



Financial Management and Legislative Briefing

Enacted Budget Update – June 2015

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The Office of Financial Management prepared this Financial Management and Legislative Briefing (FMLB) to provide basic information on the Minnesota Department of Transportation’s (MnDOT) finances. *This document has been updated to reflect the enacted budget and other 2015 legislative financial changes.*

The first section describes MnDOT’s enacted **biennial budget** passed by the 2015 Legislature, and a final summary of MnDOT’s proposed 2015 **legislative policy initiatives**. The second section provides a basic **MnDOT financial overview**. It includes information about how highway transportation is funded in Minnesota, and includes a history of significant revenue changes. The appendix includes fund statements for the six transportation funds, and financial data which include FY2014 overviews of MnDOT revenues and expenditures.



Comments? This briefing was prepared by MnDOT’s Office of Financial Management with writing, data, and analysis from Lynn Poirier, Josh Knatterud-Hubinger, Kim Kildal, Maureen Newville, Mike Ayers and Jerry Wood. Please contact Lynn Poirier (lynn.poirier@state.mn.us) with questions, comments, or suggestions.

We all have a stake in A+B



TRANSPORTATION FACTS

MOTOR VEHICLE REGISTRATIONS:

Minnesota's motor vehicle registrations totaled about 5.09 million in 2013.

LICENSED DRIVERS:

Minnesota had 4.08 million licensed drivers in 2013.

SEAT BELT USAGE

Minnesota's seat belt usage was 95% in 2013.

VEHICLE MILES TRAVELED:

Use of Minnesota's roads totaled an estimated 57.0 billion vehicle miles traveled in 2013.

TRANSIT:

In Minnesota, there are 70 public transit system operations in 86 counties offering scheduled transportation service to the public.¹⁾



BICYCLE TRAILS:

The State Trails system includes 1,442 developed state trail miles, including over 624 miles of paved & aggregate trails for bicycling and other uses.²⁾

AERONAUTICS:

Minnesota has 5,186 active registered aircraft and 135 public airports.³⁾



WATERWAYS:

The Mississippi River System stretches over 222 miles in Minnesota. The five ports on this river plus four ports on Lake Superior transported combined tonnage of 67.6 million tons.⁴⁾

RAIL SYSTEM:

Minnesota's rail system consists of about 4,388 total miles of railroad, with 4,103 rail crossings.

Unless otherwise noted; all facts are from 2013

*Transportation Trivia, compiled by
Office of Traffic Engineering at*

<http://www.dot.state.mn.us/trafficeng/publ/triviacard/>

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*

FY2016-17 BIENNIAL BUDGET

Laws 2015 - Chapter 75 (SF 1647)

MnDOT's proposed budget is funded by the Trunk Highway, County State Aid Highway, Municipal State Aid Street, State Airport, Transit Assistance, and General Funds. With the exception of the activities funded by the General Fund, requested amounts are constrained by the amount of money estimated to be available in the respective funds.

The enacted budget increases MnDOT spending, based on the enacted change items below. No material funding package was enacted; the additional spending was primarily appropriated from the available balances in the Trunk Highway, Airports, and General Funds. The County State Aid Highway and the Municipal State Aid Street Funds, largely based on estimated revenues flowing to the funds from the Highway User Tax Distribution Fund are allocated in conjunction with the annual Commissioner's Order typically issued in January.

This section provides an overview of MnDOT's 2016-17 biennial budget change items updated to reflect the enacted budget. It also summarizes other financial provisions and financial policy changes. A summary of MnDOT direct appropriations is at the end of this section.

CHANGE ITEMS ENACTED

FUNDING PACKAGE FOR TRANSPORTATION - PORTION ENACTED

The Governor recommended the state commit to a major investment plan for transportation to fund the estimated \$6 billion dollar gap that exists between funding needs and revenues in the next 10 years. General fund increases were recommended for the funds that were not eligible for trunk highway funds.

The plan was **not** enacted; however, a modest increase in transportation funding occurred, primarily by utilizing available fund balances. Trunk Highway Fund appropriations enacted include:

- Total Purchasing Power restoration of \$16 million in FY2016 and \$33 million in FY2017, added to all trunk highway fund appropriations.
- Additional Program Planning and Delivery of \$17.466 million in FY2016 and \$9.804 million in FY2017.
- Additional Operations and Maintenance of \$12.808 million in FY2016 and \$7.190 million in FY2017.
- Additional State Road Construction of \$86.164 million in FY2016 and \$48.366 in FY2017.

General fund appropriations enacted include:

- Additional Transit base operating increase of \$2.5 million.
- Additional Freight in FY2016:
 - \$145,000 for emergency repairs to the Minnesota Commercial Railway in White Bear Lake and Hugo.
 - \$3 million for development assistance at Minnesota's public ports (St. Paul, Red Wing, Winona and Duluth).
 - \$5 million for rail grade crossing safety.

STATE ROAD CONSTRUCTION APPROPRIATION

The enacted change item increases appropriations related to state road construction from the trunk highway fund due to changes in the federal authorization law (MAP-21). These changes make more federal funding available for projects on Minnesota's state trunk highway system. This funding is already programmed in the federal 2015-18 State Transportation Improvement Program (STIP). This is for increased appropriations of \$46.995 million in FY 2016 and \$50.295 million in FY 2017, with the FY 2017 increase becoming a base in the future years. Revenue from the Federal

Highway Administration of the same amounts is expected, so there is no net cost to the Trunk Highway Fund from this proposal.

FLOOD APPROPRIATION DATE CHANGE

The enacted change extends the statutory end date for the appropriated funds for flood repairs from June 30, 2015 to June 30, 2018. The major reason this change is needed is to accomplish the reconstruction of the Jay Cook State Park road damaged in the 2012 flood. This repair work has proven challenging in design and timing of construction seasons.

2014 JUNE FLOODS – LOCAL ROADS FHWA MATCH

Early in the session, the legislature passed a \$3 million general fund appropriation in FY 2015 to fund 100% of the match obligations for FHWA emergency funds used by local governments to repair roads following the June 2014 flooding. The contingency carried by the Department of Public Safety only covers the FEMA matching funds. This appropriation was changed so that, of the total, \$2.38 million was instead appropriated in 2016.

LAND CONVEYANCE FUND

The enacted change allows MnDOT to use the currently non-dedicated trunk highway funds, proceeds from property sales and leases, to help fund / facilitate property disposal. This will fund a new unit dedicated to managing (maintenance, leasing, limited use permits) existing right-of-way and conveying surplus right-of-way. The activities would include operations, property management, environmental investigations and clean-up costs, real estate services, appraisal services, etc. for both leasing and sale of right-of-way. It is estimated that additional sales of parcels would be \$1 million and leasing revenue would be \$300,000 per year.

ENVIRONMENTAL MANAGEMENT FUNDING

The enacted change increases the Trunk Highway appropriation of \$1 million for the management of contaminated and hazardous materials on MnDOT owned property. Examples of environmental costs associated with MnDOT-owned properties are investigation and mitigation of property conveyances and facility acquisition/expansion projects, chemical releases at maintenance facilities and spills on the trunk highway system without a known responsible party.

AERONAUTICS APPROPRIATION

The enacted change is an increase of \$11 million (\$5.5 million each in FY 2016 and FY 2017) 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.



APPRAISAL WAIVERS

The enacted change allows MnDOT to use an appraisal waiver (a "minimum damage acquisition") for parcel acquisitions under \$25,000 through the condemnation process, primarily as an efficiency measure. Many of the parcels acquired are valued at less than \$25,000 and in numerous cases MnDOT pays more for the appraisal than the actual property value. Landowners would retain the right to request a full appraisal.

