



Transportation Funds Forecast

The purpose of this document is to serve as the official guide to the Minnesota Department of Transportation (MnDOT) forecast for the six transportation funds:

- Highway User Tax Distribution Fund
- Trunk Highway Fund
- County State Aid Highway Fund
- Municipal State Aid Street Fund
- Transit Assistance Fund
- State Airports Fund

The primary focus is on comparing the most current forecast with the prior forecast. Background information on the transportation funds and the forecast process is also provided. In addition, planning estimates are provided for fiscal years 2016 and 2017.

February 2013 Forecast Executive Summary

The February 2013 forecast estimates for the three principal highway user taxes have all changed since the November 2012 forecast. For the three year period including FY 2013-15, revenues have changed by:

- Motor Fuel Excise Tax – 2.5% less
- Motor Vehicle Registration Tax – 3.7% more
- Motor Vehicle Sales Tax – 0.7% more

The percentage change for the entire Highway User Tax Distribution (HUTD) Fund (which includes several minor sources of revenue in addition to the three sources discussed above) is 0.2% more. Over the three years of the forecast period, FY 2013-15 (FY 2012 amounts are now actual revenues), the estimated revenue for the HUTD Fund is \$8.6 million more than in the November 2012 Forecast. This revenue flows through to the Trunk Highway, County State Aid Highway, and Municipal State Aid Street Funds.

The February 2013 forecast also includes planning estimates for FY 2016 and 2017. Compared with estimates for the FY 2014-15 biennium, revenue is forecast to change as follows:

- Motor Fuel Excise Tax – 0.9% less
- Motor Vehicle Registration Tax – 7.4% greater
- Motor Vehicle Sales Tax – 12.1% greater

Transportation Funds Forecast February 2013

Released March 1, 2013

Your Destination...Our Priority



Total estimated revenue to the HUTD Fund for FY 2016-17 is approximately \$173 million greater than is forecasted for the FY 2014-15 biennium, or an increase of 4.6%.

Forty percent of the motor vehicle sales tax revenue is currently dedicated to the Transit Assistance Fund, and this revenue increased by the same 0.7% as the amounts dedicated to the HUTD Fund.

Estimates of investment income in all funds except the County State Aid Highway Fund have decreased over the three year forecast period. All reductions and increases are relatively minor. A significant increase is expected in FY 2016 and 2017, when interest rates on invested cash are projected to increase.

The estimated revenue in the State Airports Fund has decreased by a minor amount, less than 1%. The revenue estimated in this forecast is not sufficient to fully fund the legally authorized level of spending. Estimated revenue for the FY 2016-17 biennium is 1.6% higher than is forecasted for the FY 2014-15 biennium.

There is a 2.3% increase in estimated revenue from the sales tax on motor vehicle leases. One-half of this revenue is credited to the County State Aid Highway Fund and the other half is credited to the Greater Minnesota Transit Account in the Transit Assistance Fund.

It should be noted that this forecast does not take into account any effects of a potential failure to address the sequestration currently scheduled to begin on March 1, 2013. The Department of Minnesota Management and Budget (MMB) believes that while sequestration will probably have some effect on Minnesota's economy, this effect would not be as significant as in other parts of the country, because Minnesota does not rely as heavily on federal government spending as other states.

Sequestration would not materially affect any of the funds discussed in this forecast document. There would be some effect on Minnesota's transportation programs. Although the federal highway trust fund is exempt from sequestration, Minnesota's share of other funding from the Federal Highway Administration would be reduced by an estimated \$500,000 to \$1 million. No short term impact is anticipated on federal funding for the greater Minnesota transit program, funding from the Federal Rail Administration, or funding for airport improvement grants from the Federal Aviation Administration (the federal aviation trust fund is also exempt from sequestration). It is expected that four air traffic control facilities would be closed (Anoka County-Blaine, Flying Cloud, Crystal, and St. Cloud).

Introduction to Transportation Funds

MnDOT, in consultation with MMB, prepares fund statements for six transportation funds. These fund statements are prepared in November and February of each fiscal year. Additional updates are prepared each year at the end of the legislative session to incorporate law changes impacting the transportation funds.

MnDOT prepares fund statements for the following funds:

- Highway User Tax Distribution Fund
- Trunk Highway Fund



- County State Aid Highway Fund
- Municipal State Aid Street Fund
- Transit Assistance Fund
- State Airports Fund

These forecasts are prepared based on the same statutory requirements as the state's General Fund forecast (M.S. 16A.103) and are also based on the statutory requirement in M.S. 174.03, subdivision 9.

The vast majority of state funding for highways in Minnesota is provided by funding from the Trunk Highway Fund (THF), the County State Aid Highway Fund (CSAH), and the Municipal State Aid Street Fund (MSAS). These three funds receive funding from the Highway User Tax Distribution Fund (HUTD). All four of these funds were created in Article XIV of the Minnesota Constitution.

Highway User Tax Distribution Fund

The Highway User Tax Distribution Fund (HUTD) receives revenues from sources dedicated to highways and transit by Article XIV of the Minnesota Constitution. These revenue sources are:

- Motor Fuel Excise Tax
- Motor Vehicle Registration Tax
- Motor Vehicle Sales Tax

With the exception of the revenue from the Motor Vehicle Sales Tax that is constitutionally dedicated to public transit (currently set at 40% by statute), revenues from these three taxes are all constitutionally required to be deposited into the Highway User Tax Distribution Fund. From there they are subsequently transferred, in accordance with formulas in Article XIV of the Minnesota Constitution and in statute, to the Trunk Highway Fund, the County State Aid Highway Fund, and the Municipal State Aid Street Fund.

Of the total revenue to the Highway User Tax Distribution Fund, 95% is allocated by a formula in the constitution to:

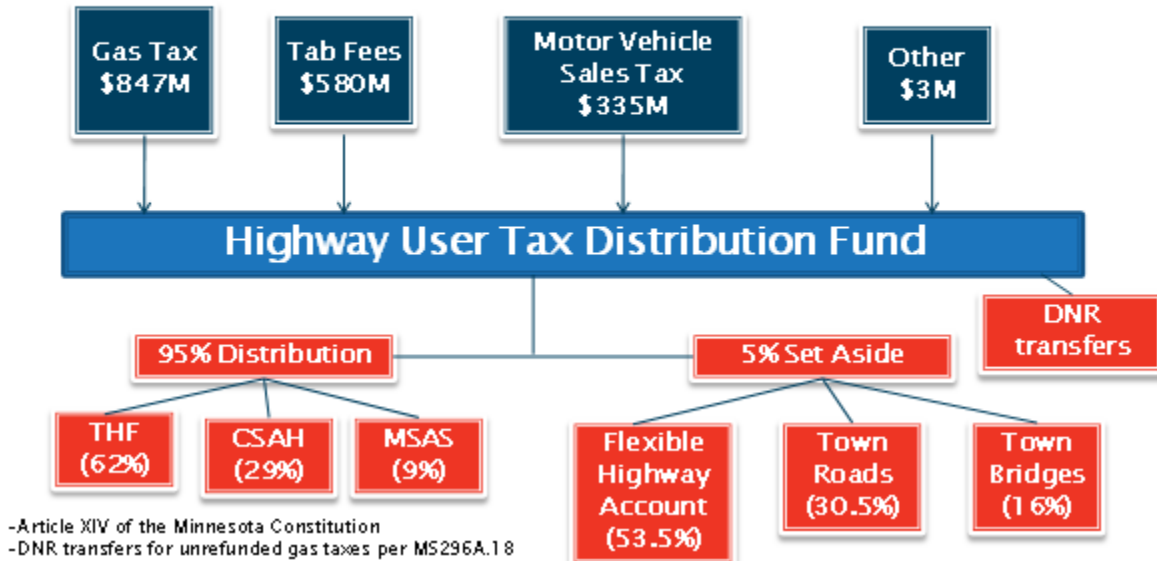
- Trunk Highway Fund – 62%
- County State Aid Highway Fund – 29%
- Municipal State Aid Street Fund – 9%

The remaining five percent, referred to as the five percent set aside, is all allocated to the County State Aid Highway Fund in accordance with M.S. 161.081. This funding is further allocated to Township Roads, Township Bridges, and the Flexible Highway Account, as shown in the chart below.

Across FY 2012-17, motor fuel excise taxes comprise approximately 45% of revenue, motor vehicle registration taxes comprise approximately 34% of revenue, motor vehicle sales taxes comprise approximately 21% of revenue, and other sources such as investment income comprise less than 1% of the revenues for the HUTD fund.



HUTD Sources and Uses FY 2012



Motor Fuel Excise Tax

According to article XIV of the Minnesota Constitution, "...The legislature may levy an excise tax on any means or substance used for propelling vehicles on the public highways of this state..." This tax is commonly referred to as "gas tax." It is levied on gasoline, diesel fuel, compressed natural gas, and a variety of other special fuels.

