FY	Feb '17	Nov '16	\$ Change	% Change
2014 (act)	164	164	-	0.0%
2015 (act)	184	184	-	0.0%
2016 (act)	188	188	-	0.0%
2017	178	179	(1.0)	-0.6%
2018	188	185	3.4	1.8%
2019	195	191	3.6	1.9%
2020	200	196	3.8	2.0%
2021	202	197	4.2	2.2%

Transit Assistance Fund (TAF)

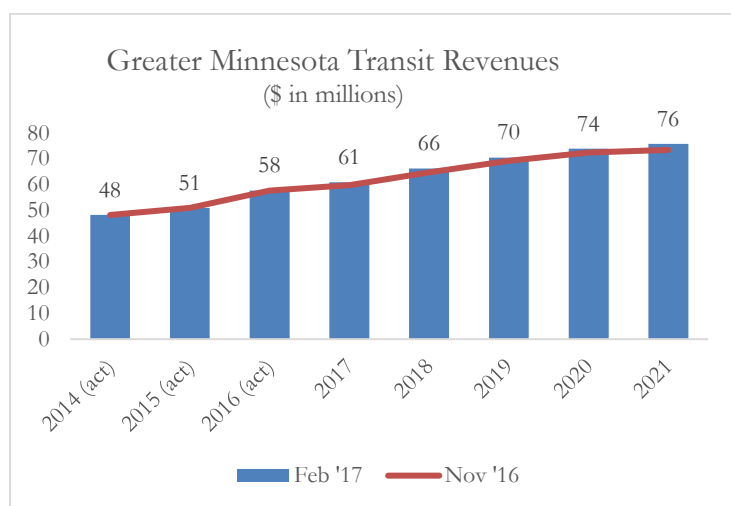
This fund receives 40 percent of MVST revenues and half of the MVLST revenues (net of \$32 million that remains in the General Fund).

The total estimated revenue for the TAF is shown below:



Transit Assistance Fund Revenues (\$ in millions)				
FY	Feb '17	Nov '16	\$ Change	% Change
2014 (act)	279	279	-	0.0%
2015 (act)	301	301	-	0.0%
2016 (act)	315	315	-	0.0%
2017	333	328	5.0	1.5%
2018	357	352	4.9	1.4%
2019	376	373	2.9	0.8%
2020	394	390	3.9	1.0%
2021	405	397	7.7	1.9%

Of this total revenue, the estimated revenue for the greater Minnesota portion of the TAF is shown below:



Greater Minnesota Transit Revenues (\$ in millions)				
FY	Feb '17	Nov '16	\$ Change	% Change
2014 (act)	48	48	-	0.0%
2015 (act)	51	51	-	0.0%
2016 (act)	58	58	-	0.0%
2017	61	60	1.1	1.8%
2018	66	65	1.6	2.4%
2019	70	69	1.3	1.8%
2020	74	72	1.5	2.0%
2021	76	73	2.3	3.1%

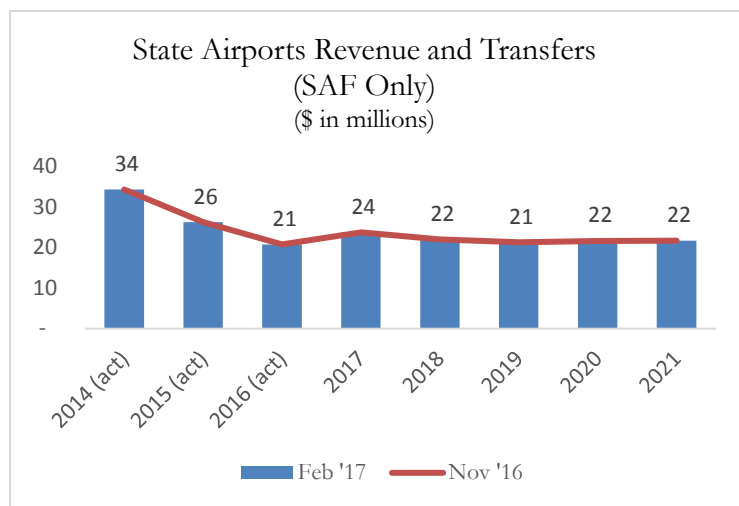
Transit Assistance Fund Expenditure Forecast

