2012 NOVEMBER FORECAST
Transportation Funds

City Engineers Association of Minnesota
Annual Conference
January 31, 2013
Overview

- Highway User Tax Distribution (HUTD) Fund
  - Gas Tax
  - Registration Tax
  - Motor Vehicle Sales Tax (MVST)

- Trunk Highway Fund
- County State Aid Highway (CSAH) Fund
- Municipal State Aid Street (MSAS) Fund
- State Airports Fund
- Transit Assistance Fund
Constitution requires that the following revenues must be deposited into the HUTD and used for only highway purposes:

- Motor Fuels Tax (Gas Tax) – 100%
- Vehicle Registration Tax (Tab Fees) – 100%
- Motor Vehicle Sales Tax (MVST) – Not more than 60%
  
  Currently is 60%

The current split of the funds within HUTD is:

- Gas Tax 46%
- Registration Tax 33%
- 60% Motor Vehicle Sales Tax (MVST) 21%
- Other Sources 0%
HUTD Sources and Uses  
FY 2012 (preliminary)

- Gas Tax: $847M  
- Tab Fees: $580M  
- Motor Vehicle Sales Tax: $335M  
- Other: $3M

Highway User Tax Distribution Fund

- 95% Distribution
  - THF (62%)  
  - CSAH (29%)  
  - MSAS (9%)
- 5% Set Aside
  - Flexible Highway Account (53.5%)
  - Town Roads (30.5%)
  - Town Bridges (16%)
- DNR transfers

-Article XIV of the Minnesota Constitution  
-DNR transfers for unreimbursed gas taxes per MS296A.18
Highway User Tax Distribution (HUTD) Revenue Forecast

- **EOS '12 Fcst**
- **Nov '12 Fcst**

<table>
<thead>
<tr>
<th>State Fiscal Year</th>
<th>EO '12 Fcst</th>
<th>Nov '12 Fcst</th>
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<tbody>
<tr>
<td>2012 (prelim act)</td>
<td>$1,785</td>
<td>$1,764</td>
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<tr>
<td>2013</td>
<td>$1,828</td>
<td>$1,825</td>
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<tr>
<td>2014</td>
<td>$1,858</td>
<td>$1,850</td>
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<tr>
<td>2015</td>
<td>$1,893</td>
<td>$1,877</td>
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<tr>
<td>2016</td>
<td>$1,910</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>$1,946</td>
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</table>

$ in Millions
Gas Tax Forecast

<table>
<thead>
<tr>
<th>State Fiscal Year</th>
<th>EOS '12 Fcst</th>
<th>Nov '12 Fcst</th>
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<tbody>
<tr>
<td>2012 (prelim act)</td>
<td>864</td>
<td>847</td>
</tr>
<tr>
<td>2013</td>
<td>877</td>
<td>875</td>
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<tr>
<td>2014</td>
<td>875</td>
<td>875</td>
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<td>2015</td>
<td>876</td>
<td>870</td>
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<td>2016</td>
<td>870</td>
<td>865</td>
</tr>
<tr>
<td>2017</td>
<td>863</td>
<td>863</td>
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</table>
Registration Taxes Forecast

$ in Millions

State Fiscal Year

2012 (prelim act) 2013 2014 2015 2016 2017

EOS '12 Fcst Nov '12 Fcst
Motor Vehicle Sales Tax (MVST) Forecast

<table>
<thead>
<tr>
<th>Year</th>
<th>EOS '12 Fcst</th>
<th>Nov '12 Fcst</th>
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</thead>
<tbody>
<tr>
<td>2012 (prelim act)</td>
<td>336</td>
<td>335</td>
</tr>
<tr>
<td>2013</td>
<td>355</td>
<td>353</td>
</tr>
<tr>
<td>2014</td>
<td>373</td>
<td>370</td>
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<tr>
<td>2015</td>
<td>398</td>
<td>395</td>
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<tr>
<td>2016</td>
<td>422</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>447</td>
<td></td>
</tr>
</tbody>
</table>

$ in Millions

State Fiscal Year

- EOS '12 Fcst
- Nov '12 Fcst
Primary changes from the End of Session forecast for the four year period FY12 through FY15 are:

- Revenue transferred from the HUTD fund decreased 0.7%.