The current gas tax rate in Minnesota is 25 cents per gallon plus a 3.5 cent per gallon debt service surcharge. This surcharge is intended to cover the debt obligations for capital projects on the trunk highway system as authorized in the Laws of 2008, Chapter 152. The final debt service surcharge increase of a half cent was implemented on July 1, 2012.

The table below provides information about how Minnesota's motor fuel tax rates compare with those in the surrounding states and with federal tax rates.

Comparison of January 2013 Motor Fuel Tax Rates (per gallon)

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



The following table shows historical motor fuel tax rates:

Year	Historical Motor Fuel Excise Rates in Minnesota
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 Apr 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 Vehicle Registration Tax

According to article XIV of the Minnesota Constitution, "...The legislature may by law tax motor vehicles using the public streets and highways on a more onerous basis than other personal property..." These taxes are commonly referred to as "tab fees."

Motor Vehicle Sales Tax

According to article XIV of the Minnesota Constitution, "...revenue from a tax imposed by the state on the sale of a new or used motor vehicle...must be allocated for the following transportation purposes: not more than 60% must be deposited in the highway user tax distribution fund, and not less than 40% must be deposited in a fund dedicated solely to public transit..." Current statutes provide that 60% of this revenue is deposited in the HUTD fund and 40% is deposited in the Transit Assistance Fund.

HUTD Revenue Forecast Detail

Motor Fuel Excise Tax Forecast

The outlook for fuel consumption is affected by:

- the economy and world oil prices
- long-term policy (e.g. corporate average fuel economy (CAFE) standards)
- consumer trends toward more fuel efficient vehicles
- utilization of other transportation options



To forecast the motor fuel excise tax, MnDOT consults the U.S. gasoline consumption macroeconomic forecasts produced by Global Insight (GII). Global Insight is the same macroeconomic consultant that the state uses to assist with forecasting the General Fund. MnDOT also reviews regional forecast information from the federal Energy Information Administration (EIA). Finally, a comparison is made of actual local consumption versus previous forecast information provided by GII and EIA.

The most current forecasts from both EIA and GII are for lower consumption of motor fuels over the forecast period, as compared to the November 2012 forecast. The specific forecasts are shown in the tables below. MnDOT uses an average of the consumption forecasts by EIA and GII as its consumption forecast. These amounts are then multiplied by the motor fuel tax rate, resulting in the estimated revenue. Revenues are approximately 2.5% less than the November 2012 forecast for the FY 2013-15 forecast period (FY 2012 amounts are now actual revenues), which is approximately \$66 million. Revenues for FY 2013 are 1.8% less than forecast in November 2012, for FY 2014 are 2.6% less, and for FY 2015 are 3.1% less.

Energy Information Administration (EIA) Changes, Feb 13 vs. Nov 12					
Year	Feb 13 Forecast Annual Energy Outlook 2013 Early Release		Nov 12 Forecast Annual Energy Outlook 2012		Change
	Delivered Motor Gasoline Consumption, All Sectors (quadrillion BTU)	Growth (Year over Year)	Delivered Motor Gasoline Consumption, All Sectors (quadrillion BTU)	Growth (Year over Year)	
2008	1.30		1.30		
2009	1.30	-0.4%	1.30	-0.4%	0.0%
2010	1.30	0.0%	1.30	0.0%	0.0%
2011	1.27	-1.6%	1.29	-0.8%	-0.8%
2012	1.26	-1.4%	1.27	-1.2%	-0.3%
2013	1.24	-1.2%	1.26	-0.8%	-0.5%
2014	1.20	-3.0%	1.25	-1.2%	-1.8%
2015	1.17	-2.4%	1.23	-1.2%	-1.2%
2016	1.16	-0.8%	1.22	-1.2%	0.4%
2017	1.15	-0.8%	1.20	-1.2%	0.4%



Global Insight (GII) Changes, Feb 13 vs. Nov 12			
	Feb 13 Forecast	Nov 12 Forecast	
Year	GII Highway Consumption of Fuel Year over Year Growth	GII Highway Consumption of Fuel Year over Year Growth	Change
2008	-0.95%	-0.95%	0.00%
2009	-2.82%	-2.82%	0.00%
2010	0.43%	0.43%	0.00%
2011	-0.82%	-0.82%	0.00%
2012	-1.87%	-1.87%	0.00%
2013	-0.76%	0.31%	-1.07%
2014	1.22%	1.05%	0.17%
2015	0.14%	-0.02%	0.16%
2016	0.20%	0.05%	0.14%
2017	0.75%	0.64%	0.11%

The estimated revenue included in the February 2013 forecast from the motor fuel excise tax is shown below:

Motor Fuel Tax Revenues (\$ in millions)			
State Fiscal Year	Feb '13 Fcst	Nov '12 Fcst	\$ Change
2012	\$847 M	\$847 M	\$0.0 M
2013	859	875	-15.7
2014	853	876	-22.8
2015	843	870	-27.2
2016	841	865	-24.7
2017	\$840 M	\$863 M	-\$22.3 M

Fiscal Years 2016 and 2017 Planning Estimates

The planning estimates for FY 2016 and 2017 show decreases in revenue. Revenue for FY 2016-17 combined is estimated to be 0.9% less than the forecast for FY 2014-15 combined. A reduction of 0.3% is expected in FY 2016 compared with FY 2015, and a reduction of less than 0.1% is expected in FY 2017 compared with FY 2016. The total reduced revenue for the FY 2016-17 biennium is \$15.1 million as compared to the FY 2014-15 biennium.

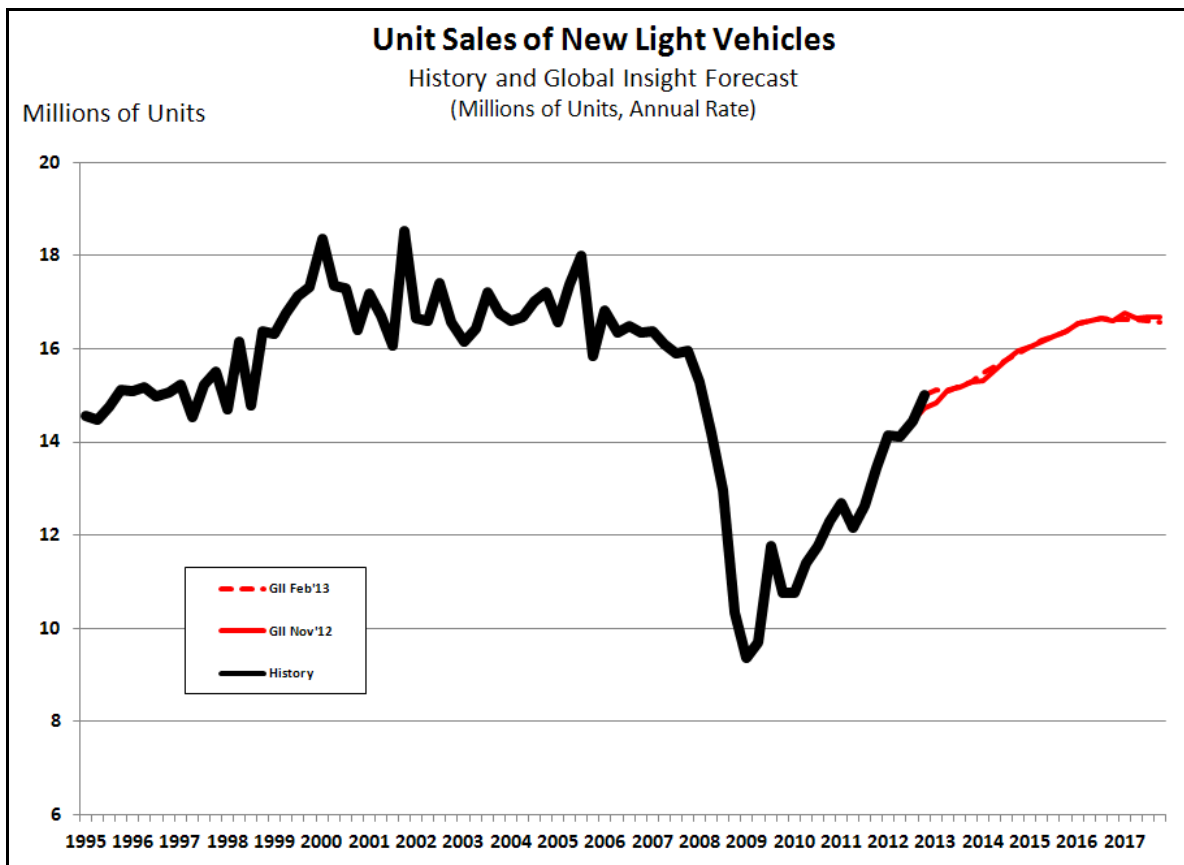
Since the overall trend for the forecasts for both the FY 2013-15 forecast period and the planning estimates is for continued reduced consumption, it appears that increases in overall vehicle fuel efficiency are beginning to overtake flat to slight increases in miles driven.