SOFTWARE SALES AND LICENSING REVENUE

The enacted change requires any revenue from the sale or licensing of software developed with Trunk Highway funds be deposited in the Trunk Highway fund and not in the MN.IT revolving funds as the law currently states.

CIVIL AIR PATROL (CAP)

The enacted change increases the base in the Civil Air Patrol appropriation - a rider under the Aeronautics budget activity - by \$15 thousand per year. A corresponding decrease to other Aviation Support and Services will occur, for a net change of \$0. The funding that the state provides is primarily used for equipment that supports CAP's mission in Minnesota: search and rescue, disaster relief, staff training and youth aviation education. Their operating costs have been increasing, and their sources of funding are this state appropriation and thousands of hours of volunteer time.

TORT CLAIMS

The enacted change appropriates the \$600,000 currently appropriated to Minnesota Management and Budget (MMB) for the payment of MnDOT tort claims to MnDOT directly. This is an efficiency effort.

AERONAUTICS NETWORK APPROPRIATION TRANSFER

The enacted change transfers \$25,000 per year from the Agency Management budget activity to the Aeronautics budget activity. An appropriation for the Aeronautics network charges is included in the MnDOT Agency Management budget activity, in the Airports fund. The fund is correct, but the appropriation should properly be part of the Aeronautics budget activity. This is an efficiency effort.

DEPARTMENT OF PUBLIC SAFETY – TRUNK HIGHWAY FUND

The following changes were enacted for the Department of Public Safety:

- The purchase of a plane in FY2016 with an appropriation from the trunk highway

of \$858,000 and \$117,000 from the general fund.

- Salary supplement for Trunk Highway funded activities in the Department of Public Safety \$2.303 million in FY 2016 and \$4.676 million in FY 2017.
-

CHANGE ITEMS NOT ENACTED**STATE PLANE PURCHASE**

The Governor recommended the purchase of two new aircraft for the air transportation service and the sale of the King Air C90 (55MN) and the King Air B200 (70MN). The aircraft are aging; the 55MN is 33 years old, and 20MN, 21 years old. Maintenance costs accelerate as aircraft age. The proceeds from the sale of the current aircraft and \$9.960 million in General Funds would be used for the purchase.

SNOW AND ICE CONTINGENCY

The Governor recommended establishing a snow and ice contingency account/open appropriation in the Trunk Highway Fund when snow and ice costs exceed 110% of the state's beginning annual budget for snow and ice control. MnDOT makes it a priority to provide a consistent level of service on its 12,000 miles of state highways during the winter season, but it is expensive and labor intensive. Snow and ice costs vary from year to year, and managing the uncertainties and unpredictable nature of costs not within the direct control of MnDOT is difficult and often compromises other maintenance activities in the fiscal year.

GRADE CROSSING SAFETY ACCOUNT

The Governor recommended an assessment to the four Class 1 railroads operating in the state of \$32.5 million per year for the development, administration and construction of highway-rail grade crossing improvements on rail corridors transporting crude oil and other select routes, including those carrying hazardous materials. The improvements include upgrades to existing protection systems, closing of some crossings and the necessary road work, and reconstruction of at grade crossings to full grade separations.

Project improvements are recommended based on risk assessments that include a variety of criteria, including current and projected train traffic volumes and delays, community vulnerability assessments, and physical site characteristics, among others.

UTILITY RELOCATION

The Governor recommends a statute revision to not require the state to pay for utility relocation within existing interstate right-of-way. This would only apply to utilities placed after passage of this change, grandfathering in all currently existing utilities. The expectation is that no benefit to the trunk highway fund would occur until after the forecast period.

DEPARTMENT OF REVENUE – TRUNK HIGHWAY FUND

The Governor recommends a revenue calculation adjustment that will reduce the Greater Minnesota Transit account and County State Aid Highway Funds by \$2 million each in FY 2016 and \$2.1 million each in FY 2017 and out years.

OTHER ENACTED PROVISIONS – APPROPRIATIONS LAW

ADDITIONAL APPROPRIATION ITEMS:

- Highway Debt Service - Appropriates \$197.381 million in fiscal year 2016 and \$231.199 million in fiscal year 2017. The amounts are the forecast debt service for the bonding bill discussed below.
- Small Cities Assistance - a one-time general fund appropriation of \$12.5 million for the small cities assistance program under the Local Roads budget activity.

REVENUE AND FINANCIAL POLICY CHANGES:

- The following MnDOT language items:
 - Buildings – department’s initiative to allow building construction spending to cross biennia.
 - State Road Construction – expanded program delivery language.
- Small Cities Assistance program is established, and includes the formula for

allocation of funds. This is a new program for cities under 5,000, which under the Minnesota Constitution are not eligible for regular transportation funding. Allocation of the funding is to be calculated by MnDOT, and distribution by the Department of Revenue.

- A County State Aid Highway Fund fixed percentage split was enacted to be used in calculating county state-aid highway funding allocations; 68% will be used for the apportionment sum fund and 32% will be used for the excess sum funds.
 - Increased penalty for second and subsequent violations of texting while driving.
 - Otter Tail County turnback of Hwy 228 was authorized.
 - MnDOT is required to adopt a cost participation policy with local governments addressing construction and maintenance of highways. The goal is to minimize the costs borne by local governments, while still complying with constitutional restrictions on the use of trunk highway funds.
 - MnDOT and the Dept. of Public Safety need to report in detail on expenditures from the trunk highway and HUTD fund for fiscal years 2010-2015.
 - MnDOT, in collaboration with local governments, is required to adopt standards that will bring local road design criteria into conformance with trunk highway design criteria.
-

OTHER ENACTED FINANCIAL PROVISIONS

Special Session Ch. 5 (HF 2, the bonding bill) appropriates:

- \$140 million trunk highway bonds for trunk highway projects
- General fund bonds of:
 - \$7.410 million for local bridge replacement and rehabilitation
 - \$8.910 million for local road improvement fund grants
 - Several local road and rail grade improvement projects
 - \$2 million for the Transportation Economic Development program

(TED) to the Department of Economic Development.

Chapter 71 (SF 1458, Health & Human Service omnibus bill) includes nonemergency medical transportation services under the special transportation definition, which then subjects these providers to inspections performed by MnDOT. The cost of inspection is \$45, which will go into the trunk highway fund to cover the additional costs of the inspection

program. A variance from meeting the standards may be granted.

MNDOT'S DEBT MANAGEMENT POLICY FORECAST AS OF 2015 END OF SESSION
Debt Service for the TH Fund should not exceed 20% of annual state revenues:

\$ In millions **Bold = Actual**

Year	Actual/ Forecast %	Variance from 20%
2012	7.5%	\$133.6 M
2013	11.2%	99.1
2014	12.5%	87.4
2015	13.3%	82.9
2016	15.7%	53.7
2017	17.8%	29.2
2018	17.9%	28.6
2019	17.4%	35.0
2020	17.0%	40.6
2021	16.5%	\$47.6 M

FY 2016-2017 MNDOT DIRECT APPROPRIATIONS

All dollars in thousands (\$1 = \$1,000)

