



February 2014 Forecast Executive Summary

Revenues up \$57.3 million in Highway User Tax Distribution (HUTD) Fund

The February 2014 forecast revenue estimates for the three principal highway user taxes in the HUTD Fund have all increased since the November 2013 forecast. The increase for the two-year period (FY 2014-15) is provided by revenue source.

HUTD Revenues, FY 2014-15 Biennium
(\$ in millions)

| Revenue Source | Feb '14 Fcst | \$ Change | % Change |
|-----------------------|------------------|-----------------|-------------|
| Motor Fuel Taxes | \$1,731 M | \$27.2 M | 1.6% |
| Registration Taxes | 1,336 | 25.6 | 2.0% |
| MVST | 795 | 4.6 | 0.6% |
| Other | 6 | -0.1 | -1.6% |
| Total Revenues | \$3,868 M | \$57.3 M | 1.5% |

HUTD Allocation by Fund, FY 2014-15 Biennium
(\$ in millions)

| Fund | Feb '14 Fcst | \$ Change |
|---------------------------|------------------|-----------------|
| Trunk Highway | \$2,242 M | \$33.4 M |
| CSAH | 1,239 | 18.5 |
| MSAS | 325 | 4.9 |
| Other (DNR, DPS, Revenue) | 70 | 0.5 |
| Total | \$3,876 M | \$57.3 M |

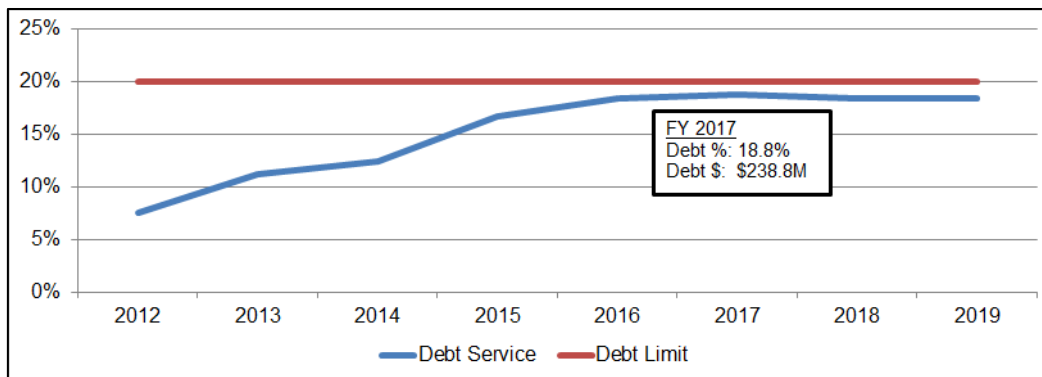
*Note: \$3,876M total includes \$9M of carryforward

HUTD Allocations by Fund

HUTD revenues are transferred to the Trunk Highway, County State Aid Highway (CSAH), and Municipal State Aid Street (MSAS) Funds based on formulas established in the Minnesota Constitution. These three funds provide the majority of highway funding in the state.

Trunk Highway Debt Service

The forecast of debt service expenditure amounts from the Trunk Highway Fund are relatively unchanged from the November 2013 forecast. The estimated amounts are still close to the MnDOT Debt Management Policy limit of 20% of Trunk Highway Fund state revenues, peaking at 18.8% in FY 2017.



Other Funds

Revenues for the FY 2014-15 biennium decreased (1.9%) for the State Airports Fund and (1.7%) for the greater Minnesota transit portion of the Transit Assistance Fund, as compared to the November 2013 forecast.

Transportation Funds Forecast

February 2014 Released February 28, 2014

We all have a stake in A to B



Introduction to Transportation Funds

MnDOT, in consultation with the Department of Minnesota Management and Budget (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 (HUTD)
- Trunk Highway Fund (THF)
- County State Aid Highway Fund (CSAH)
- Municipal State Aid Street Fund (MSAS)
- Transit Assistance Fund (TAF)
- State Airports Fund (SAF)

Forecasts for these funds are prepared based on the same statutory requirements as the state's General Fund forecast (Minnesota Statutes 16A.103) and are also based on the statutory requirement in Minnesota Statutes 174.03, subdivision 9.