Motor Vehicle Registration Tax Forecast

The policy for taxes on passenger motor vehicles is described in M.S. 168.013, subdivision 1a. Vehicles are taxed based on \$10 plus 1.25% of the vehicle's value, depreciated over time until the 10th year of registration, after which the tax is \$35. Revenue from these taxes comprise about 80% of the total revenue from motor vehicle registration taxes. The remaining motor vehicle registration tax revenue is provided by taxes on commercial vehicles. The policy for this taxation is generally based on vehicle weight and age. This passenger motor vehicle registration tax policy was instituted in 2008, and included a provision that the tax on any passenger vehicle when calculated using the new policy would not be greater than paid previously; this provision resulted in a phase-in of the full impact of this policy change.

The following chart depicts the unit sales rate for new light vehicles, from 1995 through the forecast period. All data are provided by GII and reflect national levels. The dashed red line reflects the current forecast, which has increased slightly since the November 2012 forecast (the solid red line).



MnDOT has a model to forecast revenue from passenger vehicles that is largely based on forecasts of the purchase of new passenger vehicles. Forecasts of the sales of new vehicles are provided by GII. The chart suggests that new vehicle sales will be slightly greater than was assumed in GII's prior forecast. Estimated revenues for the three year forecast period are 3.7% greater than was forecast in November 2012. This is an



increase of approximately \$66 million. In addition to the slight increase in estimated sales of new vehicles, the increase is also based on a significant increase in the number of passenger vehicles included in the detailed information supplied by the Department of Public Safety that MnDOT uses in its model to forecast revenue from passenger motor vehicles. MnDOT assumes that an additional \$105 million per year of motor vehicle registration tax revenue is received from taxes on various other types of vehicles, primarily on heavy trucks. This assumption is unchanged from the November 2012 forecast.

The estimated revenue for both passenger vehicles and non-passenger vehicles included in the February 2013 forecast from the motor vehicle registration taxes is shown on the next page:

Motor Vehicle Registration Tax Revenues
(\$ in millions)

State Fiscal Year	Feb '13 Fcst	Nov '12 Fcst	\$ Change
2012	\$580 M	\$580 M	\$0.0 M
2013	599	593	5.8
2014	624	601	22.7
2015	646	608	37.8
2016	670	618	51.5
2017	\$693 M	\$630 M	\$63.1 M

Fiscal Years 2016 and 2017 Planning Estimates

The estimate for FY 2016 and 2017 is for continued growth in revenue compared with revenue for FY 2014 and 2015. Revenue for FY 2016 and 2017 is estimated to be 7.4% greater than the forecast for FY 2014 and 2015. An increase of 3.7% is expected in FY 2016 compared to FY 2015, and an increase of 3.5% is expected in FY 2017 compared to FY 2016. The total additional revenue for the FY 2016-17 biennium is approximately \$94 million, compared with revenue forecasted for the FY 2014-15 biennium.

Motor Vehicle Sales Tax Forecast

As mentioned previously, the HUTD Fund receives 60% of the revenue from the motor vehicle sales tax. This is a 6.5% tax on the sale of new and used motor vehicles. MMB prepares the official forecast of this revenue, which is largely based on input provided by GII. One factor considered in this forecast was the expiration of the 2% reduction in the payroll tax rate at the end of 2012. This was previously worth about \$1,000 to individuals making \$50,000 a year. The larger tax bite will reduce discretionary (after-tax) income and is likely to dampen consumer spending in early 2013 and thus car sales. Slower vehicle sales this year means slower MVST revenue growth. Similar to the forecast for passenger motor vehicles, this forecast is largely based on estimates of sales of passenger vehicles, so the trend is similar to that described previously for motor vehicle registration tax revenue.

Compared with the November 2012 forecast, estimated revenue in the February 2013 forecast is 0.7% greater for the FY 2013-15 forecast period, an increase of approximately \$8 million. The estimated revenue included in the February 2013 forecast that will be received by the HUTD Fund from the motor vehicle sales tax is shown below:



Motor Vehicle Sales Tax Revenues

(\$ in millions)

State Fiscal Year	Feb '13 Fcst	Nov '12 Fcst	\$ Change
2012	\$335 M	\$335 M	\$0.0 M
2013	359	353	5.7
2014	373	370	3.3
2015	394	395	-0.8
2016	418	422	-3.2
2017	\$441 M	\$447 M	-\$5.9 M

Fiscal Years 2016 and 2017 Planning Estimates

The estimate for FY 2016 and 2017 is for moderate growth in revenue compared with revenue for FY 2014 and 2015. Revenue for FY 2016 and 2017 is estimated to be 12.1% greater than the forecast for FY 2014 and 2015. An increase of 6.1% is expected in FY 2016 compared to FY 2015, and an increase of 5.5% is expected in FY 2017 compared to FY 2016. The total additional revenue for the FY 2016-17 biennium is \$92.5 million compared to the FY 2014-15 biennium.

Total HUTD Revenue

When the three revenue sources described above are combined, in addition to other smaller revenue sources, revenue to this fund is estimated to be 0.2% greater than was forecasted in November 2012 for the three year forecast period, an increase of approximately \$9 million. The total estimated revenue for the HUTD Fund is shown below:

HUTD Revenues

(\$ in millions)

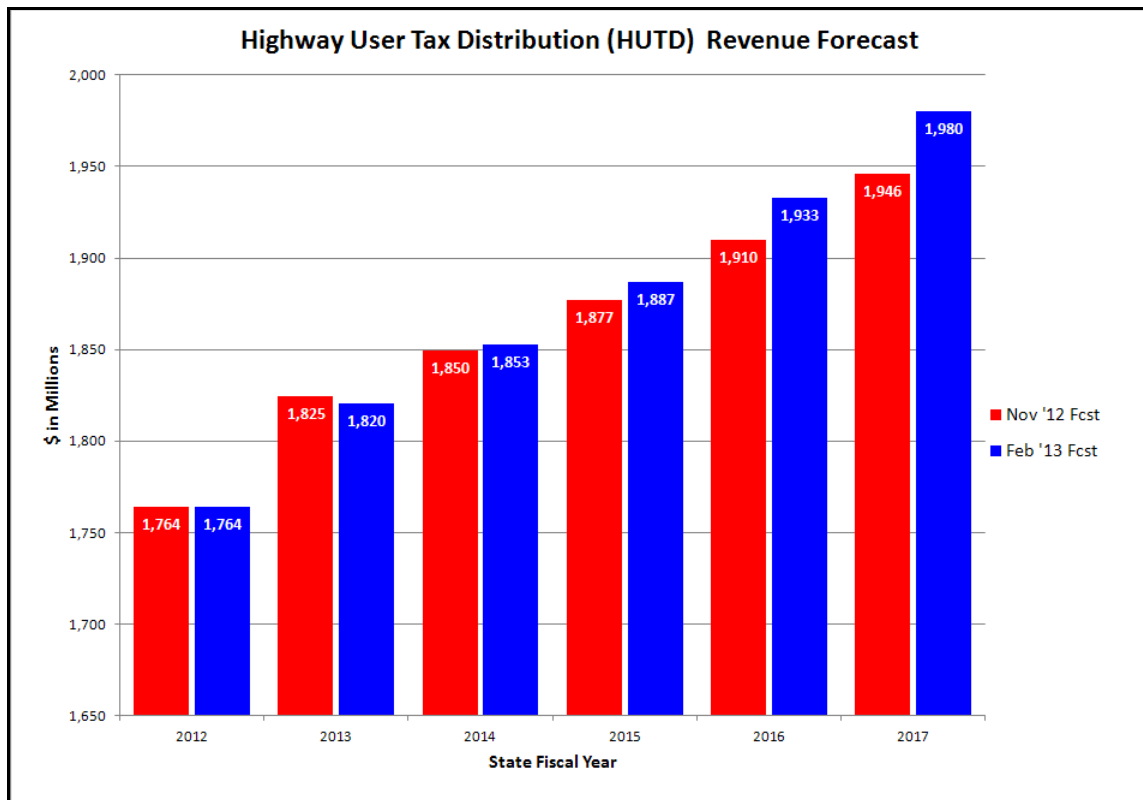
State Fiscal Year	Feb '13 Fcst	Nov '12 Fcst	\$ Change
2012	\$1,764 M	\$1,764 M	\$0.0 M
2013	1,820	1,825	-4.2
2014	1,853	1,850	3.1
2015	1,887	1,877	9.8
2016	1,933	1,910	22.9
2017	\$1,980 M	\$1,946 M	\$34.1 M