Program Name	Budget Activity Name	Appropriation/Change Item Name:	Fund Name	FY 2016-17 Gov. Recommendations		Enacted FY 2016-17 Total Direct Appropriations Base		
				2016	2017	2016	2017	
Multimodal Systems	Aeronautics	Airport Dev. And Assistance	Airport Dev. And Assistance - Base	AIR	14,298	14,298	14,298	14,298
			CI: Appropriation Increase - One Time		5,500	5,500	5,500	5,500
		Total Airport Dev. And Assistance		AIR	19,798	19,798	19,798	19,798
	Aviation Support and Services		Aviation Support and Services - Base	AIR	5,286	5,286	5,286	5,286
			Aviation Support and Services - Base	TH	1,100	1,100	1,100	1,100
			CI: Aeronautics Network Approp. Transfer	AIR	25	25	25	25
			CI: Purchasing Power Restoration	TH	250	250	250	250
			CI: State Plane Purchase	GF	9,960	-	-	-
				AIR	5,311	5,311	5,311	5,311
				TH	1,350	1,350	1,350	1,350
		Total Aviation Support and Services			9,960	-	-	-
		TOTAL AERONAUTICS			16,621	6,661	6,661	6,661
					36,419	26,459	26,459	26,459
		Transit	Transit - Base	GF	17,245	17,245	17,245	17,245
Transit - Base			TH	775	775	775	775	
CI: Purchasing Power Restoration			TH	23	47	23	47	
CI: General Operating Increase			GF	4,000	6,000	2,500	2,500	
			GF	21,245	23,245	19,745	19,745	
			TH	798	822	798	822	
	TOTAL TRANSIT			22,043	24,067	20,543	20,567	
	Safe Routes to School	Safe Routes to School	GF	500	500	500	500	
	Freight	Freight - Forecast Base	GF	256	256	256	256	
		Freight - Forecast Base	TH	4,897	4,897	4,897	4,897	
		CI: Purchasing Power Restoration	TH	147	299	147	299	
		CI: Approp. for Track Repairs - One Time	GF	-	-	145	-	
		CI: Port Development Assistance		-	-	3,000	-	
		CI: Rail Grade Crossing Safety		-	-	5,000	-	
		CI: Rail Office Staffing		1,400	1,400	-	-	
			GF	1,656	1,656	8,401	256	
	TH	5,044	5,196	5,044	5,196			
	TOTAL FREIGHT			6,700	6,852	13,445	5,452	
	Passenger Rail	Passenger Rail - Base	GF	500	500	500	500	
			GF	33,861	25,901	29,146	21,001	
			AIR	25,109	25,109	25,109	25,109	
			TH	7,192	7,368	7,192	7,368	
				66,162	58,378	61,447	53,478	

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All dollars in thousands (\$1 = \$1,000)

Program Name	Budget Activity Name	Appropriation/Change Item Name:	Fund Name	FY 2016-17 Gov. Recommendations		Enacted FY 2016-17 Total Direct Appropriations Base	
				2016	2017	2016	2017
State Roads	Program Planning & Delivery	Program Planning & Delivery - Base	TH	206,720	206,720	206,720	206,720
		CI: Purchasing Power Restoration		5,539	12,728	5,539	12,728
		CI: Environmental Management Funding		1,000	1,000	1,000	1,000
		CI: 2012 Flood Appropriation Date Change		6,804	1,000	6,804	1,000
		CI: Approp. Increase - One Time		-	-	17,466	9,804
		CI: NexTen Program Planning		33,401	47,235	-	-
		TOTAL PROGRAM AND DELIVERY	TH		253,464	268,683	237,529
State Road Construction	State Road Construction	State Road Construction - Base	TH	646,505	645,505	646,505	645,505
		CI: Appropriation Increase - One Time		80,509	69,847	86,164	48,366
		CI: Federal MAP - 21 Funds Approps.		46,995	50,295	46,995	50,295
		CI: NexTen - State Road Construction		163,075	230,617	-	-
		TOTAL STATE ROAD CONSTRUCTION	TH		937,084	996,264	779,664
Operations & Maintenance	Operations & Maintenance	Operations & Maintenance - Base	TH	267,395	267,395	267,395	267,395
		CI: Appropriations Increase - One Time		10,486	16,189	12,808	7,190
		CI: Purchasing Power Restoration		8,202	16,331	8,202	16,331
		TOTAL OPERATIONS AND MAINTENANCE	TH	286,083	299,915	288,405	290,916
Debt Service	Debt Service	TH	198,204	250,726	197,381	231,199	
Statewide Radio Communications	Statewide Radio Communications	Statewide Radio Comm. - Base	GF	3	3	3	3
		Statewide Radio Comm. - Base	TH	5,168	5,168	5,168	5,168
		CI: Purchasing Power Restoration		155	315	155	315
		CI: Roosevelt Tower Replacement	GF	-	-	32	-
			GF	3	3	35	3
			TH	5,323	5,483	5,323	5,483
		TOTAL STATEWIDE RADIO COMMUNICATIONS			5,326	5,486	5,358
TOTAL STATE ROADS			TH	1,680,158	1,821,071	1,508,302	1,503,016
			GF	3	3	35	3
				1,680,161	1,821,074	1,508,337	1,503,019
Local Roads	Municipal State Aid Streets	Municipal State Aid Streets - Base	MSAS	200,576	224,048	170,743	178,141
	County State Aid Highway	County State Aid Highways - Base	CSAH	786,740	871,855	670,768	698,495
		CI: Flood Appropriation Extension	GF	-	-	2,380	-
	Small Cities Assistance	CI: Small Cities Assistance	GF	-	-	12,500	-
	TOTAL LOCAL ROADS			987,316	1,095,903	856,391	876,636
Agency Mgmt.	Agency Services	Agency Services - Base	TH	41,972	41,972	41,972	41,972
		CI: Purchasing Power Restoration		750	1,547	750	1,547
		TOTAL AGENCY SERVICES		42,722	43,519	42,722	43,519
	Tort Claims		600	600	600	600	
Building Services	Building Services	Buildings - Base	GF	54	54	54	54
		Buildings - Base	TH	17,784	17,784	17,784	17,784
		CI: Purchasing Power Restoration		934	1,483	934	1,483
TOTAL BUILDING SERVICES			18,772	19,321	18,772	19,321	
			TH	62,040	63,386	62,040	63,386
			GF	54	54	54	54
TOTAL AGENCY MANAGEMENT				62,094	63,440	62,094	63,440
Total Direct Appropriations:				2,795,733	3,038,795	2,488,269	2,496,573

Totals by Fund:		2016 Gov. Rec.	2017 Gov. Rec.	2016 Enacted	2017 Enacted
Totals by Fund:	Trunk Highway (TH)	1,749,390	1,891,825	1,577,534	1,573,770
	General (GF)	33,918	25,958	44,115	21,058
	State Airports (AIR)	25,109	25,109	25,109	25,109
	County State Aid Highway (CSAH)	786,740	871,855	670,768	698,495
	Municipal State Aid Street (MSAS)	200,576	224,048	170,743	178,141
	Grand Total:	2,795,733	3,038,795	2,488,269	2,496,573

MnDOT 2015 LEGISLATIVE POLICY INITIATIVES

A number of initiatives were proposed and enacted during the 2015 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 75 (SF 1647), 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' 2015 Legislative Summary](#).

INITIATIVES ENACTED

TRUNK HIGHWAY 275 TURNBACK

MnDOT District 8 would like to turn back Trunk Highway 275 to Lac Qui Parle County. They will be swapping it with a local county road and making the system more efficient to plow and maintain.

MNDOT CIVIL RIGHTS OFFICE – TARGETED GROUP BUSINESSES

This is a MnDOT agency initiative. These sections amend Minn. Stat. 161.321 to clarify the requirements for award of a contract with a targeted group business or veteran-owned small business goal when the bidder fails to meet that goal. The current language is ambiguous and suggests that there are two different processes (good faith effort/waiver request). In actuality, the program requires that a bidder who fails to meet the goal must apply for a waiver and to receive a waiver, the bidder must demonstrate good faith efforts to meet the goal. If, after making adequate good faith efforts to meet the goal, the bidder is unable to find sufficient targeted group business participation to meet the goal, MnDOT will determine that the targeted group business firms are not reasonably available to meet the goals and grant a waiver.

