

# Highway Investment Needs, Revenues, Challenges

Long-Range Funding Solutions Symposium  
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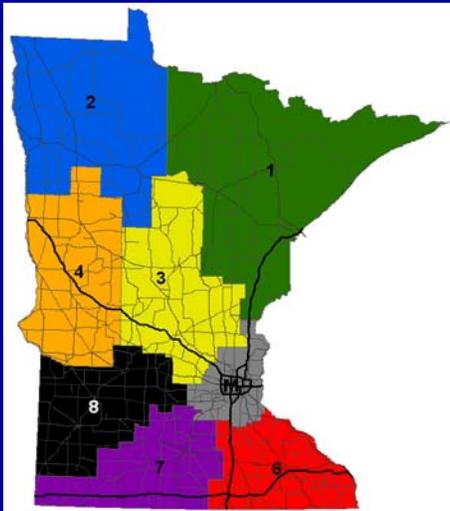


## Study of Transportation Long Range Solutions MN Laws 2008, Chapter 287, Article 1

- (1) Evaluation of the current needs of the state's highway systems, bridges, and transit;
- (2) Analysis and quantification of the needs for the next 20 years...
- (3) Comparison of estimates of revenues raised by current transportation funding sources, with long-term needs....



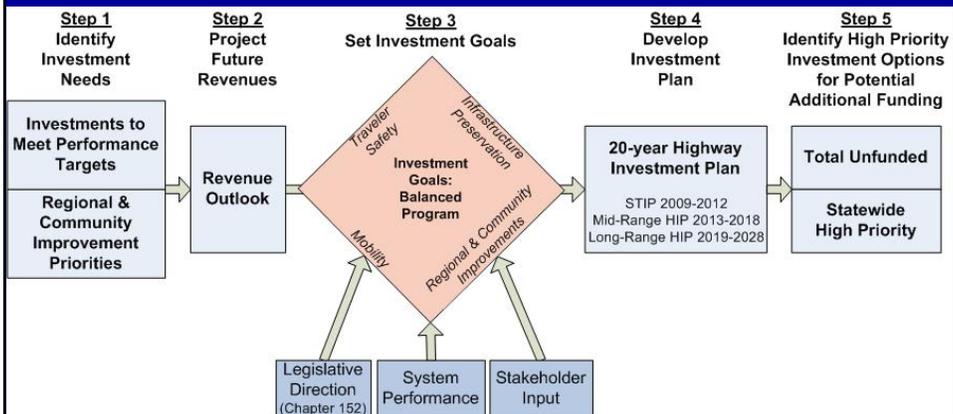
# Statewide Highway Investment Plan 2009-28



- Developed over past 2 years with significant public input
- Summary of 8 District Plans
- Identifies capital investments to meet performance targets
- Identifies priorities for projected funding
- Volatile economic conditions
- Provides snapshot in time, sense of scale