Fiscal Years 2016 and 2017 Planning Estimates

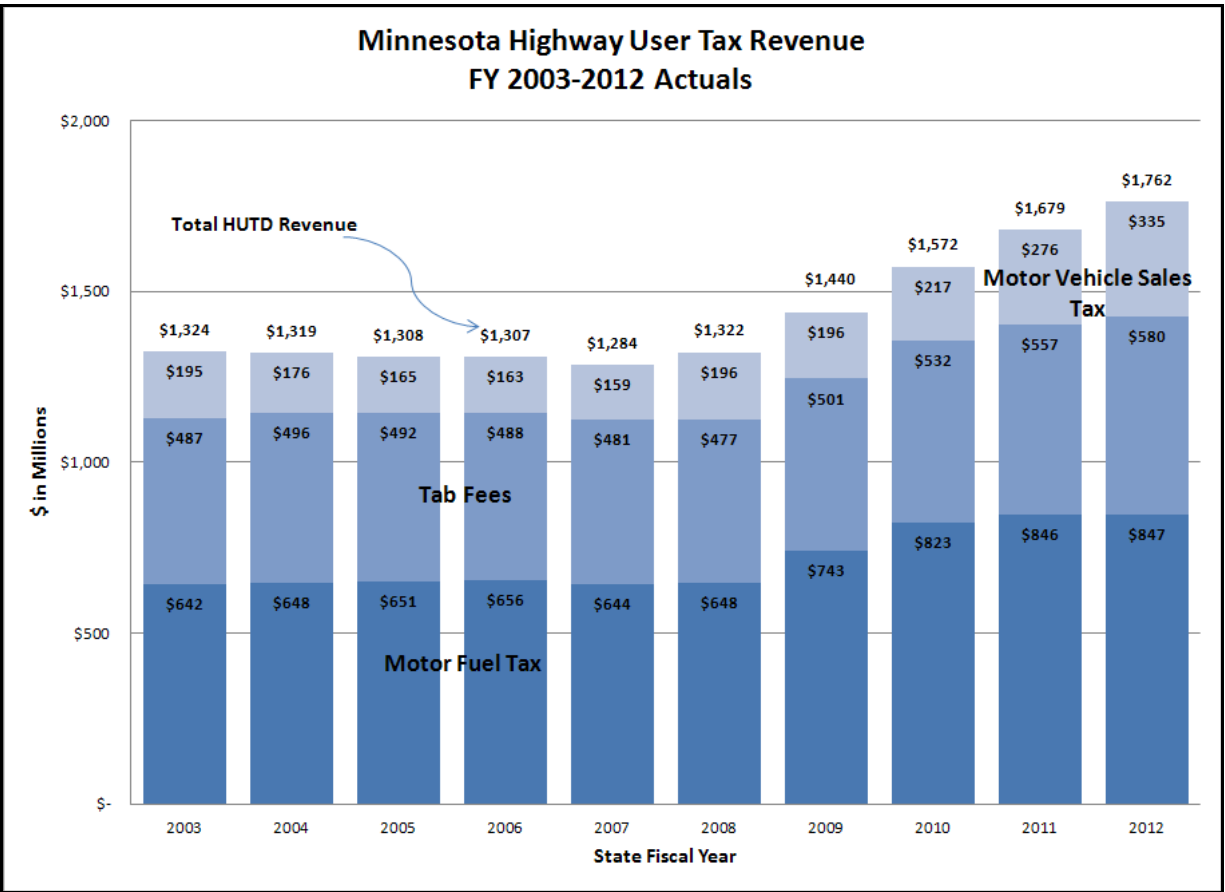
The estimate for FY 2016 and 2017 is for growth in revenue compared with revenue for FY 2014 and 2015. Revenue for FY 2016 and 2017 is estimated to be 4.6% greater than FY 2014 and 2015. An increase of 2.4% is expected in FY 2016 compared to FY 2015, and an increase of 2.5% is expected in FY 2017 compared to FY 2016. The total additional revenue for the FY 2016-17 biennium is \$173.2 million, compared with revenue forecasted for the FY 2014-15 biennium.

Below is a chart that summarizes total HUTD revenues for FY 2012-17, for both the November 2012 forecast and the current February 2013 forecast:



The chart below provides a 10 year history of actual revenues, for FY 2003-12, to the HUTD fund for the 3 principal taxes (gas, tab fees, MVST):



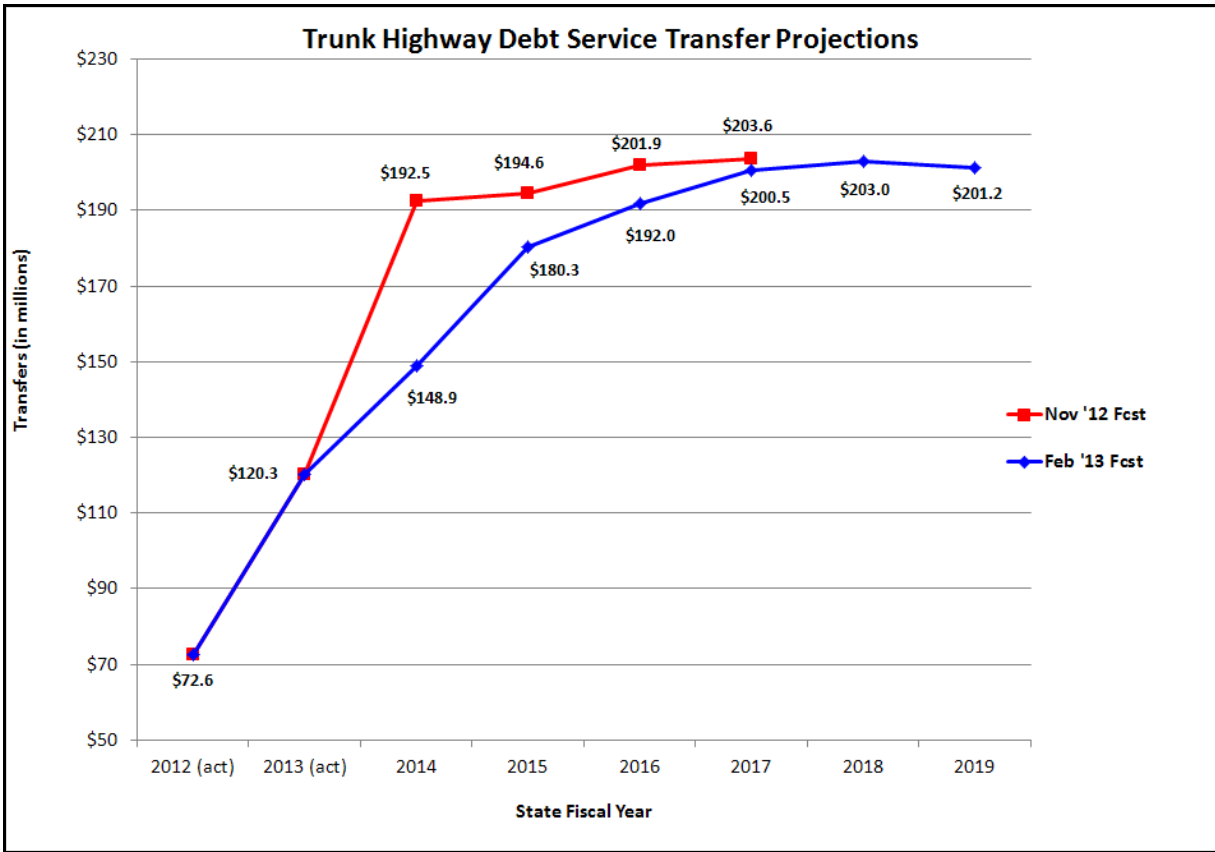


Trunk Highway Fund

The Trunk Highway Fund receives revenue from various sources. Across FY 2012-17, transfers from the HUTD Fund comprise approximately 70% of revenue, federal aid agreements comprise approximately 26% of revenue, and other sources, such as investment income, comprise approximately 4% of revenue.

The Trunk Highway Fund has unique constitutional authority (see Article XIV, section 11 of the Minnesota Constitution) to sell authorized trunk highway bonds. The debt service on these bonds (payment of principal and interest) is specified as the first obligation of the fund. In recent years the amount of debt service expenditures (transfers to the state Debt Service Fund) has been substantial and is forecasted to become even greater in the future. The debt service transfer in FY 2013 was approximately \$120 million and is forecasted to grow to approximately \$180 million by FY 2015, or nearly 16% of revenues to the fund, not counting federal aid agreements. Compared with the November 2012 forecast, forecasted debt service has decreased significantly - a decrease of nearly \$58 million for the combination of FY 2014 and 2015. This is a decrease of 15% over the two year period. Below is a chart that summarizes these changes to the estimated debt service transfer:





There were several significant changes incorporated into the February 2013 forecast, compared with the November 2012 forecast for the Trunk Highway Fund. First, the estimated debt service transfer cost decreased as described above. This is due to a change in the way premiums are treated in the forecast. Laws of 2011, First Special Session, Chapter 12 amended Minnesota Statute 16A.641, subd. 7, by permitting a reduction to the overall size of bond sales rather than reducing the debt service transfer by the amount of bond premiums. It was assumed in the November 2012 forecast that this law applied to both the sale of various purpose general obligation bonds and to the sale of Trunk Highway general obligation bonds. However, bond counsel has since clarified that this law does not apply to Trunk Highway general obligation bonds. All general obligation bonds are issued under the authorization of Article 11 of the Constitution but Trunk Highway Bonds have the additional authorization and security of Article 14 of the Constitution. Thus, the debt service transfer amounts in the February 2013 forecast include reductions for the estimated bond premiums.