MVST revenues are statutorily appropriated. The share allocated to metropolitan transit is appropriated to the Metropolitan Council, and the share allocated to Greater Minnesota transit is appropriated to MnDOT. For the Metropolitan Council allocation, this means that forecast revenues are the same as forecast expenditures in the fund statement. For the MnDOT allocation, a spending plan has been developed by the Transit Office to gradually spend down the available resources over the next ten years. For MVLST, because revenue is not transferred until the following fiscal year, the amount estimated for the current year is shown as an appropriation carry forward into the next year.

State Airports Fund (SAF)

The SAF receives revenues from aviation gasoline and special fuel taxes, aircraft registration taxes, sales taxes on aircraft and other small sources such as investment income. These revenues must be sufficient to support the direct appropriations from the Legislature, which are used to carry out aviation functions such as airport development and assistance grants, aeronautic planning, administration and operations.

The total estimated revenues and transfers for the SAF are shown below (note these amounts reflect only the State Airports Fund, and do not include the activity in the 2 revolving funds):



*2014 includes \$15 million General Fund repayment

State Airports Fund Revenues and Transfers (\$ in millions)				
FY	Feb '17	Nov '16	\$ Change	% Change
2014 (act)*	34	34	-	0.0%
2015 (act)	26	26	-	0.0%
2016 (act)	21	21	-	0.0%
2017	24	24	0.0	0.0%
2018	22	22	0.1	0.3%
2019	21	21	0.0	0.2%
2020	22	22	0.0	0.2%
2021	22	22	0.0	0.2%

Fund Balance Policy

A State Airports Fund Balance policy exists to provide an appropriate level of reserve in the SAF to protect against major fluctuations in revenue.

Appendices

Appendix 1:	Highway User Tax Distribution Fund Statement
Appendix 2:	Trunk Highway Fund Statement
Appendix 3:	County State Aid Highway Fund Statement
Appendix 4:	Municipal State Aid Street Fund Statement
Appendix 5:	Transit Assistance Fund Statement
Appendix 6:	State Airports Fund Statement
Appendix 7:	Minnesota Highway User Tax Revenue – 10-Year History 2007-16
Appendix 8:	Minnesota Highway User Tax Revenue – Percentage of Total Revenues
Appendix 9:	HUTD Revenues Year-over-Year Growth Percentage Trend
Policy Links:	Policy Links

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Highway User Tax Distribution Fund

February 2017 Forecast

Comparison to Nov 2016 Forecast

(\$ in thousands)

	February 2017 Forecast							
	Close	Close	Close	Budget	Budget	Budget	Planning Est	Planning Est
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Balance Forward from Prior Year	\$8,691	\$11,948	\$11,617	\$11,042	\$12,000	\$12,000	\$12,000	\$12,000
Prior Year Adjustments	443	5,211	(2,341)	-	-	-	-	-
Adjusted Balance Forward	9,134	17,159	9,276	11,042	12,000	12,000	12,000	12,000
Net Revenue and Transfers-In								
Motor Fuel Excise Tax	878,022	887,818	899,251	910,600	921,600	934,600	938,800	932,200
Motor Vehicle Registration Tax	652,281	686,433	701,635	761,800	788,400	812,000	829,800	840,600
Motor Vehicle Sales Tax	384,163	416,565	428,831	453,360	484,860	509,700	533,340	548,820
Other Income	3,088	4,797	5,035	3,940	4,375	5,031	5,659	5,702
Total Net Revenue and Transfers-In	1,917,555	1,995,613	2,034,751	2,129,700	2,199,235	2,261,331	2,307,599	2,327,322
Expenditures and Transfers-Out								
Appropriations to MnDOT, Revenue, DPS	11,014	11,741	2,962	3,418	11,444	11,444	11,444	11,444
Transfers--DNR	21,727	21,994	22,514	22,843	23,016	23,319	23,530	23,495
Transfers--5% Set-Aside	94,034	98,305	100,375	105,124	108,239	111,328	113,631	114,619
Transfers--County State-Aid Highway	518,126	541,659	553,069	579,233	596,395	613,420	626,108	631,552
Transfers--Municipal State-Aid Highway	160,798	168,101	171,642	179,762	185,088	190,372	194,309	195,999
Transfers--Trunk Highway	1,107,717	1,158,029	1,182,423	1,238,361	1,275,052	1,311,449	1,338,576	1,350,214
Other	1,326	1,326	-	-	-	-	-	-
Total Expenditures and Transfers-Out	1,914,741	2,001,155	2,032,986	2,128,742	2,199,235	2,261,331	2,307,599	2,327,322
Ending Balance	\$11,948	\$11,617	\$11,042	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000

