

November 2025

A number of Minnesota cities receive state assistance to construct and maintain streets within a state-aid system. Funding comes from transportation-related taxes and is distributed following a statutory formula. The calendar year 2025 core aid distribution totals \$256.1 million.

System Overview

The municipal state-aid street (MSAS) system is a collection of higher volume and key streets located throughout 156 cities, of which 84 are in the seven-county metropolitan area. [Minn. Stat. § 162.09](#). The nearly 3,900 centerline miles of state-aid streets form around 16.5 percent of all miles of city streets.

Constitutional Framework for Aid

The Minnesota Constitution lays out a state framework for highway finance. Among its features, the constitution dedicates specific transportation-related taxes to transportation purposes; allocates tax revenues by formula; and creates the 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](#). Smaller cities are also indirectly supported by 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 estimates for the rest of that fiscal year. MnDOT has 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

MnDOT allocates MSAS funds for aid as well as related program activities. Total available funding for calendar year 2025 is \$263.2 million. Based on requirements in state statutes, it is divided as follows:

- \$256.1 million for the core distribution apportioned among the cities
- \$5.3 million for MnDOT agency expenses
- \$1.2 million to a research account
- roughly \$637,000 for disaster assistance. [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 each city's construction needs. [Minn. Stat. § 162.13](#).

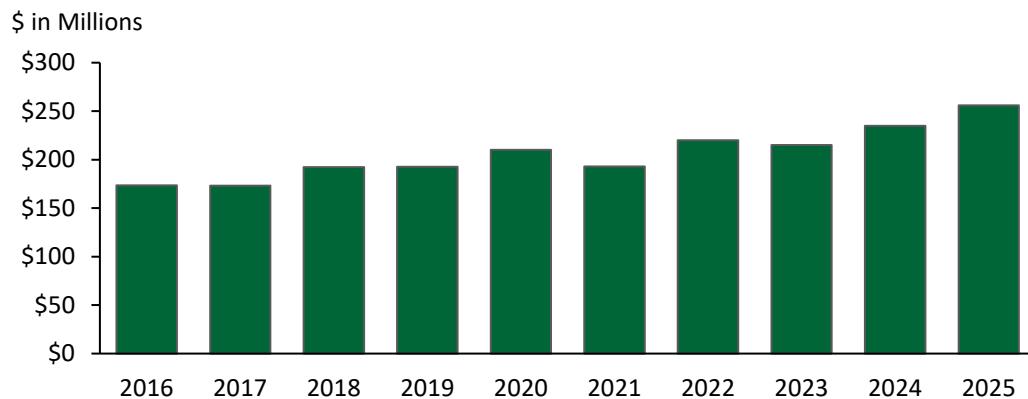
The “needs” calculation under the aid formula is structured to enable comparison across the cities (and does not identify total costs to bring municipal state-aid streets up to state standards). Calculations submitted by cities are reviewed by a screening board composed of city engineers.

Distribution. For calendar year 2025, the average aid per city is about \$1.6 million (or \$60.90 on a per capita basis). However, the amount provided to each city varies, ranging from around \$247,000 to just over \$22.0 million (or \$45.90 to \$112 per capita). Of the 156 cities, 34 receive \$500,000 or less, and 24 receive over \$2.5 million. (Details for each city are available in the state aid portion of the MnDOT website, at <https://www.dot.state.mn.us/stateaid/msas.html>.)

History of Aid

The chart below identifies core distributions over the last decade. Over this period, aid increased at an annual average rate of 5.3 percent.

MSAS Core Distribution History, CY 2016-2025



For more information: See the House Research publication *Small Cities Assistance*, November 2025.



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