Second, revenue received by this fund via transfer from the HUTD Fund is estimated to be 0.2% greater than was forecasted in the November 2012 forecast for the same reasons as described earlier for the HUTD Fund. This is an increase of approximately \$5.5 million over the three year period.

Lastly, there was a \$10.5 million change in prior period adjustments that was made as part of the final financial statement for FY 2012 (in November 2012, the financial statements were considered preliminary).



The forecasted changes for both the FY 2012-13 and FY 2014-15 biennia, along with the total impact on fund balance, are shown in the table below:

Trunk Highway Fund Balance Changes

2013 Feb vs. 2012 Nov

(\$ in millions)

	<u>FY12-13</u>	<u>FY14-15</u>
State Revenues (HUTD)	(\$2.8) M	\$8.2 M
Federal Aid Agreements	0.0	0.0
Other Revenue	(0.2)	(0.8)
Prior Year Adjustments	10.5	0.0
Total Revenue Impact	7.5	7.5
Transportation Expenditures	0.0	0.0
Other Agencies	0.0	0.0
Debt Service Transfer	0.0	(57.8)
Total Expenditure and Transfer Impact	0.0	(57.8)
Fund Balance Change	7.4	65.3
Total Cumulative Change	\$7.4 M	\$72.7 M
Fund Balance		
Nov 12 Forecast	\$218.7	\$168.0
Feb 13 Forecast	226.1	240.7
Change	\$7.4 M	\$72.7 M

MnDOT's Trunk Highway Fund is governed by four financial policies. The two most relevant to this forecast are the debt service and fund balance policies. The debt policy states that debt service (which includes repayments of Local Government Advances in accordance with M.S. 161.361 and transportation revolving loan repayments in accordance with M.S. 161.04, subdivision 4, in addition to the debt service transfers described in this section) should not exceed 20 percent of annual state revenues to the Trunk Highway Fund. The debt service percentage and comparison to 20 percent debt service policy is shown below for the forecast period. Both policies are included in the Appendices at the end of this document.



**Minnesota Department of Transportation
Debt Management Policy**

(\$ in millions)

Year	Total Debt Service ⁽¹⁾	Estimated Current %	Variance from 20% Policy Limit ⁽²⁾
2012	\$80.5 M	7.5%	\$133.6 M
2013	129.8	11.7%	92.4
2014	158.4	14.0%	67.4
2015	189.8	16.5%	40.1
2016	201.5	17.1%	34.6
2017	210.0	17.2%	34.3
2018	212.5	17.4%	31.8
2019	\$210.7 M	17.2%	\$33.7 M

⁽¹⁾ Includes bond debt transfers, transportation revolving loans, and local area advances

⁽²⁾ Represents amount of additional debt service to reach 20% limit

Fiscal Years 2016 and 2017 Planning Estimates

Estimated revenues for FY 2016 and 2017 are slightly greater than the amounts forecasted for FY 2014 and 2015. Transfers from the HUTD for FY 2016 and 2017 combined are estimated to be \$102 million more than FY 2014 and 2015 combined, an increase of 4.7%. FY 2016 is estimated to be 2.5% greater than FY 2015, and the amount for FY 2017 is estimated to be 2.5% greater than FY 2016.

The only other forecast revenue changes for the Trunk Highway Fund are for investment income as compared to the November 2012 forecast. The forecasts of investment income assume continued low interest rates through FY 2016, with rates beginning to increase in FY 2017. This results in lower estimates of about \$300,000 for FY 2014, \$500,000 for FY 2015, and approximately \$7 million in both FY 2016 and 2017. The estimated investment income is still significantly greater in FY 2016 and 2017 compared with FY 2014 and 2015, but not by as much as was forecasted in November 2012. The estimates for federal aid agreement revenues are unchanged from the November 2012 forecast, and are estimated to be approximately \$42 million (5.5%) less in the FY 2016-17 biennium as compared to the FY 2014-15 biennium. Note that there is a high degree of uncertainty about the estimates of federal aid agreements.

Expenditure forecasts are generally based on the current law budget, with expenditures in FY 2016 and 2017 being the same as those in FY 2015. This is not the case with projected debt service expenditures (transfers to the state debt service fund), which are based on estimated cash flow for projects to be funded with bond proceeds, which in turn are the basis for the amount of bonds that are projected to be sold. Total debt service is forecasted to be \$63.2 million (19.2%) greater in the FY 2016-17 biennium than in the FY 2014-15 biennium.



County State Aid Highway (CSAH) Fund

The County State Aid Highway Fund receives almost all of its revenue through transfers from the HUTD Fund. The CSAH Fund also receives a share of revenue from the sales tax on motor vehicle leases (see below) and investment income. This revenue is distributed annually through the Commissioner's Order process, as governed by M.S. Chapter 162.

The forecasted revenue in February 2013 for transfers from the HUTD Fund is 0.2% greater than was estimated in November 2012 for the same reasons as was described previously in the HUTD section. This is an increase of approximately \$3 million over the three year forecast period.

The forecast for investment income is slightly greater than was estimated in the November 2012 forecast. This estimate is developed using interest rates provided by MMB and projections of cash balances in the fund. The forecast for investment income was increased by about \$100,000 for the entire three year period.

In 2008, the Legislature statutorily dedicated a new source of revenue to transportation – revenue from the sales tax on motor vehicles leases. One-half of this revenue, greater than \$32 million in fiscal year 2013 and beyond, is allocated to the CSAH Fund and one-half is allocated to the greater Minnesota transit account in the Transit Assistance Fund. The forecast for the motor vehicle lease sales tax is provided by the Department of Revenue and projects an increase of approximately \$900,000 over the three year period compared with the November 2012 forecast. This is an increase of 2.3% for FY 2013-15. This revenue is allocated to five of the seven metropolitan counties, not including Hennepin and Ramsey counties.

Of the revenue transferred from the HUTD fund, 95% is allocated to apportionments for highway construction and maintenance to Minnesota's 87 counties and 5% is allocated for purposes described in M.S. 161.081: 30.5% is allocated to Township Roads, 16% is allocated to Township Bridges, and 53.5% is allocated to the Flexible Highway Account, which has a number of prescribed uses. This forecast will result in slightly more revenue being available for these three areas.

Fiscal Years 2016 and 2017 Planning Estimates

Estimated revenues for FY 2016 and 2017 are greater than the amounts forecasted for FY 2014 and 2015 in each of the three revenue sources.

First, transfers from the HUTD for FY 2016 and 2017 combined are estimated to be \$56.5 million more than is forecasted for FY 2014 and 2015 combined, an increase of 4.7%. FY 2016 is estimated to be 2.5% greater than the amount for FY 2015, and the amount for FY 2017 is estimated to be 2.5% greater than the amount for FY 2016.

Second, revenue from one-half of the motor vehicle lease sales tax is estimated to be \$7 million greater in the FY 2016-17 biennium than in the FY 2014-15 biennium, an increase of 25%. FY 2016 is estimated to be 15% greater than the amount for FY 2015, and the amount for FY 2017 is estimated to be 5% greater than the amount estimated for FY 2016.

Third, investment income in FY 2016 and 2017 combined is estimated to be \$12 million more than is forecasted for FY 2014 and 2015 combined, nearly a three-fold increase. FY 2016 is estimated to be 93%



greater than the amount for FY 2015, and the amount for FY 2017 is estimated to be 188% greater than the amount for FY 2016.

Municipal State Aid Street (MSAS) Fund

The Municipal State Aid Street Fund receives almost all of its revenue through transfers from the HUTD Fund. In addition, this fund receives investment income revenue. This revenue is distributed annually to municipalities with population greater than 5,000 through the Commissioner's Order process for street construction and maintenance, as governed by M.S. Chapter 162.

The forecasted revenue in February 2013 for transfers received from the HUTD Fund is 0.2% greater than was estimated in November 2012 for the same reasons as was described previously. This is an increase of approximately \$800,000 over the three year forecast period.

The forecast for investment income is lower than in the November 2012 forecast. As previously described, this estimate is developed using interest rates provided by MMB and projections of cash balances in the fund. The forecast for investment income was reduced by about \$35,000 over the three year period.

Fiscal Years 2016 and 2017 Planning Estimates

Estimated revenues for FY 2016 and 2017 are greater than the amounts forecasted for FY 2014 and 2015. Both revenue sources are projected to be greater in the FY 2016-17 biennium than in the FY 2014-15 biennium.

First, transfers from the HUTD for FY 2016 and 2017 combined are estimated to be nearly \$15 million more than is forecasted for FY 2014 and 2015 combined, an increase of 4.7%. FY 2016 is estimated to be 2.5% greater than the amount for FY 2015, and the amount for FY 2017 is estimated to be 2.5% greater than the amount estimated for FY 2016.