Beginning in FY 2016, the ending balance in all forecast years will equal \$12 million, to align with MnDOT practices to maintain positive cash and fund balances

2017 February-Transportation

Change from Nov 2016				
Budget	Budget	Budget	Planning Est	Planning Est
FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
5,500	11,800	18,400	20,300	20,700
18,100	16,600	16,000	15,000	14,600
6,530	5,500	2,770	3,980	8,980
123	226	225	225	226
30,253	34,126	37,395	39,505	44,506
-	-	-	-	-
52	220	382	487	516
1,510	1,695	1,851	1,951	2,200
8,320	9,341	10,197	10,750	12,119
2,582	2,899	3,165	3,336	3,761
17,788	19,970	21,801	22,982	25,910
-	-	-	-	-
30,253	34,126	37,395	39,505	44,506
-	-	-	-	-

Trunk Highway Fund
February 2017 Forecast
Comparison to Nov 2016 Forecast

(\$ in thousands)

	February 2017 Forecast						
	Close	Close	Close	Budget	Budget	Budget	Planning Est
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Balance Forward from Prior Year	\$316,756	\$415,353	\$275,790	\$381,830	\$170,418	\$256,624	\$357,579
Prior Year Adjustments	34,774	30,961	30,857	-	-	-	-
Adjusted Balance Forward	351,530	446,314	306,647	381,830	170,418	256,624	357,579
Net Revenue and Transfers-In							
Transfer from HUTD	1,107,717	1,158,029	1,182,423	1,238,361	1,275,052	1,311,449	1,338,576
Federal Aid Agreements	506,527	498,560	426,391	352,275	412,275	412,275	412,275
Other Income and Transfers-In	50,358	88,104	48,008	55,497	60,684	66,477	71,994
Total Net Revenue and Transfers-In	1,664,602	1,744,694	1,656,822	1,646,133	1,748,012	1,790,201	1,822,846
Expenditures and Transfers-Out							
Transportation Department	1,374,357	1,659,158	1,307,532	1,553,672	1,343,253	1,361,514	1,361,514
Public Safety and Other Depts.	86,933	98,268	93,382	110,334	105,066	105,066	105,066
Transfers-Out and Other	3,000	3,198	-	-	-	-	-
Debt Service	136,488	154,593	180,725	193,539	213,487	222,667	222,007
Total Expenditures and Transfers-Out	1,600,778	1,915,217	1,581,640	1,857,545	1,661,806	1,689,247	1,688,587
Balance Before Reserves	415,353	275,790	381,830	170,418	256,624	357,579	491,837
Less Appropriation Carryforward	-	-	-	-	-	-	-
Ending Balance	\$415,353	\$275,790	\$381,830	\$170,418	\$256,624	\$357,579	\$491,837
Reserved Fund Balance per Policy	89,983	92,284	85,142	84,588	83,121	83,472	84,635
Unreserved Fund Balance per Policy	325,369	183,506	296,687	85,830	173,504	274,107	407,202
Debt Service Percentage Compared to State Revenue	12.5%	12.6%	14.9%	15.7%	16.7%	16.8%	16.4%