- Debt service transfers have increased nearly $41M largely due to the acceleration of scheduled lettings for major bridge construction projects.

- Additional revenue is expected due to new federal reauthorization law (MAP–21), and a review of current Federal aid agreements. Overall effect is a revenue increase of $57M and an expenditure increase of $40M.
Trunk Highway Debt Service Transfer Projections

State Fiscal Year

- 2012 (act)
- 2013 (act)
- 2014
- 2015
- 2016
- 2017

Transfers (in millions)

- $72.6
- $120.3
- $126.2
- $157.2
- $180.0
- $185.3
- $185.6
- $194.6
- $201.9
- $203.6

Feb '12 Fcst
Nov '12 Fcst
State Aid Sources of Funds
FY2012

COUNTY STATE–AID HIGHWAY FUND
$575.0

- HUTD Distributions
  $563.4
- Motor Vehicle Lease Sales Tax
  $9.3
- Other
  $2.3

MUNICIPAL STATE–AID STREET FUND
$151.2

- HUTD Distributions
  $148.0
- Other
  $3.2
State revenue from HUTD is **slightly** lower for the four year forecast period – approximately 0.7%

Interest income is down in both funds – approximately $2 million for CSAH and approximately $1.3 million for MSAS.

Department of Revenue’s motor vehicle leased sales tax (MVLST) forecast is up nearly $22 million for the four year forecast period (only affects CSAH).
CSAH Commissioner’s Order and Forecast
(in millions of dollars)

- **2012 Act:**
  - County Apportionment: 363
  - County Excess Sum: 150
  - Motor Vehicle Lease Tax: 11

- **2013 Act:**
  - County Apportionment: 384
  - County Excess Sum: 147
  - Motor Vehicle Lease Tax: 15

- **2014 Fcst:**
  - County Apportionment: 376
  - County Excess Sum: 147
  - Motor Vehicle Lease Tax: 13

- **2015 Fcst:**
  - County Apportionment: 383
  - County Excess Sum: 151
  - Motor Vehicle Lease Tax: 15

- **2016 Fcst:**
  - County Apportionment: 398
  - County Excess Sum: 157
  - Motor Vehicle Lease Tax: 17

- **2017 Fcst:**
  - County Apportionment: 413
  - County Excess Sum: 163
  - Motor Vehicle Lease Tax: 18
MSAS Commissioner’s Order and Forecast
(in millions of dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Municipalities</th>
<th>Town Roads and Bridges</th>
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<tbody>
<tr>
<td>2012 Act</td>
<td>146</td>
<td>41</td>
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<tr>
<td>2013 Act</td>
<td>149</td>
<td>42</td>
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<tr>
<td>2014 Fcst</td>
<td>163</td>
<td>42</td>
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<tr>
<td>2015 Fcst</td>
<td>163</td>
<td>43</td>
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<tr>
<td>2016 Fcst</td>
<td>160</td>
<td>44</td>
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<tr>
<td>2017 Fcst</td>
<td>162</td>
<td>44</td>
</tr>
</tbody>
</table>
Airports Fund
2012 Nov vs. 2012 EOS

- Fund receives revenue from airline flight property tax, aircraft registration tax, fuel taxes, and interest income.

- Revenue from the three main sources of revenue above are down 2%, or $1.7M for the four year period from FY2012–FY2015. Partially due to a shortfall of $.7M in FY2012 – nonpayment of property tax by two airlines in bankruptcy proceedings.

- Investment income decreased $.1M for the four year period, based on interest rate projections by MMB.