Second, investment income in FY 2016 and 2017 combined is \$3.7 million more than is forecasted for FY 2014 and 2015 combined, almost a three-fold increase. FY 2016 is estimated to be 93% greater than the amount for FY 2015, and the amount for FY 2017 is estimated to be 188% greater than the amount FY 2016.

Transit Assistance Fund

The Transit Assistance Fund was created (M.S. 16A.88) to provide a fund to receive the transit portion of the constitutionally dedicated revenue (currently 40%) from the motor vehicle sales tax. By statute (M.S. 297B.09), 36% of motor vehicle sales tax is allocated to the metropolitan area transit account (administered by the Metropolitan Council) and 4% is allocated to the greater Minnesota transit account (administered by MnDOT).

The forecast for this fund was affected by two factors. First, the forecasted revenue for the motor vehicle sales tax (as previously discussed) resulted in an increase of about \$5.5 million for the FY 2013-15 forecast period, an increase of approximately 0.7%. Of this increase, \$4.9 million impacts the metropolitan area transit account (administered by the Metropolitan Council), and \$0.5 million impacts the greater Minnesota transit account (administered by MnDOT).



Second, the forecast for the motor vehicle lease sales tax, provided by the Department of Revenue, projects a slight increase of approximately \$900,000 over the three year period as compared with the November 2012 forecast. This is an increase of approximately 2.3% for FY 2013-15. Current law provides that the actual receipt of this revenue does not occur until after the close of a specific fiscal year. Because of this, all of the estimated revenue from this source is assigned as a balance forward to the subsequent fiscal year on the fund statement.

The overall effect of these two factors is an increase in revenue of \$6.4 million for the entire Transit Assistance Fund for the three year forecast period. The total estimated revenue for the Greater Minnesota portion of the Transit Assistance Fund is shown below:

Greater Minnesota Transit Revenues
(\$ in millions)

State Fiscal Year	Feb '13 Fcst	Nov '12 Fcst	\$ Change
2012	\$32 M	\$32 M	\$0.0 M
2013	35	35	0.2
2014	38	38	0.9
2015	42	41	0.3
2016	45	45	0.2
2017	\$48 M	\$47 M	\$0.4 M

Fiscal Years 2016 and 2017 Planning Estimates

Both revenue sources in this fund are projected to be greater in the FY 2016-17 biennium than in the FY 2014-15 biennium.

First, Motor Vehicle Sales Tax revenue is estimated to be approximately \$62 million greater for the FY 2016-17 biennium than in the FY 2014-15 biennium, an increase of 12%. FY 2016 is estimated to be 6.1% greater than the amount for FY 2015, and FY 2017 is estimated to be 5.5% greater than the amount for FY 2016.

Second, revenue from one-half of the motor vehicle lease sales tax is estimated to be \$7 million greater in the FY 2016-17 biennium than in the FY 2014-15 biennium, an increase of 25%. FY 2016 is estimated to be 14.6% greater than the amount for FY 2015, and the amount for FY 2017 is estimated to be 5.1% greater than the amount for FY 2016.

State Airports Fund

The State Airports Fund was statutorily created (M.S. 360.017) to carry out statutory aviation functions. This includes costs for airport development and assistance grants, aeronautic planning, administration, and operations. Three funds make up the total consolidated State Airports Fund:

- State Airports Fund



- Hangar Revolving Loan Fund
- Air Transportation Services Revolving Fund

Ending balances in the two revolving funds are not included in the consolidated fund statement ending balance, because their receipts are dedicated to their specific functions.

The remainder of the section only addresses the individual State Airports Fund.

The State Airports Fund receives most of its revenue from three primary sources: airflight property tax (46%), aircraft registration tax (34%), and aviation fuel tax (19%) across FY 2012-17.

Compared with the November 2012 forecast, the estimated revenue in the February 2013 forecast for the State Airports Fund for the FY2013-15 forecast period combined is lower by \$256,000, which is a reduction of 0.4%.

For the aviation fuel tax forecast, MnDOT relies on forecasts made by the Federal Aviation Administration and the General Aviation Manufacturers' Association. The current guidance is for an increase of 2% per year in consumption, which is unchanged from the November forecast. The Aircraft Registration Tax forecast is based on MnDOT estimates, which take into account assumptions about the number and value of purchases of new airplanes. The Airflight Property Tax is based on a certification made by MnDOT to the Department of Revenue in accordance with M.S. 270.075. This law requires MnDOT to determine the property tax portion of revenue for the State Airports Fund, which is defined as the difference between the "...total fund appropriation and the estimated total fund revenues from other sources for the state fiscal year in which the tax is payable..." In December 2011, \$8.0 million was certified, and the same amount was certified in December 2012. However, a shortfall of \$713,000 was experienced in FY2012 due to nonpayment by two airlines in bankruptcy proceedings.

Two additional factors contributed to changes in the fund statement for this fund. First, the forecast for investment income was reduced by about \$43,000 over the three year period compared to the November 2012 forecast. Second, MnDOT reduced expenditures in FY 2012 and is expecting additional reductions in FY 2013 due to efficiencies in operations. The total estimated revenue for the State Airports Fund is shown below:

State Airports Revenues (State Airports Fund Only)

(\$ in millions)

State Fiscal Year	Feb '13 Fcst	Nov '12 Fcst	\$ Change
2012	\$17 M	\$17 M	\$0.0 M
2013	22	22	0.0
2014	18	18	-0.3
2015	18	18	0.0
2016	18	18	-0.1
2017	\$18 M	\$19 M	-\$0.1 M



Fiscal Years 2016 and 2017 Planning Estimates

Estimated revenues for this fund for FY 2016 and 2017 are slightly greater than the amounts forecasted for FY 2014 and 2015. An increase of \$589,000 is estimated for the FY 2016-17 biennium compared to the FY 2014-15 biennium, an increase of 1.6%. The amount for FY 2016 is estimated to be 0.7% greater than the amount for FY 2015, and the amount for FY 2017 is estimated to be 1.5% greater than the amount for FY 2016.



Appendices

- Appendix 1: Highway User Distribution (HUTD) Fund Statement
- Appendix 2: Trunk Highway Fund Statement
- Appendix 3: Transit Assistance Fund Statement
- Appendix 4: State Airports Fund Statement
- Appendix 5: County State Aid Highway Fund Statement
- Appendix 6: Municipal State Aid Street Fund Statement
- Appendix 7: Debt Management Policy
- Appendix 8: Fund Balance Policy

Contacts

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Appendix 1

(\$ in thousands)

February 2013 Forecast-Transportation

Highway User Tax Distribution Fund

February 2013 Forecast

Comparison to November 2012 Forecast

	February 2013 Forecast				Change from November 2012							
	Close FY 2012	Budget FY 2013	Budget FY 2014	Planning Est FY 2015	Planning Est FY 2016	Planning Est FY 2017	Prelim Close FY 2012	Budget FY 2013	Budget FY 2014	Planning Est FY 2015	Planning Est FY 2016	Planning Est FY 2017
Balance Forward from prior year	\$1,850	\$2,025	\$0	\$0	\$0	\$0	\$1	\$1	\$0	\$0	\$0	0
REVENUE												
Gasoline and Special Fuel Taxes	846,741	859,258	852,932	843,183	840,597	840,410	0	-15,705	-22,813	-27,199	-24,716	-22,319
Motor Vehicle License Tax	579,619	598,844	623,513	645,919	670,006	693,421	0	5,809	22,687	37,791	51,525	63,114
Motor Vehicle Sales Tax	335,351	358,925	373,053	394,345	418,411	441,488	0	5,693	3,261	-751	-3,221	-5,872
Other	\$2,690	\$3,351	\$3,324	\$3,324	\$3,624	\$4,844	\$0	-\$18	-\$54	-\$73	-701	-808
Total Revenue	1,764,401	1,820,378	1,852,823	1,886,771	1,932,639	1,980,163	0	-4,221	3,081	9,768	22,887	34,115
ACTUAL & ESTIMATED USES												
Appropriations to MnDOT, Revenue, DPS	\$10,866	\$11,971	\$11,458	\$11,458	\$11,458	\$11,458	\$0	\$514	\$1	\$1	\$1	\$1
Transfers--DNR	21,196	22,057	22,094	21,866	21,791	21,677	0	-67	-501	-648	-656	-606
Transfers--5% Set-Aside	86,542	89,352	90,897	92,606	94,903	97,285	0	-234	179	521	1,177	1,736
Transfers--County State-Aid Highway	476,846	492,331	500,844	510,259	522,916	536,041	0	-1,287	987	2,869	6,486	9,565
Transfers--Municipal State-Aid Highway	147,987	152,792	155,434	158,356	162,284	166,358	0	-399	306	890	2,013	2,969
Transfers--Trunk Highway	1,019,463	1,052,570	1,070,770	1,090,899	1,117,959	1,146,018	0	-2,751	2,109	6,134	13,866	20,450
Other	1,326	1,330	1,326	1,326	1,326	1,326	0	4	0	0	0	0
Total Uses	1,764,225	1,822,404	1,852,823	1,886,771	1,932,639	1,980,163	0	-4,220	3,081	9,768	22,887	34,115
Ending Balance	\$2,025	\$0	\$0	\$0	\$0	\$0	\$1	\$0	\$0	\$0	\$0	\$0