DRAINAGE PERMITS

This is a MnDOT agency initiative. It clarifies that MnDOT and local governments have the authority to issue drainage permits within the limits of a city. Minn. Stat. 160.201 gives all road authorities power to repair, clean, deepen, widen and improve public ditches, regardless of whether the ditch is in a city boundary or not. Under common law, MnDOT has the power to

issue permits for actions that impact real estate under the department's control. However, it would be helpful to clarify that permits are explicitly required under Minn. Stat. 160.20.

INITIATIVES NOT enacted

WORK ZONE SAFETY - FLAGGERS

Allow a peace officer to issue a citation to the driver of a vehicle, within four hours, if the peace officer has probable cause to believe the driver violated a flagger's direction. The change would allow flaggers to notify law enforcement of vehicles not following their direction, similar to the authority that school bus drivers currently have for drivers that ignore a school bus stop arm.

MNDOT LAND MANAGEMENT – ADMINISTRATIVE LAW JUDGES

Establish a pilot program for five projects to use an administrative law judge instead of commissioners to decide eminent domain cases. Currently three disinterested commissioners with knowledge about real estate are appointed by the courts to determine compensation. The commissioners are knowledgeable about real estate values, but not necessarily about federal and state rules/law regarding what is compensable. MnDOT initiates about 30 condemnations per year. On average, MnDOT pays 205% of the appraised value when property goes to condemnation under the current system. MnDOT hopes using Administrative Law Judges will decrease their costs and speed up the process.

MNDOT DATA PRACTICES

The proposal will classify data generated by vendors and maintained by MnDOT as nonpublic from the time of project

advertisement to award so that contractors can develop project schedules within MnDOT's project management software without the data being public. To create project efficiencies and optimize productivity throughout the project, MnDOT is asking contractors to create construction project schedules prior to the letting date using MnDOT's scheduling software. There would be a competitive disadvantage for contractors if this data became public before project letting. Once the project is awarded, the data would become public.

MnDOT ATV USE ON TRUNK HIGHWAYS

Current law prohibits ATV use on trunk highways with a few exceptions for utility or pipeline companies while working on their facilities. MnDOT would like a similar exemption for use by road authorities. A

MnDOT employee may use an ATV when doing survey work along a trunk highway, for example.

OBERSTAR MEMORIAL BIKEWAY

MnDOT is proposing statutory authority to designate the Oberstar Memorial Bikeway, which would give the Commissioner authority to work on the planning and identification of a bicycle route from St. Paul through Duluth and terminating at the Canadian border north of Grand Marais. The process is primarily identifying the route on existing roadways and providing signage to mark the route. This would be similar to the Mississippi River Trail. The Statewide Bicycle System Plan process identified this as a priority route for stakeholders.

MINNESOTA'S HIGHWAY FINANCES

This section describes Minnesota's highway financing, followed by historical revenue trends.

The narrative portion is as of the February forecast.

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 \$18 million in revenues to the Trunk Highway (TH) Fund. The current tax yielded \$878 million in FY 2014 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 \$21.7 million in FY 2014, were termed "un-refunded" and were transferred from the HUTD Fund to DNR accounts.

Based on information supplied by the American Petroleum Institute (as of January 2015), 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 2014, motor vehicle registration taxes, after refunds, but before collection costs, yielded \$652 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 2014, this amounted to \$384 million to the HUTD and \$256 million to transit.

FEDERAL HIGHWAY FUNDS

Federal funds make up a substantial portion of transportation spending for MnDOT, local governments and the Department of Public Safety. In FY 2015, the TH federal aid agreements are forecast to be \$444 million; this is approximately 26% of total revenue. Local governments received \$166 million in FY14.

MAP-21 (Moving Ahead for Progress in the 21st Century) authorization bill enacted for fiscal years 2013 and 2014 replaced SAFETEA-LU (2005-2009). Continuing resolutions have provided funding while Congress determines how to fund a new long term authorization bill. Under MAP-21 streamlining of programs occurred with emphasis placed on the investment to the National Highway System. The TH portion of federal funds will receive an increase with a corresponding decrease to the local government share due to the NHS investment. Adjustments for transition of the MAP-21 authorization bill will be complete by FY 2017.

The state trunk highway forecast has assumed that federal funding levels for FY 2017 will be maintained at the base forecast level into the future. Without Congressional action, long-term forecasting is held constant. Historically, continuing resolutions provide funding at the current level and Congress maintains or increases funding through the authorization bill process.

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, but the formula may only be changed once every six years. This

formula was most recently changed by the 1998 Legislature.

Since July 1, 1999, the five percent set-aside revenues, \$94 million in FY 2014, 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%).

Fiscal Year	Actual 2014	2015	2016	2017
Town Road Account @ 30.5%	28.7	30.0	30.8	31.7
Town Bridge Account @ 16%	15.0	15.8	16.2	16.6
Subtotal Township Funding	43.7	45.8	47.0	48.4
Flexible Highway Account				
County Turn Back Account	31.6	21.7	54.1	55.6
Municipal Turn Back Account	13.0	10.0	-	-
Trunk Highway Fund	5.7	21.0	-	-
Subtotal Flexible Highway (53.5%)	50.3	52.7	54.1	55.6
Total Distributions of the Five Percent Set-Aside	94.0	98.5	101.0	104.0

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 the allocation of money in the Flexible Highway Account to the CSAH Fund for use on turnback, safety improvement and routes of regional significance projects. The base funds are allocated 50% to greater Minnesota and 50% to the Metro District. The excess sum is allocated to the seven metro counties based on population. (Allocations to Hennepin and Ramsey counties do not include the population of the cities of the first class –Minneapolis and St. Paul.)

Funds may be transferred to 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 2014 through 2017. 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: FY2014 - actual transfers; FY2015 - current appropriation law; and FY2016 and 2017 - recommendations included in the biennial budget request.

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 148 cities that qualify for funding, 5 were below 5,000 in population, at the last decennial census but will

remain eligible for funding through 2015 due to legislation passed in 2012.

Total number of municipalities qualifying for MSAS funds	2012	2013	2014	2015
Number of cities:	147	147	147	148

BONDING

As of August 2014, the principal amount of outstanding trunk highway bonds totaled approximately \$1,451 million. Approximately \$522 million of interest must be paid on these bonds, for a total of approximately \$1,972 million of outstanding debt service.