Reserved Fund Balance reflects reserved amounts to mitigate risk from state revenue fluctuations, federal funding uncertainty, severe winters, etc.
Unreserved Fund Balance reflects amounts available to be appropriated for specific purposes

2017 February-Transportation

Change from Nov 2016				
Budget	Budget	Budget	Planning Est	Planning Est
FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
-	18,317	40,233	65,066	91,365
-	-	-	-	-
-	18,317	40,233	65,066	91,365
17,788	19,970	21,801	22,982	25,910
-	-	-	-	-
528	2,242	2,372	2,536	2,537
18,317	22,212	24,173	25,518	28,447
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	296	(661)	(781)	(149)
-	296	(661)	(781)	(149)
18,317	40,233	65,066	91,365	119,961
-	-	-	-	-
18,317	40,233	65,066	91,365	119,961
1,099	1,333	1,450	1,532	1,707
17,218	38,900	63,616	89,834	118,253
-0.2%	-0.3%	-0.3%	-0.4%	-0.3%

County State Aid Fund
February 2017 Forecast
Comparison to Nov 2016 Forecast

(\$ in thousands)

	February 2017 Forecast						
	Close	Close	Close	Budget	Budget	Budget	Planning Est
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Balance Forward from Prior Year	\$488,869	\$534,626	\$508,749	\$563,509	\$575,026	\$575,026	\$575,026
Prior Year Adjustments	569	256	139	-	-	-	-
Adjusted Balance Forward	489,438	534,882	508,889	563,509	575,026	575,026	575,026
Net Revenue and Transfers-In							
Leased Vehicle Sales Tax	9,000	23,266	29,171	30,700	33,950	36,500	39,200
Other Income	2,483	2,636	3,583	5,958	9,950	14,367	18,761
Transfer from HUTD	612,159	639,964	653,444	684,357	704,634	724,748	739,740
Transfer from MSAS	-	-	-	-	-	-	-
Total Net Revenue and Transfers-In	623,643	665,866	686,199	721,015	748,534	775,615	804,131
Expenditures and Transfers-Out							
Grants to Local Governments	549,524	651,767	621,664	694,120	732,951	759,128	779,666
MnDOT Administrative and Research	10,230	9,231	9,880	15,347	15,553	16,457	16,952
Transfers to MSAS Fund	13,000	10,000	-	-	-	-	-
Transfers to Special Revenue	-	-	35	30	30	30	30
Transfers to Trunk Highway Fund	5,700	21,000	-	-	-	-	-
Total Expenditures and Transfers-Out	578,455	691,999	631,579	709,497	748,534	775,615	796,648
Balance Before Reserves	534,626	508,749	563,509	575,026	575,026	575,026	575,026
Less Appropriation Carryforward	534,626	508,749	563,509	575,026	575,026	575,026	575,026
Ending Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2017 February-Transportation

Change from Nov 2016				
Budget	Budget	Budget	Planning Est	Planning Est
FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
-	11,518	11,518	11,518	11,518
-	-	-	-	-
-	11,518	11,518	11,518	11,518
650	1,200	1,100	1,200	1,700
241	1,459	1,435	1,411	1,412
9,830	11,036	12,048	12,700	14,319
-	-	-	-	-
10,721	13,696	14,583	15,312	17,431
(262)	13,711	14,268	14,981	17,059
(535)	(16)	315	331	371
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(797)	13,696	14,583	15,312	17,431
11,518	11,518	11,518	11,518	11,518
11,518	11,518	11,518	11,518	11,518
-	-	-	-	-

Municipal State Aid Fund

February 2017 Forecast
Comparison to Nov 2016 Forecast

(\$ in thousands)