February 2013 Forecast - Transportation

Trunk Highway Fund

February 2013 Forecast

Comparison to November 2012 Forecast

	February 2013 Forecast				Change from November 2012							
	Close FY 2012	Budget FY 2013	Budget FY 2014	Planning Est. FY 2015	Planning Est. FY 2016	Planning Est. FY 2017	Prelim Close FY 2012	Budget FY 2013	Budget FY 2014	Budget FY 2015	Planning Est. FY 2016	Planning Est. FY 2017
Balance Forward from prior year	\$199,967	\$397,785	\$226,112	\$239,907	\$240,733	\$253,640	\$0	\$10,376	\$7,445	\$52,800	\$72,709	\$89,525
Prior year adjustments	15,106	0	0	0	0	0	10,467	0	0	0	0	0
Adjusted Balance Forward	215,073	397,785	226,112	239,907	240,733	253,640	10,467	10,376	7,445	52,800	72,709	89,525
REVENUE AND TRANSFERS												
Transfer from HUTD	1,019,463	1,052,570	1,070,770	1,090,899	1,117,959	1,146,018	0	-2,751	2,109	6,134	13,866	20,450
Federal aid agreements	393,993	500,607	392,480	373,480	361,980	361,980	0	0	0	0	0	0
Other income	51,041	58,323	58,466	58,649	62,224	75,650	0	-241	-289	-504	-6,998	-6,979
Total Revenue and Transfers	1,464,497	1,611,500	1,521,715	1,523,028	1,542,163	1,583,649	0	-2,992	1,820	5,631	6,868	13,471
ACTUAL & ESTIMATED USES												
Transportation Department	1,124,582	1,574,005	1,270,459	1,233,362	1,248,760	1,247,662	61	-61	0	0	0	0
Public Safety and Other Depts.	84,603	91,863	88,544	88,519	88,544	88,519	30	0	0	0	0	0
Debt service	72,601	120,305	148,917	180,321	191,952	200,535	0	0	-43,535	-14,278	-9,948	-3,082
Total Uses	1,281,785	1,783,173	1,507,920	1,522,202	1,529,256	1,536,716	91	-61	-43,535	-14,278	-9,948	-3,082
Balance before reserves	397,785	226,112	239,907	240,733	253,640	300,573	10,376	7,445	52,800	72,709	89,525	106,078
Less Appropriation Carryforward	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	\$397,785	\$226,112	\$239,907	\$240,733	\$253,640	\$300,573	\$10,376	\$7,445	\$52,800	\$72,709	\$89,525	\$106,078

Appendix 3

(\$ in thousands)

February 2013 Forecast-Transportation

Transit Assistance Fund

February 2013 Forecast

Comparison to November 2012 Forecast

	February 2013 Forecast				Change from November 2012							
	Close FY 2012	Budget FY 2013	Budget FY 2014	Budget FY 2015	Planning Est. FY 2016	Planning Est. FY 2017	Prelim Close FY 2012	Budget FY 2013	Budget FY 2014	Budget FY 2015	Planning Est. FY 2016	Planning Est. FY 2017
Balance Forward from prior year	\$6,010	\$15,622	\$11,330	\$13,515	\$15,290	\$17,520	\$0	\$0	-\$135	\$660	\$390	\$455
REVENUE												
Metropolitan area transit account	201,210	215,355	223,832	236,607	251,047	264,893	0	3,416	1,957	-451	-1,932	-5,523
Greater Minnesota transit account	22,357	23,928	24,870	26,290	27,894	29,433	0	380	217	-50	-215	-391
Motor Vehicle Sales Tax	223,567	239,284	248,702	262,897	278,941	294,325	0	3,795	2,174	-501	-2,147	-3,915
Leased Vehicle Sales Tax	9,299	11,330	13,515	15,290	17,520	18,405	0	-135	660	390	455	750
Total Revenue	232,866	250,614	262,217	278,187	296,461	312,730	0	3,660	2,894	-111	-1,692	-3,165
ACTUAL & ESTIMATED USES												
Metropolitan Council	201,210	215,355	223,832	236,607	251,047	264,893	0	3,416	1,957	-451	-1,932	-5,523
Transportation Department	22,043	39,551	36,200	39,805	43,184	46,953	0	380	82	610	175	64
Total Uses	223,254	254,906	260,032	276,412	294,231	311,845	0	3,796	2,039	159	-1,757	-3,460
Less Appropriation Carryforward	0	11,330	13,515	15,290	17,520	18,405	0	-135	660	390	455	750
Ending Balance	\$15,622	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0



February 2013 Forecast-Transportation

State Airports Fund

February 2013 Forecast

Comparison to November 2012 Forecast

	February 2013 Forecast					Change from November 2012						
	Close FY 2012	Budget FY 2013	Budget FY 2014	Budget FY 2015	Planning Est. FY 2016	Planning Est. FY 2017	Prelim Close FY 2012	Budget FY 2013	Budget FY 2014	Budget FY 2015	Planning Est. FY 2016	Planning Est. FY 2017
Balance Forward from prior year	\$2,902	\$2,605	\$3,632	\$2,087	\$612	-\$739	\$0	-\$47	-\$29	-\$313	-303	-413
Prior Year Adjustments	479	0	0	0	0	0	-47	0	0	0	0	0
Adjusted Balance Forward	3,381	2,605	3,632	2,087	612	-739	-47	-47	-29	-313	-303	-413
REVENUE												
Airline Flight Property Tax	7,287	12,233	8,000	8,000	8,000	8,000	0	0	0	0	0	0
Aircraft Registration Tax	6,496	6,600	6,300	6,300	6,300	6,300	0	100	-200	100	100	100
Gasoline & Special Fuel Tax	3,470	3,470	3,539	3,610	3,682	3,756	0	-69	-71	-72	-74	-75
Departmental Earnings	648	710	710	710	710	710	0	200	200	200	200	200
Investment Income	56	55	55	55	107	304	0	-12	-14	-17	-137	-169
Other Income	493	753	753	753	753	753	0	0	0	0	0	0
Total Revenue	18,450	23,821	19,357	19,428	19,552	19,823	0	218	-84	210	90	56
ACTUAL & ESTIMATED USES												
Transportation Department	19,227	22,793	20,902	20,902	20,902	20,902	0	200	200	200	200	200
Revenue Department	0	1	1	1	1	1	0	0	0	0	0	0
Total Uses	19,227	22,794	20,903	20,903	20,903	20,903	0	200	200	200	200	200
Less Appropriation Carryforward	1,521	1,521	1,685	1,849	2,013	2,177	0	0	0	0	0	0
Ending Balance	\$1,083	\$2,111	\$401	-\$1,237	-\$2,752	-\$3,996	-\$47	-\$29	-\$313	-\$303	-\$413	-\$557

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.

February 2013 Forecast-Transportation

County State Aid Fund

February 2013 Forecast

Comparison to November 2012 Forecast

	February 2013 Forecast					Change from November 2012						
	Close FY 2012	Budget FY 2013	Budget FY 2014	Planning Est FY 2015	Planning Est FY 2016	Planning Est FY 2017	Prelim Close FY 2012	Budget FY 2013	Budget FY 2014	Budget FY 2015	Planning Est FY 2016	Planning Est FY 2017
Balance Forward from prior year	\$314,720	\$453,538	\$438,540	\$438,540	\$438,540	\$438,540	\$0	\$56	-\$25,504	-\$25,504	-\$25,504	-\$25,505
Prior Year Adjustments	485	0	0	0	0	0	33	0	0	0	0	0
Adjusted Balance Forward	315,205	453,538	438,540	438,540	438,540	438,540	33	56	-25,504	-25,504	-25,504	-25,505
REVENUE AND TRANSFERS												
Leased Vehicle Sales Tax	9,299	11,330	13,515	15,290	17,520	18,405	0	-195	660	390	455	750
Investment and other receipts	2,372	2,503	2,495	2,495	4,541	12,521	23	87	64	-52	-3,349	-2,493
Transfer from HUTD	563,388	581,683	591,741	602,865	617,820	633,326	0	-1,520	1,166	3,390	7,663	11,301
Transfer from MSAS	0	0	0	0	0	0	0	0	0	0	0	0
Total Revenue and Transfers	\$575,059	\$595,516	\$607,751	\$620,651	\$639,881	\$664,252	\$23	-\$1,568	\$1,889	\$3,728	\$4,769	\$9,559
ACTUAL & ESTIMATED USES												
Grants to local governments	425,372	596,834	582,183	597,505	623,341	650,188	0	24,061	-10,839	-6,345	1,682	9,384
MinDOT Administrative and Research	7,236	13,681	12,868	13,145	13,540	14,064	0	-68	28	73	88	174
Transfers to MSAS	2,218	0	12,700	10,000	3,000	0	0	0	12,700	10,000	3,000	0
Transfers to Trunk Highway Fund	1,900	0	0	0	0	0	0	0	0	0	0	0
Total Uses	436,726	610,515	607,751	620,651	639,881	664,252	0	23,993	1,889	3,728	4,770	9,558
Less Appropriation Carryforward	453,538	438,540	438,540	438,540	438,540	438,540	56	-25,504	-25,504	-25,504	-25,505	-25,505
Ending Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0