The total amount of trunk highway bond authorizations provided by the Legislature since 2003 is \$2.8 billion. From these authorizations, \$2.1 billion of bonds have been issued. The most recent bond authorizations occurred when the 2013 Legislature approved \$300 million for the Corridors 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 would be:

Debt service payments on outstanding trunk highway bonds (\$ thousands)			
	FY2015	FY2016	FY2017
Principal	40,515	97,755	97,290
Interest	46,688	61,238	56,604
Total	87,203	158,993	153,894

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 2015 forecast:

(\$'000s)

Scheduled debt service transfers –Trunk Highway Fund

	FY2015	FY2016	FY2017	FY2018	FY2019
Est Amt.	154,593	185,953	211,492	217,106	215,579

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 repayment schedules are based on retiring one-twentieth of the principal 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 is 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 2015

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
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%

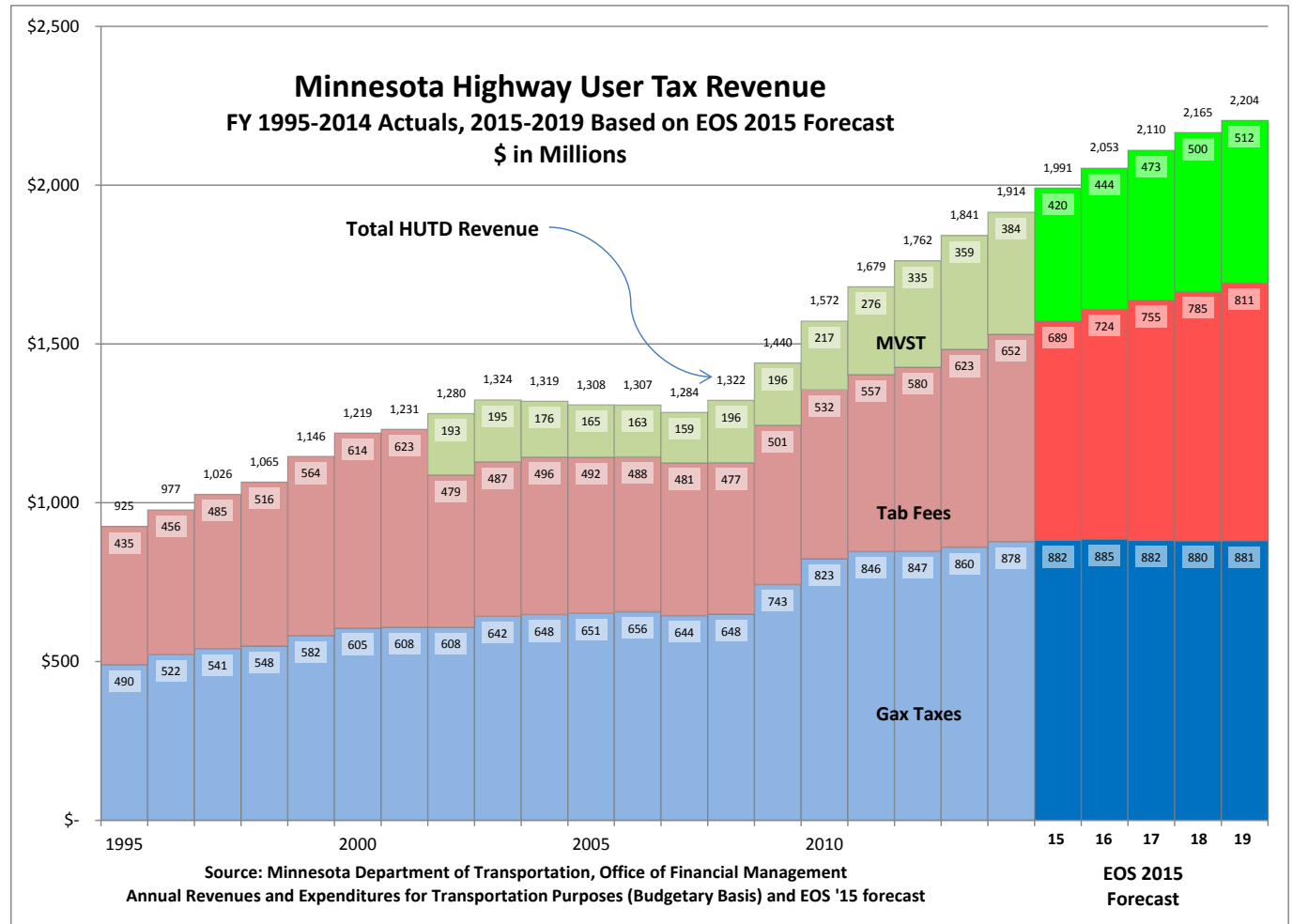
Statutory allocation of motor vehicle sales tax revenues**Fiscal Years 2010 and 2011 shift to transit****Enacted by the 2009 Legislature**

Fiscal Year	2008	2009	2010	2011	2012
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%

HISTORICAL TRENDS - HIGHWAY REVENUE TO HUTD

1995 TO 2014 AND FORECAST TO 2019

The following page shows the history of the major state highway revenue sources in Minnesota and the forecast for the period of FY2015 to FY2019, using the End of Session 2015 forecast. Please note that this chart shows the three major funding sources of gas tax, tab fees and motor vehicle sales tax. Small additional amounts of revenue are also deposited in the Highway User Tax Distribution fund (HUTD), and are shown in the fund statement in the appendix.



APPENDIX A: 2013 END OF SESSION FORECAST FUND STATEMENTS

HIGHWAY USER TAX DISTRIBUTION FUND

(\$ in thousands)	End of Session 2015 Forecast							Change from February 2015					
	Close	Close	Budget	Budget	Budget	Planning Est	Planning Est	Budget	Budget	Budget	Planning Est	Planning Est	
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	
Balance Forward from prior year	2,025	8,691	11,948	-	-	-	-	-	-	-	-	-	-
Prior year adjustments	4,595	443	-	-	-	-	-	-	-	-	-	-	-
Adjusted Balance Forward	6,620	9,134	11,948	-	-	-	-	-	-	-	-	-	-
Net Revenue and Transfers-In													
Motor Fuel Excise Tax	860,007	878,022	881,700	884,800	881,600	879,700	880,600	-	-	-	-	-	-
Motor Vehicle Registration Tax	622,586	652,281	689,400	724,277	755,359	785,359	810,977	-	1,177	(641)	(641)	1,177	
Motor Vehicle Sales Tax	358,671	384,163	419,510	444,250	472,920	500,130	511,990	-	-	-	-	-	
Other income	2,280	3,088	3,360	3,662	4,899	5,918	5,934	-	-	-	-	-	
Total Net Revenue and Transfers-In	1,843,544	1,917,555	1,993,970	2,056,989	2,114,778	2,171,107	2,209,501	-	1,177	(641)	(641)	1,177	
Expenditures and Transfers-Out													
Appropriations to MnDOT, Revenue, DPS	11,126	11,014	11,758	3,192	3,213	11,449	11,449	-	(8,222)	(8,209)	27	27	
Transfers--DNR	21,866	21,727	22,371	22,468	22,462	22,400	22,387	-	-	-	-	-	
Transfers--5% Set-Aside	90,358	94,034	98,523	101,566	104,455	106,863	108,783	-	536	445	33	124	
Transfers--County State-Aid Highway	497,870	518,126	542,863	559,631	575,548	588,815	599,396	-	2,955	2,450	181	682	
Transfers--Municipal State-Aid Highway	154,511	160,798	168,475	173,679	178,618	182,736	186,019	-	917	760	56	212	
Transfers--Trunk Highway	1,064,412	1,107,717	1,160,603	1,196,453	1,230,482	1,258,845	1,281,467	-	6,317	5,239	388	1,458	
Other	1,330	1,326	1,326	-	-	-	-	-	(1,326)	(1,326)	(1,326)	(1,326)	
Total Expenditures and Transfers-Out	1,841,473	1,914,741	2,005,918	2,056,989	2,114,778	2,171,107	2,209,501	-	1,177	(641)	(641)	1,177	
Ending Balance	8,691	11,948	-	-	-	-	-	-	-	-	-	-	