# Highway Investment Plan Methodology

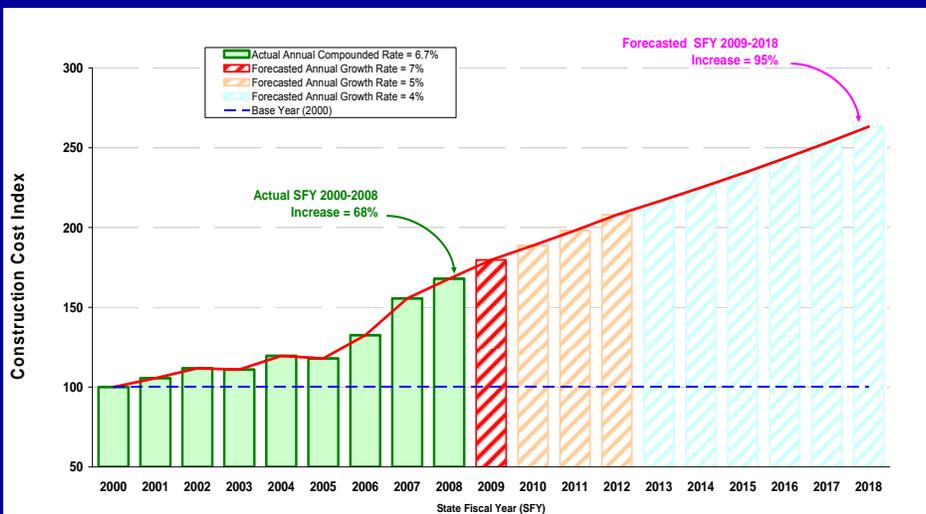


## Step 1: Identify Investment Needs

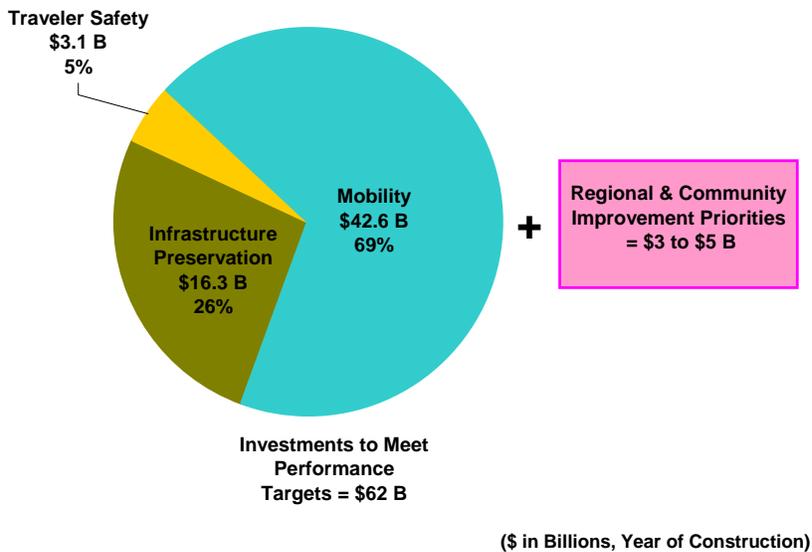
- Investments to Meet System Performance Targets
  - Traveler Safety
    - Roadway Enhancements (edge treatments, lighting, turn lanes, etc.)
    - Capacity Improvements (higher volume roads)
  - Infrastructure Preservation
    - Bridge (Chapter 152 and other bridges)
    - Pavement
    - Other assets (signs, lighting, signals, drainage, ITS & rest areas)
  - Mobility
    - Interregional Corridors
    - Twin Cities Metro Area Congestion
    - Greater Minnesota Trade Centers
  
- Investments to Address Regional & Community Improvement Priorities



## Project Future Construction Costs



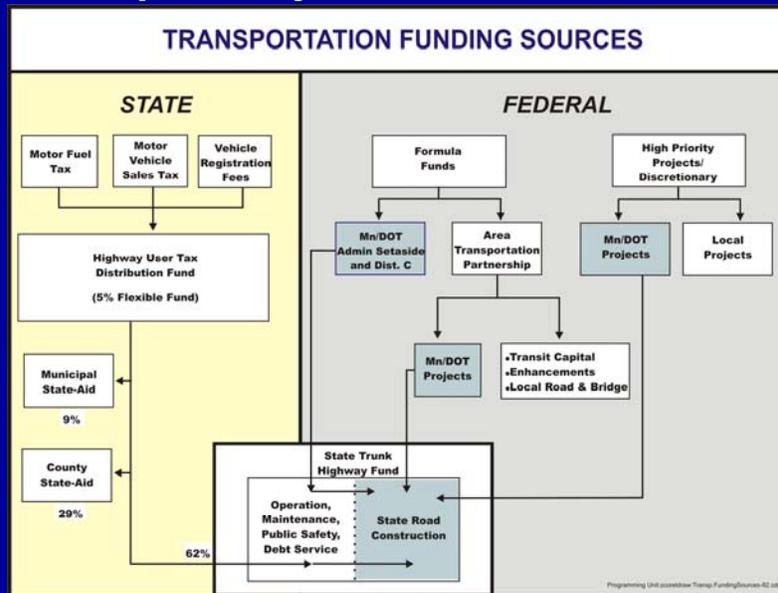
## Investment Needs 2009-28 ~\$65 Billion



## State Highway Investment Needs 2009-2028 : ~\$65 Billion

INVESTMENT NEED	TOTAL (\$)	% of Total
<b>Performance-based Need</b>		
<b>Traveler Safety</b>	3.1	5%
Roadway Enhancements	1.6	
Capacity Improvements	1.6	
<b>Infrastructure Preservation</b>	16.3	26%
Chapter 152 Bridge Program	2.5	
Other Bridge	2.7	
Pavement	10.1	
Other Infrastructure	1.0	
<b>Mobility</b>	42.6	69%
Interregional Corridors	3.6	
Greater MN Trade Centers	0.3	
Twin Cities Metro Area	38.8	
<b>Subtotal</b>	<b>\$62 B</b>	<b>100%</b>
<b>Regional and Community Improvement Priorities</b>	<b>~\$3 - 5 B</b>	
<b>Total</b>	<b>~\$65 B</b>	