February 2013 Forecast-Transportation

Municipal State Aid Fund

February 2013 Forecast

Comparison to November 2012 Forecast

	February 2013 Forecast					Change from November 2012						
	Close FY 2012	Budget FY 2013	Budget FY 2014	Budget FY 2015	Planning Est FY 2016	Planning Est FY 2017	Prelim Close FY 2012	Budget FY 2013	Budget FY 2014	Budget FY 2015	Planning Est FY 2016	Planning Est FY 2017
Balance Forward from prior year	\$129,016	\$139,869	\$136,883	\$136,883	\$136,883	\$136,883	\$0	\$26	\$639	\$639	\$639	\$639
Prior Year Adjustments	163	0	0	0	0	0	9	0	0	0	0	0
Adjusted Balance Forward	129,180	139,869	136,883	136,883	136,883	136,883	9	26	639	639	639	639
REVENUE AND TRANSFERS												
Investment and other receipts	1,009	936	935	935	1,570	4,047	17	6	-2	-39	-1,119	-931
Transfer from HUD	147,987	152,792	155,434	158,356	162,284	166,358	0	-399	306	890	2,013	2,969
Transfer from CSAH	2,218	0	12,700	10,000	3,000	0	0	0	12,700	10,000	3,000	0
Total Revenue and Transfers	\$151,214	\$153,729	\$169,069	\$169,291	\$166,854	\$170,404	\$17	-\$394	\$13,004	\$10,851	\$3,894	\$2,038
ACTUAL & ESTIMATED USES												
Grants to local governments	137,881	152,434	164,919	165,060	162,670	166,162	0	-1,050	12,746	10,569	3,761	1,978
MnDOT Administrative and Research	2,644	4,281	4,150	4,231	4,184	4,242	0	43	258	282	132	60
Transfers to CSAH	0	0	0	0	0	0	0	0	0	0	0	0
Total Uses	140,524	156,715	169,069	169,291	166,854	170,404	0	-1,007	13,004	10,851	3,894	2,038
Less Appropriation Carryforward	139,869	136,883	136,883	136,883	136,883	136,883	26	639	639	639	639	639
Ending Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0





Mn/DOT POLICY

Date: July 1, 2010

Reference: Debt Management
Financial Administration
No. 2.6

Position Statement:

- I. Debt service for the trunk highway fund should not exceed 20 percent of annual state revenues to the trunk highway fund.
- II. Additional debt service should not reduce the adopted statewide transportation improvement program.
- III. Use of trunk highway bonds will be in accordance with statewide policies as to limits and purpose, and shall also only be used for capitalizable assets with useful lives exceeding the term of the bonds.
- IV. Actions:
 - A. Mn/DOT shall not propose additional bonding that would exceed this debt service limit.
 - B. If any forecast projects that this debt limit shall be exceeded within 10 years after the fiscal year of the forecast and:
 - 1. More than five years later, the commissioner shall formally notify Minnesota Management and Budget and advise the Legislature, providing options to bring the debt service into compliance with the policy;
 - 2. More than two years but five or fewer years later, the commissioner shall formally notify Minnesota Management and Budget, consider actions to bring the debt service into compliance with the policy, and advise the Legislature of actions taken or provide the reasons for not so doing;
 - 3. Two or fewer years, the commissioner shall propose or take actions to bring debt service into compliance by the end of the next legislative session.
 - 4. In all cases, Mn/DOT will restrict usage of the fund balance by an amount estimated for the future debt service funding shortfalls for years where debt service is projected to exceed 20 percent of annual state revenues.

Guideline:

Debt service and state revenue to the trunk highway fund shall be estimated with each state forecast in November and February, and after any legislative session that changes debt authorizations or revenue estimates. The time period for this estimate shall extend beyond the formal forecast period to a total of 10 years for purposes of this policy. Responsible party: chief financial officer.

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Background:

The state of Minnesota is authorized to issue general obligation bonds for trunk highway purposes under Article XIV of the constitution. Mn/DOT is also authorized to enter into loan agreements using the transportation revolving loan fund under M.S. 161.04, and to enter into local advance agreements under M.S. 161.361. This policy sets limits on the overall obligations that these uses of debt financing should place on the state revenues into the trunk highway fund for the next 10-year period, but long-term planning should aim for debt service to not exceed 15 percent of state revenues. Mn/DOT is exploring financing mechanisms other than obligation bonds. Before using any new financing mechanism, Mn/DOT, in consultation with Minnesota Management and Budget, will evaluate its applicability to and impact on this and other state capital investment policy, as well as any amendments to these policies. All applicable related state and federal policies must also be followed, and guidelines set by Mn/DOT's fund balance and cash forecast policies must also be considered.

Statutory or Other References:

See Background section above.


Definitions:

Debt service – required annual payments of interest and principal to fully amortize the loan according to the loan agreement. Debt service includes future obligations for trunk highway bonds, borrowings from the transportation revolving loan fund, advances from local governments and any other similar obligations on the trunk highway fund.

Trunk highway bonds – bonds sold to investors to acquire funds for construction of trunk highway improvements. These general obligation bonds must be repaid from the trunk highway fund.

Trunk highway fund – constitutionally dedicated source of revenue that must be used for the trunk highway system.

State revenues – revenue into the trunk highway fund from sources created by Minnesota statute or constitution, such as motor fuel tax, motor vehicle registration tax and motor vehicle sales tax.


Khani Sahebjam, Deputy Commissioner
and Chief Engineer

Any questions regarding this policy should be directed to:

Chief Financial Officer, MS 120, Transportation Building
395 John Ireland Blvd., St Paul, MN 55155
651-366-4816

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Mn/DOT POLICY

Date: July 1, 2010

Reference: Financial Administration
No. 2.3
Fund Balance

Position Statement:

- I. The trunk highway fund should maintain an undesignated, unreserved fund balance of not less than the sum of:
 - a. 6 percent of annual projected state revenues to the fund, plus
 - b. 2 percent of authorized but unissued debt, plus
 - c. An amount estimated for the future debt service funding shortfalls for years where debt service is projected to exceed 20 percent of annual state revenues.

- II. If any forecast projects that the fund balance target shall not be met, Mn/DOT shall propose actions, including biennial budget submissions that achieve the target by the end of the next biennium, unless the commissioner finds that an emergency warrants a longer period of adjustment.

Guideline:

The trunk highway budgetary fund balance shall be estimated with each state forecast in November and February, and after any legislative session that materially changes fund balance components. The time period should cover each biennium included in the state forecast. Responsible party: chief financial officer.

Background:

The state’s trunk highway fund is the principal operating fund for Mn/DOT. The trunk highway fund is a governmental fund that accounts for public monies used to construct, maintain, and operate most of the Minnesota trunk highway transportation infrastructure. It also accounts for transfers to pay trunk highway debt. In governmental funds, undesignated, unreserved fund balance is a reserve to allow for emergencies (natural and financial), and permit orderly adjustment to revenue fluctuations.

Maintaining an unreserved fund balance while planning for spending of funds creates a reserve that can be used to mitigate significant deviations from expected future events. Revenue forecasts and projected spending levels are all subject to significant uncertainty due to several economic, operating, and legal uncertainties concerning the future operating environment. The state of Minnesota (MS 16A.152) requires its general fund to maintain reserves for cash flow and budget reserves, and includes other fund balance guidelines.

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Statutory or Other References:

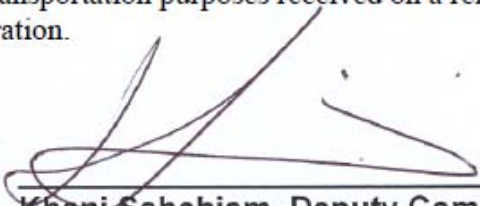
See Background section above.

Definitions:

State revenue – Revenue into the trunk highway fund from sources created by Minnesota statute or constitution, such as motor fuel tax, motor vehicle registration tax and motor vehicle sales tax.

Fund balance – The amount of revenues less appropriations, reserves and other uses in the trunk highway fund at the end of a fiscal year and year end balances forecast in the trunk highway fund budgetary fund statement for future years.

Federal funds – Federal appropriations for transportation purposes received on a reimbursable basis through the Federal Highway Administration.



**Khani Sahebjam, Deputy Commissioner
and Chief Engineer**

Any questions regarding this policy should be directed to:

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