- MnDOT reduced expenditures in fiscal year 2012 and is expecting additional reductions in fiscal year 2013 due to efficiencies in operations.
## State Airports Revenues (State Airports Fund Only)

($ in millions)

<table>
<thead>
<tr>
<th>State Fiscal Year</th>
<th>Nov '12 Fcst</th>
<th>EOS '12 Fcst</th>
<th>$ Change</th>
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<tbody>
<tr>
<td>2012 (prelim act)</td>
<td>$17 M</td>
<td>$19 M</td>
<td>-$1.1 M</td>
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<tr>
<td>2013</td>
<td>22</td>
<td>23</td>
<td>-0.8</td>
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<tr>
<td>2014</td>
<td>18</td>
<td>19</td>
<td>-0.8</td>
</tr>
<tr>
<td>2015</td>
<td>18</td>
<td>$19 M</td>
<td>-$1.2 M</td>
</tr>
<tr>
<td>2016</td>
<td>18</td>
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<td></td>
</tr>
<tr>
<td>2017</td>
<td>$19 M</td>
<td></td>
<td></td>
</tr>
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</table>
MnDOT Transit Uses of Funds FY2012

- General Fund: $14.7
- Transit Assistance Fund: $22.0
- Federal Revenue Greater MN: $28.1
- Other: $0.8

MnDOT Transit Expenditures: $65.6
Fund receives the transit portion of MVST revenues – currently 40%.

Greater MN Transit receives 4% (10% of 40%) of MVST.

Met Council receives 36% (90% of 40%) of MVST.

In addition, Greater MN Transit receives 50% of the portion of the sales tax on motor vehicle leases (MVLST) that is transferred to transportation funds.
Decrease in MVST of $5.2M, or .5% over the four year period.
  ◦ Met Council decrease $4.7M
  ◦ Greater MN Transit decrease $0.5M

Increase in MVLST of nearly $22M, or 82% over the four year period.

Note: Current law is that actual receipt of this revenue occurs after the close of a specific fiscal year. Estimated revenue from this source is assigned as a balance forward on the fund statement.
<table>
<thead>
<tr>
<th>State Fiscal Year</th>
<th>Nov '12 Fct</th>
<th>EOS '12 Fct</th>
<th>$ Change</th>
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</thead>
<tbody>
<tr>
<td>2012 (prelim act)</td>
<td>$32 M</td>
<td>$28 M</td>
<td>$3.5 M</td>
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<td>2013</td>
<td>35</td>
<td>29</td>
<td>5.8</td>
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<tr>
<td>2014</td>
<td>38</td>
<td>31</td>
<td>6.4</td>
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<tr>
<td>2015</td>
<td>41</td>
<td>$36 M</td>
<td>$5.7 M</td>
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<tr>
<td>2016</td>
<td>45</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>$47 M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Fiscal Year</td>
<td>Nov '12 Fct</td>
<td>EOS '12 Fct</td>
<td>$ Change</td>
</tr>
<tr>
<td>-------------------</td>
<td>-------------</td>
<td>-------------</td>
<td>----------</td>
</tr>
<tr>
<td>2012 (prelim act)</td>
<td>201 M</td>
<td>202 M</td>
<td>-0.5</td>
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<tr>
<td>2013</td>
<td>212</td>
<td>213</td>
<td>-0.8</td>
</tr>
<tr>
<td>2014</td>
<td>222</td>
<td>224</td>
<td>-1.7</td>
</tr>
<tr>
<td>2015</td>
<td>237</td>
<td>239</td>
<td>-1.6</td>
</tr>
<tr>
<td>2016</td>
<td>253</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>268 M</td>
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Questions?