## Step 2: Project Future Revenues



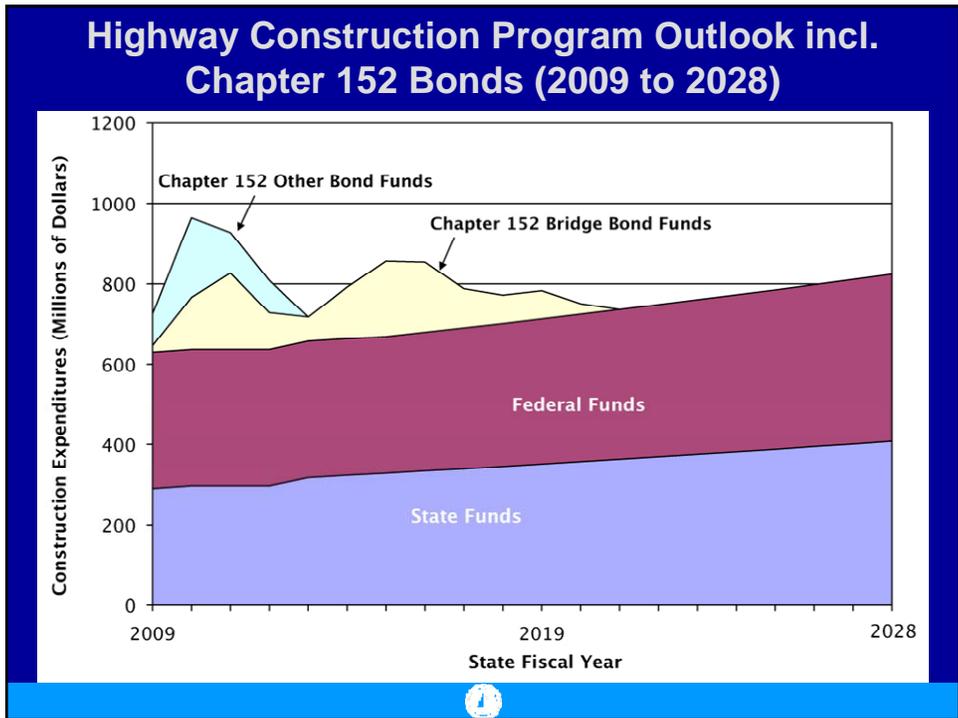
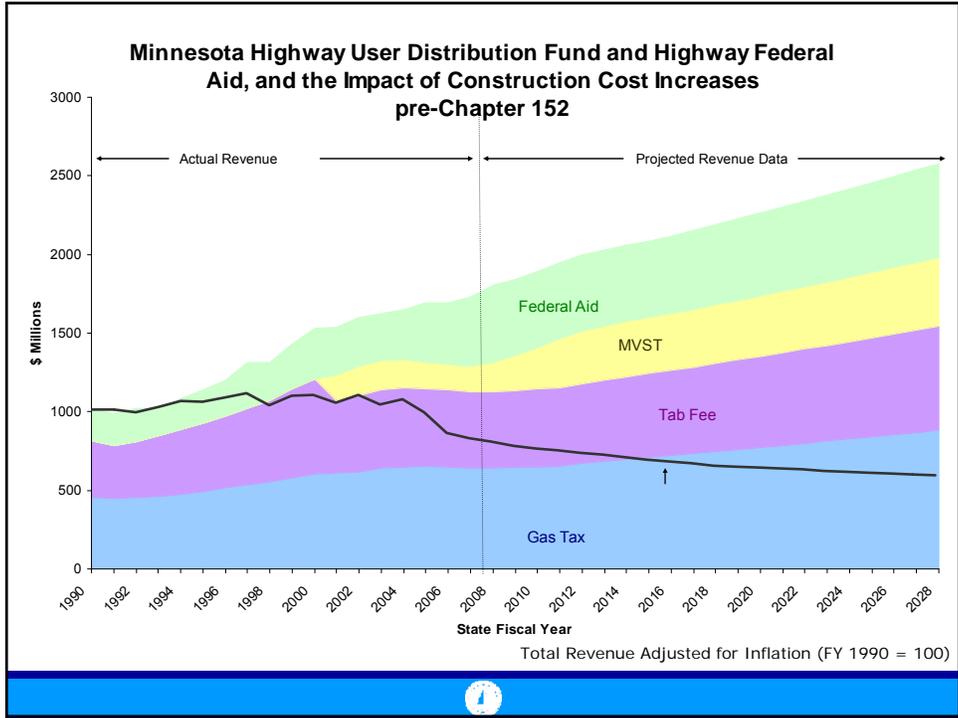
## Projected Revenue : \$15 B

