

Memo

Date: 5/7/2019

To:

The Honorable Frank Hornstein, Chair House Transportation Finance & Policy Committee
243 State Office Building Saint Paul, MN 55155

The Honorable Paul Torkelson, Republican Lead House Transportation Finance & Policy Committee
381 State Office Building Saint Paul, MN 55155

The Honorable Scott Newman, Chair Senate Transportation Finance & Policy Committee
3105 Minnesota Senate Building Saint Paul, MN 55155

The Honorable Scott Dibble Ranking Minority Member Senate Transportation Finance & Policy Committee
2213 Minnesota Senate Building Saint Paul, MN 55155

From: Margaret Anderson Kelliher, Commissioner of Transportation

Snow and Ice Contingent Appropriation, State Fiscal Year 2019

This memo is notification that MnDOT will use the contingency language in [Minnesota Statutes, 174.57, subdivisions \(a\) and \(b\)](#):

(a) In a fiscal year in which the commissioner expends more than 110 percent of the established biennial expenditure level for snow and ice management, the commissioner may use an additional amount for this purpose that does not exceed 50 percent of the unappropriated balance in the trunk highway fund. The amount identified by the commissioner under this paragraph is appropriated from the trunk highway fund to the commissioner for snow and ice management purposes.

(b) Upon using the appropriation authority in this section, the commissioner must notify the commissioner of management and budget and the chairs, ranking minority members, and staff of the house of representatives and senate committees having jurisdiction over transportation finance. The notification must at a minimum identify the established biennial expenditure level for snow and ice management and the amount appropriated under this section.

For the current biennium including state fiscal years 2018-19, MnDOT established a biennial expenditure level for snow and ice management of \$150 million (\$75 million per year). This amount was based on a combination of history and desired performance outcomes, and includes compensation costs, salt and sand purchases, and attributable portions of fleet/mobile equipment and inventory purchases. Through April of 2019, actual costs for

the biennium have totaled \$152 million. These costs only reflect actual expenditures, and do not include any amounts for anticipated needs for the remainder of the biennium. An additional 10 percent, as required in subdivision (a) and totaling \$15 million (10 percent of \$150 million biennial expenditure level), has also been completely distributed to districts from internal reserves. MnDOT estimates that this entire \$165 million (\$150 million base + \$15 million contingency from internal sources) will be expended by the end of the biennium. This will cover labor costs for the remainder of the snow and ice season (current actual data only reflects payroll through the pay period ending 4/16/2019), needed purchases of salt and sand to replenish inventory levels, and needed spending on mobile equipment and related supplies such as cutting edges.

Summary of Biennial Snow and Ice Spending

	FY 2018	FY 2019	FY 2018-19 Biennium
Snow and Ice Target	\$75M	\$75M	\$150M
<u>Additional 10%</u>	<u>\$15M</u>	<u>Total Currently Available:</u>	<u>\$165M</u>
Spending to Date (through April)	\$72M	\$80M	\$152M
Estimated Total Spend	\$72M	\$105.9M	\$177.9M
Estimated Additional Need			\$12.9M

MnDOT estimates that in addition to the current available budget of \$165 million, there is an additional need of \$12.9 million for the remainder of the year to cover salaries, supplies (salt, sand, fuel, cutting edges, etc.), rental equipment, and contracts for services. To illustrate the severity of the last 2 winters, an internal “Winter Severity Index” (combination of the various factors that impact snow and ice activities) has averaged 135 this biennium vs. 113 last biennium, and salt usage is up 20 percent over the 5-year average.

The additional \$12.9 million is needed from the existing Trunk Highway fund balance to cover the expenses of this past sever winter and for the remainder of the biennium. As of the February 2019 forecast, there is an estimated \$256 million in fund balance. The \$12.9 million is roughly 5 percent of this balance, well below the statutory maximum 50 percent.

Please feel free to contact me if you have any questions.

CC:

Myron Frans, MMB Commissioner
 Britta Reitan, MMB State Budget Director
 Suzanne Sobotka, Governor’s Office
 Laura Logsdon, MMB Executive Budget Officer