TRUNK HIGHWAY FUND

(\$ in thousands)	End of Session 2015 Forecast						Change from February 2015					
	Close	Close	Budget	Budget	Budget	Planning Est	Planning Est	Budget	Budget	Budget	Planning Est	Planning Est
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Balance Forward from prior year	397,785	316,756	415,353	152,880	101,456	99,371	177,555	-	-	(139,414)	(249,819)	(318,326)
Prior year adjustments	25,299	34,774	-	-	-	-	-	-	-	-	-	-
Adjusted Balance Forward	423,084	351,530	415,353	152,880	101,456	99,371	177,555	-	-	(139,414)	(249,819)	(318,326)
Net Revenue and Transfers-In												
Transfer from HUTD	1,064,412	1,107,717	1,160,603	1,196,453	1,230,482	1,258,845	1,281,467	-	6,317	5,239	388	1,458
Federal aid agreements	550,712	506,527	444,328	409,975	412,275	412,275	412,275	-	46,995	50,295	50,295	50,295
Other income and transfers-in	63,154	50,358	74,384	59,153	71,281	81,246	81,411	-	(102)	(102)	(102)	(102)
Total Net Revenue and Transfers-In	1,678,278	1,664,602	1,679,315	1,665,581	1,714,038	1,752,366	1,775,153	-	53,210	(83,982)	(199,239)	(266,674)
Expenditures and Transfers-Out												
Transportation Department	1,573,451	1,374,357	1,688,153	1,430,663	1,393,903	1,343,737	1,362,723	-	188,137	151,555	102,195	121,195
Public Safety and Other Depts.	90,175	86,933	98,442	98,461	100,521	100,521	100,521	-	3,160	4,675	4,675	4,675
Transfers out and other	675	3,000	600	-	-	-	-	-	(600)	(600)	(600)	(600)
Debt service	120,305	136,488	154,593	187,880	221,699	229,923	228,074	-	1,927	10,207	12,817	12,495
Total Expenditures and Transfers-Out	1,784,606	1,600,778	1,941,788	1,717,004	1,716,123	1,674,181	1,691,318	-	192,624	165,837	119,087	137,765
Balance before reserves	316,756	415,353	152,880	101,456	99,371	177,555	261,390	-	(139,414)	(249,819)	(318,326)	(404,439)
Less Appropriation Carryforward	-	-	-	-	-	-	-	-	-	-	-	-
Ending Balance	316,756	415,353	152,880	101,456	99,371	177,555	261,390	-	(139,414)	(249,819)	(318,326)	(404,439)
Reserved Fund Balance per Policy	88,398	89,983	88,838	84,347	81,577	81,753	81,773	-	1,773	308	17	81
Unreserved Fund Balance per Policy	228,358	325,369	64,042	17,109	17,794	95,802	179,617	-	(141,187)	(250,128)	(318,343)	(404,521)
Debt Service Percentage Compared to State Revenue	11.2%	12.5%	13.3%	15.7%	17.8%	17.9%	17.4%	0.0%	0.1%	0.7%	1.0%	0.9%

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

TRANSIT ASSISTANCE FUND

(\$ in thousands)	End of Session 2015 Forecast							Change from February 2015				
	Close	Close	Budget	Budget	Budget	Planning Est	Planning Est	Budget	Budget	Budget	Planning Est	Planning Est
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Balance Forward from prior year	15,622	34,816	32,170	18,410	20,755	22,370	22,755	-	-	-	-	-
Prior year adjustments	212	160	-	-	-	-	-	-	-	-	-	-
Adjusted Balance Forward	15,834	34,976	32,170	18,410	20,755	22,370	22,755	-	-	-	-	-
Net Revenue and Transfers-In												
Metropolitan Area transit account	215,202	230,498	251,700	266,550	283,750	300,080	307,190	-	-	-	-	-
Greater Minnesota transit account	23,911	25,611	27,970	29,620	31,530	33,340	34,130	-	-	-	-	-
Total Motor Vehicle Sales Tax	239,114	256,109	279,670	296,170	315,280	333,420	341,320	-	-	-	-	-
Leased Vehicle Sales Tax	14,438	22,612	18,410	20,755	22,370	22,755	22,755	-	-	-	-	-
Total Net Revenue and Transfers-In	253,552	278,721	298,080	316,925	337,650	356,175	364,075	-	-	-	-	-
Expenditures and Transfers-Out												
Metropolitan Council	210,929	234,915	251,700	266,550	283,750	300,080	307,190	-	-	-	-	-
Transportation Department	23,641	46,612	60,140	48,030	52,285	55,710	56,885	-	-	-	-	-
Total Expenditures and Transfers-Out	234,570	281,527	311,840	314,580	336,035	355,790	364,075	-	-	-	-	-
Balance before reserves	34,816	32,170	18,410	20,755	22,370	22,755	22,755	-	-	-	-	-
Less Appropriation Carryforward	-	32,170	18,410	20,755	22,370	22,755	22,755	-	-	-	-	-
Less Met Council Balance	4,273	-	-	-	-	-	-	-	-	-	-	-
Ending Balance	30,543	-	-	-	-	-	-	-	-	-	-	-
No End of Session Changes												

STATE AIRPORTS FUND

(\$ in thousands)	End of Session 2015 Forecast							Change from February 2015				
	Close	Close	Budget	Budget	Budget	Planning Est	Planning Est	Budget	Budget	Budget	Planning Est	Planning Est
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Balance Forward from prior year	2,605	4,113	20,826	16,909	11,049	5,763	6,610	-	-	(5,500)	(11,000)	(11,000)
Prior Year adjustments	144	1,532	-	-	-	-	-	-	-	-	-	-
Adjusted Balance Forward	2,749	5,645	20,826	16,909	11,049	5,763	6,610	-	-	(5,500)	(11,000)	(11,000)
Net Revenue and Transfers-In												
Transfer from General Fund	-	15,000	-	-	-	-	-	-	-	-	-	-
Sales Tax on Aircraft	-	3,272	4,000	2,900	2,900	2,900	2,900	-	-	-	-	-
Airline Flight Property Tax	12,017	9,208	8,080	8,000	8,000	8,000	8,000	-	-	-	-	-
Aircraft Registration Tax	8,704	3,358	2,500	2,500	2,500	2,500	2,500	-	-	-	-	-
Gasoline & Special Fuel Tax	2,522	3,317	5,663	5,770	5,880	5,992	6,106	-	-	-	-	-
Other Income	797	835	900	1,117	1,562	1,932	1,938	-	-	-	-	-
Total Net Revenue and Transfers-In	24,039	34,991	21,143	20,287	20,842	21,324	21,444	-	-	-	-	-
Expenditures and Transfers-Out												
Transportation Department	21,888	20,313	25,265	25,941	26,007	20,431	20,375	-	5,500	5,500	-	-
Revenue Department	-	-	1	1	1	1	1	-	-	-	-	-
Total Expenditures and Transfers-Out	21,888	20,313	25,266	25,942	26,008	20,432	20,376	-	5,500	5,500	-	-
Net change in Loan Fund	(788)	503	206	(205)	(120)	(45)	42	-	-	-	-	-
Balance before reserves	4,112	20,826	16,909	11,049	5,763	6,610	7,720	-	(5,500)	(11,000)	(11,000)	(11,000)
Less Appropriation Carryforward	1,487	2,043	2,217	1,914	1,630	1,498	1,509	-	-	-	-	-
Ending Balance	2,625	18,783	14,692	9,135	4,133	5,112	6,211	-	(5,500)	(11,000)	(11,000)	(11,000)

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.