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MnDOT
Major State Source Assumptions

- Follow & extend two-biennium Transportation Funds Forecast (2012–2015) practices

- Motor Fuels Tax
  - +1.4% growth rate for LDV VMT
  - Net of MPG improvement, expect flat (IHS) to declining (EIA) gas consumption

- Registration Tax & MVST (IHS)
  - +1.9% LDV unit sales
  - +2.1% LDV price inflation
Federal–Aid Highway Assumptions

- Key: future reauthorizations preserve current budget—unconstrained by today’s fuel taxes

- Annual levels under MAP–21 (MnDOT: 74% ≈ $400 million) remain in place through 2016

- 2017+ has nominal annual increases (CBO)
  - +2.0% for 2016–2032
  - +1.8% average for 2012–2032
  - Compare: +4.0% actual average for 2000–2010
Long-Term Trends for Revenue flows into Trunk Highway Fund

Year-of-Construction/Current/Nominal Tax Revenues (Millions)

SFY


State Motor Fuels Excise Taxes
Federal
Motor Vehicle Registration Tax
MVST
Scenarios for State Road Construction Allocation

How should state-sourced Trunk Highway Fund revenues be split: SRC vs. Ops & Maint?

A. Fund O&M to fully cover expected inflation

B. Continue annual SRC at flat nominal amount ($290 million) as budgeted since SFY 2009

C. Choose growth rates for SRC, O&M so as to equalize expected future purchasing power loss

D. Fund SRC to fully cover expected inflation
Trunk Highway Fund Components & Budgeted Uses

**Scenario C:** Trunk Highway Fund Accounting for Scenario: equal projected purchasing power deficits

**Annual Inflation Projections**
- **Capital = +5%**
- **Operations = +3%**

![Graph showing trunk highway fund amounts over years](image)

- **Capital Formula**
  - Annual Growth = +3.2%
  - 20-Year Σ = $7.7 B

- **Operations**
  - Annual Growth = +1.2%
  - 20-Year Σ = $11.5 B
Inflation Outlook

- **MnDOT Construction Cost Index (CCI)**
  - Composite of MATERIALS COST, labor, equipment, overhead, contractor profit for all project types
  - CAGR = +4.4% since 1977
  - +5% annual inflation forecast for 20-year horizon

- **Operations & Maintenance**
  - LABOR ≈ 60% of budget
  - Union contract wage/benefits settlements +2.2% in 1st year (CLRC, Jan–Sept 2012)
  - +3% annual inflation expected, given salt, fuel
Real vs. Nominal State Road Construction Outlook

Investment Capacity for State Road Construction (Millions)

State Fiscal Year

Real State Road Construction Funding  Nominal Dollar Supplement
MAP–21 Overview & Impacts

January 31, 2013

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Moving Ahead for Progress in the 21st Century (MAP-21)
SAFETEA–LU & MAP–21– Themes

  - Minnesota formula highway funding – $525 M/yr

  - Minnesota formula highway funding – $575 M/yr
## Transition from SAFETEA–LU to MAP–21 ($ in millions)

<table>
<thead>
<tr>
<th>MAP-21 Programs</th>
<th>SAFETEA-LU Programs</th>
<th>FY 2012</th>
<th>FY 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Highway Performance Program (NHPP)</td>
<td>Interstate Maintenance, Bridge, National Highway System</td>
<td>$308</td>
<td>$365</td>
</tr>
<tr>
<td>Surface Transportation Program (STP)</td>
<td>STP (less Enhancements), Off-System Bridges, Coordinated Border</td>
<td>$180</td>
<td>$168</td>
</tr>
<tr>
<td>Highway Safety Improvement Program (HSIP)</td>
<td>HSIP, Rail</td>
<td>$35</td>
<td>$40</td>
</tr>
<tr>
<td>Congestion Mitigation and Air Quality (CMAQ)</td>
<td>CMAQ</td>
<td>$32</td>
<td>$31</td>
</tr>
<tr>
<td>Metropolitan Planning</td>
<td>Metropolitan Planning</td>
<td>$4</td>
<td>$4</td>
</tr>
<tr>
<td>Transportation Alternatives (TA)</td>
<td>Safe Routes to Schools, Recreational Trails, Enhancements, Other TA</td>
<td>$24</td>
<td>$17</td>
</tr>
<tr>
<td>N/A</td>
<td>Equity Bonus</td>
<td>$42</td>
<td>$0</td>
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<tr>
<td><strong>Total Apportionment</strong></td>
<td></td>
<td>$625</td>
<td>$625</td>
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MAP-21 Formula Program Consolidation

