

Municipal State-Aid Street System

December 2021

Numerous Minnesota cities receive state assistance to construct and maintain streets that are in a municipal state-aid street system. Funding comes from transportation-related taxes and is distributed following a statutory formula. Core aid in calendar year 2021 totals \$193.0 million.

System Overview

The municipal state-aid street (MSAS) system is a collection of higher volume and key streets located across 148 cities, of which 84 are in the Twin Cities metropolitan area. [Minn. Stat. § 162.09](#). There are roughly 3,700 centerline miles of state-aid streets, forming around 16 percent of all miles of city streets.

Constitutional Framework for Aid

The Minnesota Constitution lays out a framework for state highway finance. Among its features, the constitution dedicates specific transportation-related taxes to transportation purposes; allocates tax revenues by formula; and creates a MSAS fund for financial assistance to cities. [Minn. Const. art. XIV](#).

Eligibility

City population. The constitution requires a population of over 5,000 for a city to qualify for MSAS aid. [Minn. Const. art. XIV](#), § 8. Population is determined by the last federal decennial census or most recent estimate. In some situations a city whose population drops below 5,000 can still receive aid, including:

- transition periods in each decade that maintain aid to a city that had been receiving it but whose population drops below the cutoff in a decennial census; and
- Chisholm, which the legislature grandfathered in following the 2000 census. [Minn. Stat. § 162.09](#), subd. 4 (f); [Laws 2001, 1st spec. sess., ch. 8](#), art. 2, § 6; [Laws 2002, ch. 364](#), § 29.

Assistance to ineligible cities. A Small Cities Assistance program provides aid to cities with a population under 5,000 that are not eligible for MSAS funds. [Minn. Stat. § 162.145](#). It was most recently funded at \$18.0 million in fiscal year 2022 (with no funding for 2023 and after). [Laws 2021, 1st spec. sess., ch. 5](#), art. 1, § 2. Smaller cities are also indirectly supported through state aid to counties: a share of state funds for the county state-aid highway system must be allocated to a municipal account for use on portions of county state-aid highways located within smaller cities. [Minn. Stat. § 162.08](#), subd. 1.

Program Administration

The Minnesota Department of Transportation (MnDOT) administers the state-aid program. MnDOT determines distributions annually on a calendar-year basis. Amounts are based on a combination of tax receipts and future estimates for the rest of that fiscal year.

MnDOT has also adopted administrative rules governing the program, which cover topics such as minimum roadway design and engineering standards, design variance procedures, apportionment between construction and maintenance, and contract and bidding requirements. [Minn. Rules, ch. 8820](#).

While the department oversees aid distribution and provides technical assistance, prioritization and development of road projects are under the purview of each city.

Allocation of Funds

Following state statutes, MSAS funds are used for aid as well as related program activities. Total funding for calendar year 2021 is \$198.0 million (which includes funds available for allocation due to a balance in a MSAS disaster account that exceeded a statutory cap). The allocation consists of:

- \$193.0 million apportioned among the cities as core aid;
- \$3.9 million for MnDOT agency expenses; and
- \$1.1 million to a research account. [Minn. Stat. §§ 162.12, 162.13.](#)

Apportionment to Cities

Aid formula. MnDOT distributes aid to cities following a formula in state statute, so that:

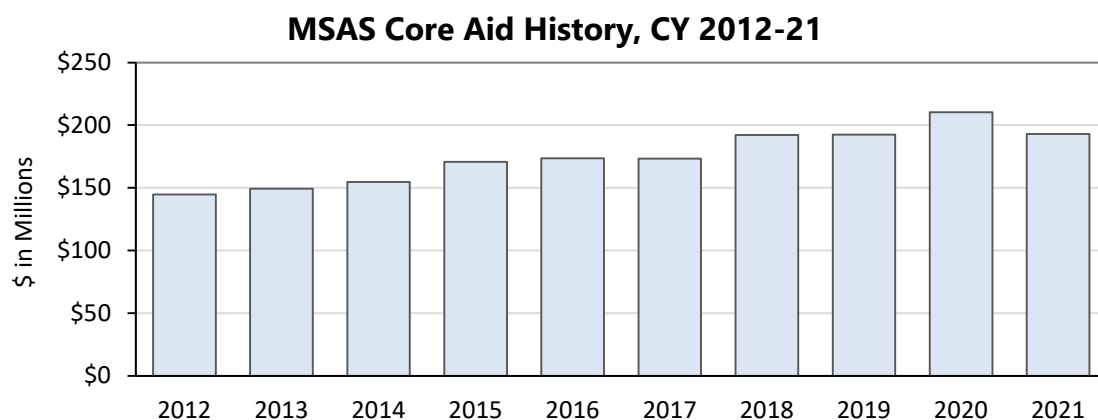
- 50 percent is divided proportionally based on the population of each city (compared to the total for all municipal state-aid cities); and
- 50 percent is proportional based on city construction needs. [Minn. Stat. § 162.13.](#)

The “needs” calculation under the aid formula is structured to enable comparison across the cities (and does not identify total costs to bring municipal state-aid streets up to state standards). Calculations submitted by cities are reviewed by a screening board composed of city engineers.

Aid amounts. For calendar year 2021, the average aid per city is about \$1.3 million (or \$47.6 on a per capita basis). The amount provided to each city varies, though, ranging from around \$192,500 to \$17.5 million (or \$36.12 to \$87.22 per capita). Of the 148 cities, 41 receive \$500,000 or less, and 22 receive \$2 million or more. (Details for each city are available in the state aid portion of the MnDOT website, at <http://www.dot.state.mn.us/stateaid/msas.html>.)

Historical Aid

The chart below identifies core aid over the last decade.



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