### Key Assumptions (Winter 2007-08)

- No new state revenue sources or rate increases
- State TH Fund share going to Construction will remain constant (38.5%)
- Federal Government will honor SAFETEA-LU funding levels
- Higher world oil prices (\$70-80 and increase with inflation)
- Slower growth in GDP (2.5% vs. 3%)
- Slower state population growth (0.8% vs. 1.2%)
- Increased fuel efficiency,
- Slight increase in new vehicle sales (1.2%)
- Generally 1.6% annual growth

### Forecast amended in 2008 to account for Chapter 152 Bonds

- Increase in motor fuel tax and tab fees will be devoted to debt service on bonds, restoration of operating budget, fund balance



## Step 3: Set Investment Goals for Projected Funding

### 2004 Goals: Infrastructure Preservation was top priority

- Revenue sufficient to fully meet preservation targets and still fund other needs

### 2009 Goals: A Balanced Program of investments towards 4 strategic priorities

- Traveler Safety
- Mobility
- Infrastructure Preservation
- Regional & Community Improvement Priorities

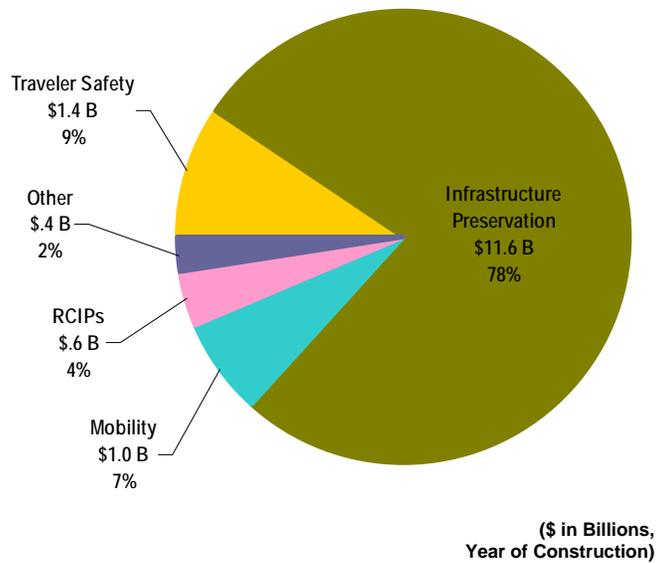


## 2018 Anticipated Outcomes

- Repair/Replace 120 fracture critical/structurally deficient bridges (Chapter 152)
  - Meet performance targets on other 4000 Bridges
- Maintain number of miles with good pavement condition
  - Miles in poor condition will increase (600 miles in 2009 vs. 1,600 miles in 2018)
- Address other assets (signs, signals, rest areas, etc)
- Reduce fatalities and serious injuries
- Meet performance targets on IRCs
- Implement spot improvements for mobility in Metro and Greater MN Trade Centers
- Complete several community improvement projects



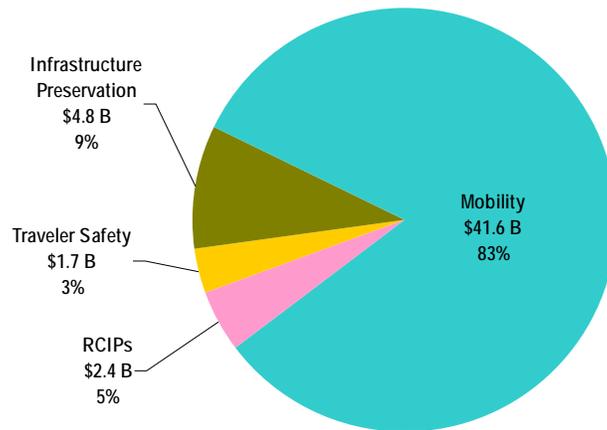
## STEP 4: Develop Investment Plan for Projected Funding: \$15 Billion