- NHPP, Highway Safety Improvement Program (HSIP): Gained apportionment ($62 million increase)
- STP, Transportation Alternatives Program (TAP): lost apportionment ($61 million decrease)
- Congestion Mitigation & Air Quality (CMAQ) and Metropolitan Planning: apportionment remains similar
- Transportation Alternatives Program and Tribal Transportation formula changes
- Accelerated Project Delivery emphasis: Expanded flexibility, Programmatic approaches to the environmental review process
MAP–21 and Federal Funds

- Overall apportionment available for roads and related programs is consistent with FY 2012 funding
- Matching requirements vary by program but resemble SAFETEA–LU requirements
- Population–based formulas for STP and TAP
- TAP requires a competitive grant process and funding must go to ATP projects
- Ability to transfer apportionment between programs
- Enhanced emphasis on performance measurement
Current STIP: SFY 2013

- Committed to funding SFY2013 projects
  - New MAP–21 apportionments
  - Remaining SAFETEA–LU apportionments
  - Apportionment transfers

- $100 million in federal funds available for project advancement (NHPP and HSIP projects only due to apportionment)
  - $40 million in federal funds above forecast
  - $50 million in federal funds from projects advanced into FY 2012
  - $10 million in Equity Bonus funds that expire after FY 2013

- Analysis suggests some flexibility will be retained for years FY 2014–2016
Move towards all MAP–21 performance goals and include funding for Transportation Alternatives:

- Statewide program to meet minimum condition levels for Interstate pavements and NHS bridges
- Statewide program to move towards meeting performance on NHS pavements and other NHS measures
- Statewide program to address non–traditional/statewide transportation alternatives programs
FHWA Formula to Highways – MnDOT / Local
(in millions of dollars)

Federal fiscal year-forecast
FY 2017 Resource Distribution

- Statewide Performance Program to meet minimum condition levels for Interstate pavements and NHS bridges and will also move the State towards meeting performance targets on the NHS system ($400M)

- District Flexible Program for managing the Districts’ highest priorities ($320M)

- Funding directed by ATPs ($134M)
MAP–21 Highway Impacts

• Closer alignment of program with the amount apportioned
  ◦ Additional tracking required by MnDOT and ATPs
  ◦ Fewer STP projects and additional NHPP and HSIP projects will be funded

• Target formula begins to change in FY 2017 to include three main funding streams:
  ◦ Statewide Performance Program
  ◦ District Risk–Based Program
  ◦ ATP Resources
MAP–21 Highway Impacts

- Emphasis on performance will lead to a larger statewide program. For example, for FY 2017:
  - $80 M for Bridges
  - $153 M for Interstate and NHS Pavements
  - $56 M for NHS Performance

- $20 million in reductions to STP projects for FY 2014–2016
  - $10 M reduction in the Metro area / $10 M reduction in Greater Minnesota
  - ATPs will be responsible for managing this process
MAP–21 Transit Impacts

- ATPs will have less funding available to dedicate to local bicycle, pedestrian and transit projects.
- Administration question for new Elderly & Disabled program.
- New Bus and Bus Facilities Program distributes funding directly to states by population level. State funds will be needed to maintain bus fleets.
- Fixed Guideway Capital Investment Grants replaces New Starts/Small Starts Programs with new eligibility for core capacity projects.
MAP–21 Performance Driven Shifts

- Statewide Performance Program
  - Interstate pavements at 2% poor
  - NHS pavements at 3% poor
  - Bridges with less than 10% structural deficiency
- District Flexible Program – used to address system performance
- Local funding – MnDOT will encourage decision making at the ATP level wherever possible.