	February 2017 Forecast							
	Close	Close	Close	Budget	Budget	Budget	Planning Est	Planning Est
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Balance Forward From Prior Year	\$161,492	\$172,486	\$167,954	\$152,926	\$156,622	\$156,622	\$156,622	\$156,622
Prior Year Adjustments	281	110	42	-	-	-	-	-
Adjusted Balance Forward	161,772	172,596	167,996	152,926	156,622	156,622	156,622	156,622
Net Revenue and Transfers-In :								
Other Income	1,006	1,122	1,286	1,933	3,075	4,339	5,535	5,610
Transfer From HUTD	160,798	168,101	171,642	179,762	185,088	190,372	194,309	195,999
Transfer From CSAH	13,000	10,000	-	-	-	-	-	-
Net Revenue and Transfers In	174,804	179,223	172,928	181,695	188,163	194,711	199,845	201,609
Expenditures and Transfers-Out								
Grants to Local Governments	160,638	180,696	184,751	173,165	183,534	189,876	194,874	196,578
MnDOT Administrative and Research	3,453	3,169	3,237	4,824	4,620	4,826	4,961	5,022
Transfers to CSAH	-	-	-	-	-	-	-	-
Transfers to Special Revenue	-	-	10	9	9	9	9	9
Total Expenditures and Transfers-Out	164,091	183,865	187,998	177,999	188,163	194,711	199,845	201,609
Balance before Reserves	172,486	167,954	152,926	156,622	156,622	156,622	156,622	156,622
Less Appropriation Carryforward	172,486	167,954	152,926	156,622	156,622	156,622	156,622	156,622
Ending Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2017 February-Transportation

Change from Nov 2016				
Budget	Budget	Budget	Planning Est	Planning Est
FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
-	3,696	3,696	3,696	3,696
-	-	-	-	-
-	3,696	3,696	3,696	3,696
94	458	470	488	488
2,582	2,899	3,165	3,336	3,761
-	-	-	-	-
2,676	3,357	3,635	3,824	4,249
(1,034)	3,319	3,546	3,730	4,145
14	38	89	95	104
-	-	-	-	-
-	-	-	-	-
(1,020)	3,357	3,635	3,824	4,249
3,696	3,696	3,696	3,696	3,696
3,696	3,696	3,696	3,696	3,696
-	-	-	-	-

Transit Assistance Fund
February 2017 Forecast
Comparison to Nov 2016 Forecast

(\$ in thousands)

	February 2017 Forecast							
	Close FY 2014	Close FY 2015	Close FY 2016	Budget FY 2017	Budget FY 2018	Budget FY 2019	Planning Est FY 2020	Planning Est FY 2021
Balance Forward from Prior Year	\$34,816	\$32,170	\$56,246	\$69,634	\$57,819	\$61,770	\$69,525	\$69,524
Prior Year Adjustments	160	5,862	672	-	-	-	-	-
Adjusted Balance Forward	34,976	38,032	56,917	69,634	57,819	61,770	69,525	69,524
Net Revenue and Transfers-In								
Metropolitan Area Transit Account	230,498	249,930	257,099	272,016	290,916	305,820	320,004	329,292
Greater Minnesota Transit Account	25,611	27,770	28,567	30,224	32,324	33,980	35,556	36,588
Total Motor Vehicle Sales Tax	256,109	277,700	285,665	302,240	323,240	339,800	355,560	365,880
Leased Vehicle Sales Tax	22,612	23,266	29,171	30,700	33,950	36,500	38,400	39,200
Total Net Revenue and Transfers-In	278,721	300,967	314,836	332,940	357,190	376,300	393,960	405,080
Expenditures and Transfers-Out								
Metropolitan Council	234,915	252,931	257,172	272,016	290,916	305,820	320,004	329,292
Transportation Department	46,612	29,821	44,948	72,739	62,323	62,725	73,957	83,611
Total Expenditures and Transfers-Out	281,527	282,752	302,120	344,755	353,239	368,545	393,961	412,903
Balance Before Reserves	32,170	56,246	69,634	57,819	61,770	69,525	69,524	61,701
Less Appropriation Carryforward	32,170	56,246	69,634	30,700	33,950	36,500	38,400	39,200
Less Met Council Balance	-	-	-	-	-	-	-	-
Ending Balance	\$0	\$0	\$0	\$27,119	\$27,820	\$33,025	\$31,124	\$22,501