## Proposed 2009-2028 State Highway Investment Plan: \$15 Billion

INVESTMENTS	TOTAL (\$)	% of Total
<b>Traveler Safety</b>	<b>1.4</b>	<b>9%</b>
Roadway Enhancements	0.8	
Capacity Improvements	0.6	
<b>Infrastructure Preservation</b>	<b>11.6</b>	<b>78%</b>
Chapter 152 Bridge Program	2.5	
Other Bridge	2.6	
Pavement	5.8	
Other Infrastructure	0.6	
<b>Mobility</b>	<b>1.0</b>	<b>7%</b>
Interregional Corridors	0.1	
Greater MN Trade Centers	0.1	
Twin Cities Metro Area	0.9	
<b>Regional and Community Improvement Priorities</b>	<b>0.6</b>	<b>4%</b>
<b>Other</b>	<b>0.4</b>	<b>2%</b>
<b>Total</b>	<b>\$15 B</b>	

## Unfunded Investment Needs 2009-2028: \$50 Billion



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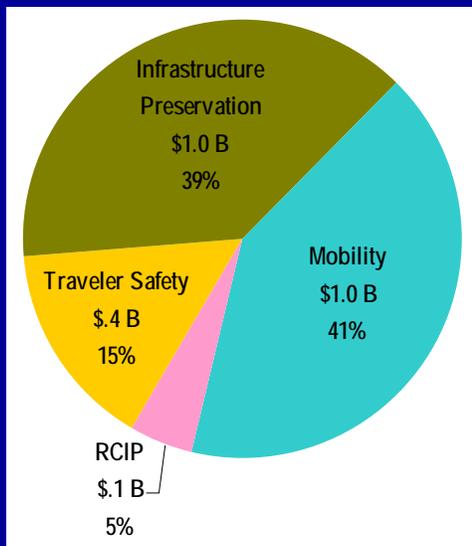
INVESTMENT NEED	TOTAL (\$)	% of Total
<b>Performance-based Need</b>		
<b>Traveler Safety</b>	1.7	4%
Roadway Enhancements	0.8	
Capacity Improvements	0.9	
<b>Infrastructure Preservation</b>	4.8	10%
Chapter 152 Bridge Program	0.0	
Other Bridge	0.1	
Pavement	4.3	
Other Infrastructure	0.4	
<b>Mobility</b>	41.6	86%
Interregional Corridors	3.5	
Greater MN Trade Centers	0.2	
Twin Cities Metro Area	37.9	
<b>Subtotal</b>	<b>\$48 B</b>	<b>100%</b>
<b>Regional and Community Improvement Priorities</b>	<b>~\$2.5 - 4.5 B</b>	
<b>Total</b>	<b>~\$50 B</b>	

## Challenge: Large Unfunded Investment Needs

- \$50 Billion “Gap” over 20 years
  - 1 cent gas tax generates about \$20 M to Mn/DOT per year
  - \$2.5B (5 % of gap) over 10 years would require 12.5 cent gas tax increase
- Strategies
  - Identify high benefit, low cost strategies for safety, mobility (practical design)
  - Re-assess approach to Twin Cities Congestion
  - Pursue innovative finance, partnerships investments
  - Identify priorities for additional funding (5 % of Gap)



## Step 5: Identify High Priority Investment Options: \$2.5 Billion



- Reduce miles of pavement in “poor” condition
- Address safety on highly congested roads
- Congestion management and capacity improvements on IRCs and Metro Freeways
- Local Partnership projects



## Other Challenges: Revenue Volatility

### State Revenues not meeting projections

- FY 2010-11 \$120 M Reduction in construction program
- \$350 M ARRA Funds will help in 2009-10, not 2011
- Gas Tax revenue growth weak due to increased fuel efficiency
- TAB Fees growing, but depend on car sales, age, value
- MVST fully dedicated 2012, future of 60/40 split?

### Uncertainty in Federal Revenues

- Estimated \$17 B infusion 2009-10 needed to maintain SAFETEA-LU level commitments
- Any increase in Federal Funding must first address existing revenue gap



## Challenge: Revenue Sources not aligned with other Goals

- Increase in Fuel Efficiency → Lower gas tax revenues
- Use of Alternative Fuels → no gas tax revenues
- Smaller, lighter cars → may be lower cost & lower sales tax revenues
- Increased transit ridership → reduced gas consumption & perhaps auto ownership → reduced gas tax & sales tax revenues
- Reduced VMT → reduced gas consumption → reduced fuel tax revenues



**For Additional Information:**

See Statewide Highway Investment Plan  
2009-28

[www.dot.state.mn.us/planning/stateplan](http://www.dot.state.mn.us/planning/stateplan)