COUNTY STATE AID FUND

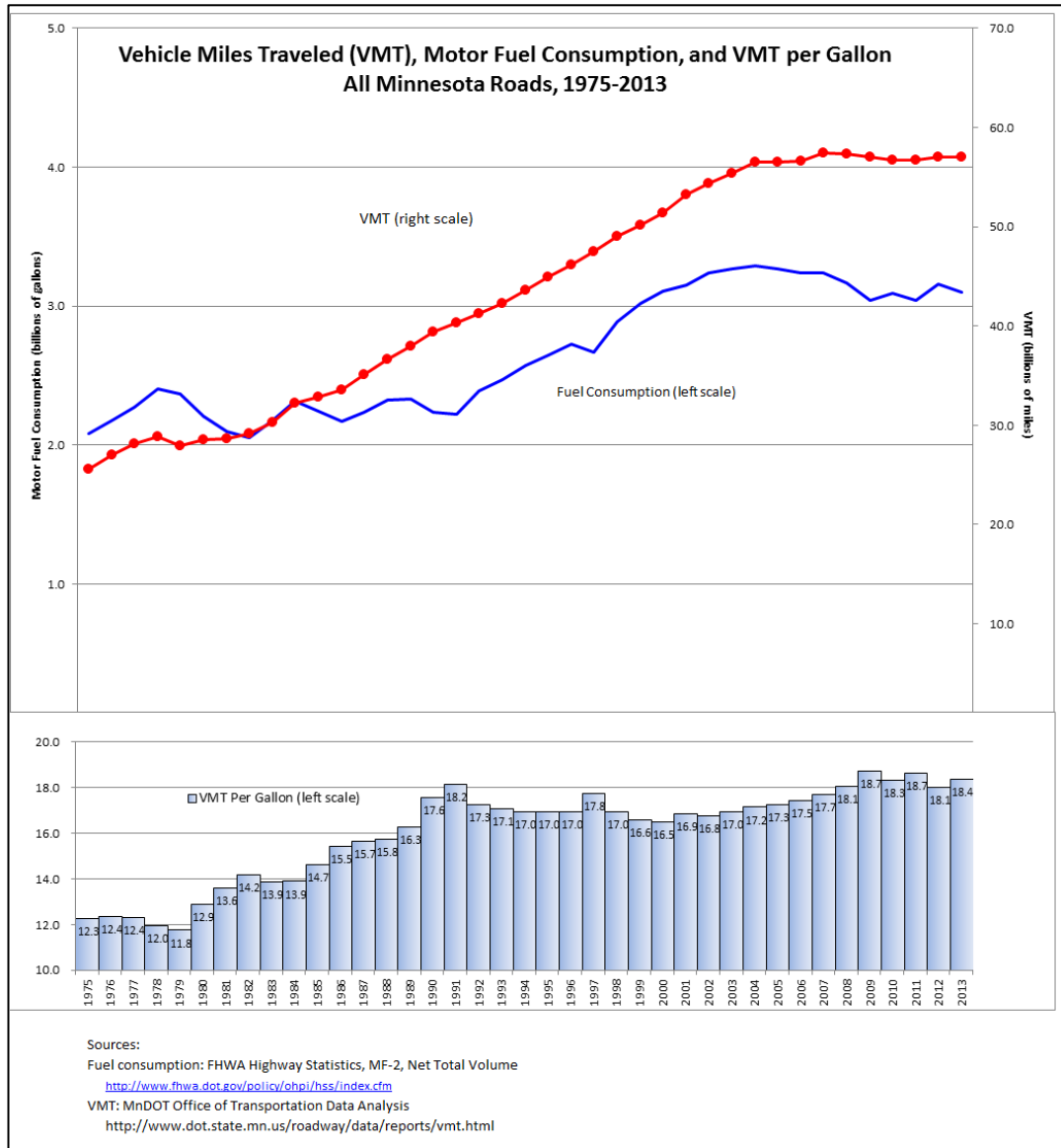
(\$ in thousands)	End of Session 2015 Forecast							Change from February 2015				
	Close	Close	Budget	Budget	Budget	Planning Est	Planning Est	Budget	Budget	Budget	Planning Est	Planning Est
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Balance Forward from prior year	453,538	488,869	534,626	529,035	529,035	529,035	529,035	-	-	-	-	-
Prior Year adjustments	188	569	-	-	-	-	-	-	-	-	-	-
Adjusted Balance Forward	453,726	489,438	534,626	529,035	529,035	529,035	529,035	-	-	-	-	-
Net Revenue and Transfers-In												
Leased Vehicle Sales Tax	14,438	9,000	18,410	20,755	22,370	22,755	22,755	-	-	-	-	-
Other income	2,431	2,483	2,930	6,628	14,129	20,125	20,213	-	-	-	-	-
Transfer from HUTD	588,227	612,159	641,386	661,198	680,003	695,678	708,179	-	3,491	2,895	214	806
Transfer from MSAS	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Revenue and Transfers-In	605,096	623,643	662,726	688,581	716,502	738,558	751,147	-	3,491	2,895	214	806
Expenditures and Transfers-Out												
Grants to local governments	560,979	549,524	622,795	674,200	701,326	722,863	735,141	-	3,432	2,831	198	791
MnDOT Administrative and Research	8,975	10,230	14,522	14,381	15,176	15,694	16,006	-	59	64	16	15
Transfers to MSAS	-	13,000	10,000	-	-	-	-	-	-	-	-	-
Transfers to Trunk Highway Fund	-	5,700	21,000	-	-	-	-	-	-	-	-	-
Total Expenditures and Transfers-Out	569,954	578,455	668,317	688,581	716,502	738,558	751,147	-	3,491	2,895	214	806
Balance before reserves	488,869	534,626	529,035	529,035	529,035	529,035	529,035	-	-	-	-	-
Less Appropriation Carryforward	488,869	534,626	529,035	529,035	529,035	529,035	529,035	-	-	-	-	-
Ending Balance	-	-	-	-	-	-	-	-	-	-	-	-

MUNICIPAL STATE AID FUND

(\$ in thousands)	End of Session 2015 Forecast							Change from February 2015				
	Close	Close	Budget	Budget	Budget	Planning Est	Planning Est	Budget	Budget	Budget	Planning Est	Planning Est
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Balance Forward From Prior Year	139,869	161,492	172,486	171,043	171,043	171,043	171,043	-	-	-	-	-
Prior Year Adjustments	84	281	-	-	-	-	-	-	-	-	-	-
Adjusted Balance Forward	139,953	161,772	172,486	171,043	171,043	171,043	171,043	-	-	-	-	-
Net Revenue and Transfers-In :												
Other Income	918	1,006	1,125	2,337	4,812	6,817	6,848	-	-	-	-	-
Transfer From HUTD	154,511	160,798	168,475	173,679	178,618	182,736	186,019	-	917	760	56	212
Transfer From CSAH	-	13,000	10,000	-	-	-	-	-	-	-	-	-
Net Revenue and Transfers In	155,429	174,804	179,600	176,016	183,430	189,553	192,867	-	917	760	56	212
Expenditures and Transfers-Out												
Grants to local governments	130,723	160,638	176,508	171,642	178,882	184,844	188,062	-	899	741	51	207
MnDOT Administrative and Research	3,167	3,453	4,535	4,374	4,549	4,708	4,805	-	18	20	5	5
Transfers to CSAH	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures and Transfers-Out	133,891	164,091	181,043	176,016	183,430	189,553	192,867	-	917	760	56	212
Balance before Reserves	161,492	172,486	171,043	171,043	171,043	171,043	171,043	-	-	-	-	-
Less Appropriation Carryover	161,492	172,486	171,043	171,043	171,043	171,043	171,043	-	-	-	-	-
Ending Balance	-	-	-	-	-	-	-	-	-	-	-	-

APPENDIX B: VEHICLES MILES TRAVELED AND MOTOR FUEL CONSUMPTION

From 1975 to the present, together with implied overall fleet efficiency (VMT per gallon of fuel)