2017 February-Transportation

	Change from Nov 2016				
	Budget FY 2017	Budget FY 2018	Budget FY 2019	Planning Est FY 2020	Planning Est FY 2021
	-	(18,916)	(17,352)	(16,072)	(14,606)
	-	-	-	-	-
	-	(18,916)	(17,352)	(16,072)	(14,606)
	3,916	3,296	1,660	2,384	5,392
	434	364	180	266	598
	4,350	3,660	1,840	2,650	5,990
	650	1,200	1,100	1,200	1,700
	5,000	4,860	2,940	3,850	7,690
	3,916	3,296	1,660	2,384	5,392
	20,000	-	-	-	-
	23,916	3,296	1,660	2,384	5,392
	(18,916)	(17,352)	(16,072)	(14,606)	(12,308)
	650	1,200	1,100	1,200	1,700
	-	-	-	-	-
	(19,566)	(18,552)	(17,172)	(15,806)	(14,008)

State Airports Fund
February 2017 Forecast
Comparison to Nov 2016 Forecast

2017 February-Transportation

(\$ in thousands)

	February 2017 Forecast								Change from Nov 2016				
	Close	Close	Close	Budget	Budget	Budget	Planning Est	Planning Est	Budget	Budget	Budget	Budget	Budget
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Balance Forward from Prior Year	\$4,113	\$20,826	\$24,346	\$17,629	\$17,677	\$20,003	\$21,702	\$23,612	-	0	58	105	139
Prior Year Adjustments	1,532	553	642	-	-	-	-	-	-	-	-	-	-
Adjusted Balance Forward	5,645	21,379	24,988	17,629	17,677	20,003	21,702	23,612	-	0	58	105	139
Net Revenue and Transfers-In													
Transfer from General Fund	15,000	-	-	-	-	-	-	-	-	-	-	-	-
Sales Tax on Aircraft	3,272	8,104	4,941	6,000	5,000	5,000	5,000	5,000	-	-	-	-	-
Airline Flight Property Tax	9,208	8,081	7,000	7,000	7,000	6,000	6,000	6,000	-	-	-	-	-
Aircraft Registration Tax	3,358	3,648	2,455	4,000	3,000	3,000	3,000	3,000	-	-	-	-	-
Gasoline & Special Fuel Tax	3,317	6,230	6,118	6,400	6,461	6,514	6,588	6,651	-	-	-	-	-
Other Income	835	964	955	1,049	1,259	1,493	1,717	1,733	0	58	47	34	34
Total Net Revenue and Transfers-In	34,991	27,028	21,469	24,449	22,720	22,007	22,305	22,384	0	58	47	34	34
Expenditures and Transfers-Out													
Transportation Department	20,313	24,526	29,074	24,281	20,350	20,350	20,350	20,350	-	-	-	-	-
Revenue Department	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures and Transfers-Out	20,313	24,526	29,074	24,281	20,350	20,350	20,350	20,350	-	-	-	-	-
Net Change in Loan Fund	503	465	246	(120)	(45)	42	(45)	42	-	-	-	-	-
Balance Before Reserves	20,826	24,346	17,629	17,677	20,003	21,702	23,612	25,688	0	58	105	139	172
Less Appropriation Carryforward	2,043	2,615	2,817	2,667	2,622	2,664	2,619	2,661	-	-	-	-	-
Ending Balance	\$18,783	\$21,731	\$14,812	\$15,010	\$17,381	\$19,038	\$20,993	\$23,027	0	58	105	139	172

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.

Minnesota Highway User Tax Revenue (3 Primary Sources) FY 2007-2016 Actuals