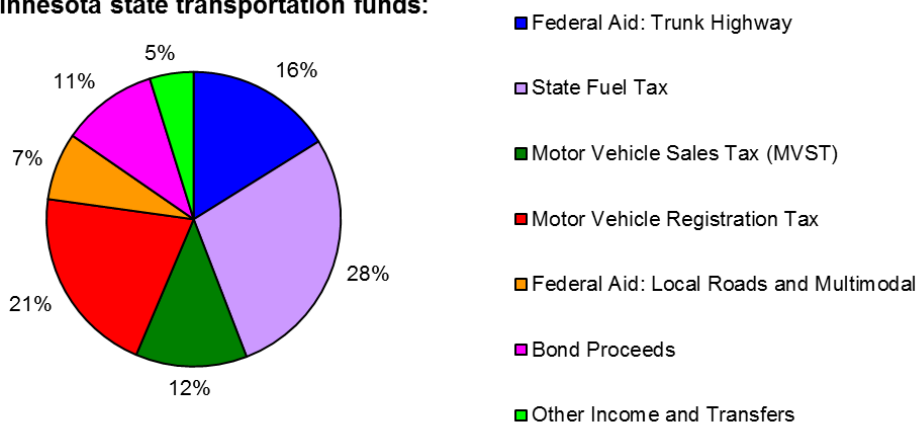


APPENDIX C: TRANSPORTATION SOURCES AND USES

Fiscal Year 2014

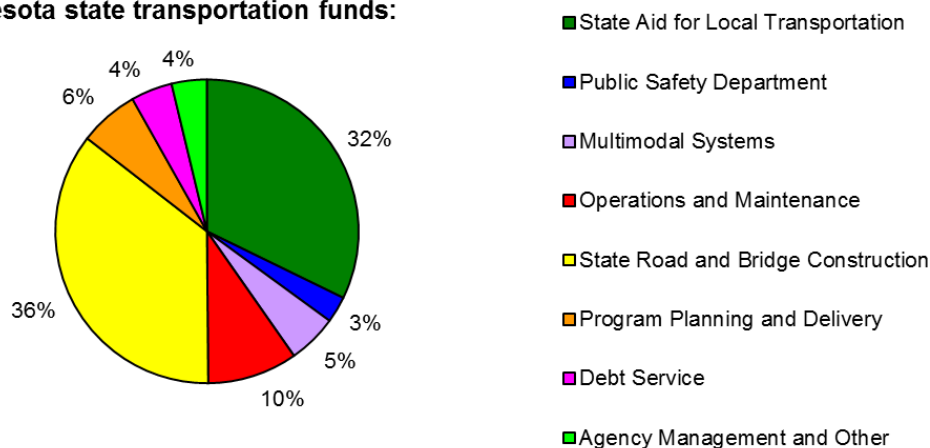
\$3.14 billion

Sources of Minnesota state transportation funds:



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:



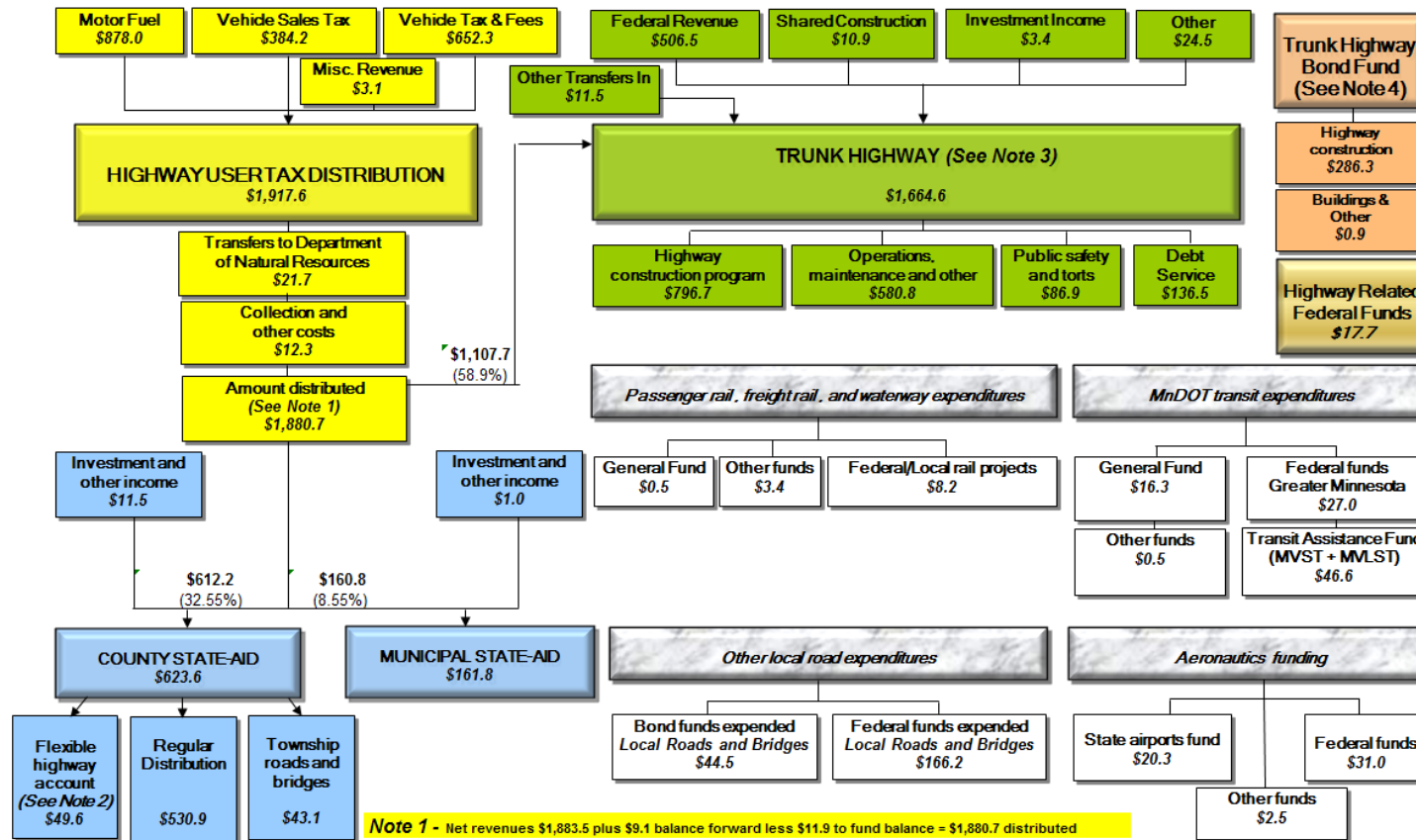
MnDOT is a multi-modal agency. Its activities include transit, aeronautics, freight and commercial vehicles, construction, maintenance, and operation of 12,000 miles of state highways. Approximately 35% of MnDOT's appropriations are state aid to local governments for road and bridge projects and other 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.

APPENDIX D: REVENUE AND EXPENDITURES FOR TRANSPORTATION PURPOSES

STATE OF MINNESOTA
REVENUE AND EXPENDITURES FOR TRANSPORTATION PURPOSES
ALL SOURCES OF FUNDS THAT FLOW THROUGH MNDOT (\$ MILLIONS)
FY 2014 (BUDGETARY BASIS)



Note 1 - Net revenues \$1,883.5 plus \$9.1 balance forward less \$11.9 to fund balance = \$1,880.7 distributed

Note 2 - County turnback = \$30.9, municipal turnback = \$13.0, TH turnback = \$5.7

Note 3 - Net revenues \$1,664.6 less \$63.7 to fund balance = \$1,600.9 expends & transfers out

Note 4 - Bond funds reflect actual cash expenditures

Prepared by MnDOT Office of Financial Management
Budget and Forecasts Unit
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