The Minnesota Constitution, Article XIV establishes the first four funds on the list. Revenues flow into the HUTD fund and from there are transferred, based on constitutional and statutory formulas, into the TH, CSAH and MSAH funds. These three funds provide the vast majority of state funding for highways in Minnesota.

Revenue Sources For Transportation Funds

The Highway User Tax Distribution Fund (HUTD) receives income from three primary sources; the motor fuel tax (gas tax), the motor vehicle registration tax (tab fees), and 60% of the motor vehicle sales tax (MVST). In addition, a small portion of revenue is derived from other sources such as interest. As stated above, the revenues from the HUTD are allocated to the TH, CSAH, and MSAS funds. The CSAH fund also receives revenue from motor vehicle lease sales tax (MVLST) and the Trunk Highway Fund incorporates the federal aid agreement revenues received from the Federal Highway Administration (FHWA) in its funding revenue rather than isolating it within a fund of its own.

The Transit Assistance Fund's primary revenue source is from 40% of MVST, with additional revenues from MVLST. The State Airports Fund receives revenue primarily from four different revenue sources: sales tax on aircraft, airline flight property tax, aircraft registration tax, and gasoline and special fuels tax. In addition, all of the funds listed above, except the Transit Assistance Fund, receive investment income earned on the cash balances in the funds.

Revenue from gas tax, tab fees, and sixty percent of MVST are all deposited in the HUTD fund, from which distributions are made to the THF, the CSAH fund, and the MSAS fund, based on constitutional and statutory formulas. Each of these three funds will have estimated distributions from the HUTD fund as a source of revenue included in the fund statement.

Forecasts For Revenue Sources

This section describes the revenue forecasts for the sources listed in the previous section.



Motor Fuel Excise Tax Forecast

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 partially 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. Revenue from this tax is deposited in the HUTD fund.

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 2014 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) |

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 forecast produced by Global Insight (GI). 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 GI and EIA.

The most current forecast from EIA is very similar to the one that was available for the November 2013 forecast, projecting declining consumption in each year. The amount of the projected decline for both FY 2014 and FY 2015 is slightly less, while the amount of projected decline for both FY 2016 and FY 2017 is slightly greater than in the November 2013 EIA data. The most current GI forecast projects greater motor fuel consumption in three of the four forecast years, as compared to the November 2013 forecast. The specific forecasts are shown in the tables below. MnDOT uses a blended average of the consumption forecasts by EIA and GI for future years. When combined, the year-over-year consumption changes from EIA and GI for future years are relatively unchanged. These amounts are then multiplied by the motor fuel tax rate, resulting in the estimated revenue.

| Energy Information Administration (EIA) Changes, Feb '14 vs. Nov '13 | | | | | |
|---|---|-------------------------|---|-------------------------|--------|
| Year | Feb '14 Forecast | | Nov '13 Forecast | | Change |
| | Annual Energy Outlook 2014 Early Release | | Annual Energy Outlook 2013 Baseline | | |
| | Delivered Motor Gasoline Consumption, All Sectors (quadrillion BTU) | Growth (Year over Year) | Delivered Motor Gasoline Consumption, All Sectors (quadrillion BTU) | Growth (Year over Year) | |
| 2013 | 1.26 | -0.5% | 1.24 | -1.2% | 0.8% |
| 2014 | 1.25 | -1.2% | 1.20 | -3.0% | 1.8% |
| 2015 | 1.23 | -1.9% | 1.17 | -2.4% | 0.6% |
| 2016 | 1.21 | -1.4% | 1.16 | -0.8% | -0.6% |
| 2017 | 1.19 | -1.4% | 1.15 | -0.8% | -0.6% |

| Global Insight (GI) Changes, Feb '14 vs. Nov '13 | | | |
|---|--|--|--------|
| Year | Feb '14 Forecast | | Change |
| | GI Highway Consumption of Fuel Year over Year Growth | Nov '13 Forecast | |
| | GI Highway Consumption of Fuel Year over Year Growth | GI Highway Consumption of Fuel Year over Year Growth | |
| 2013 | -0.3% | -0.3% | 0.0% |
| 2014 | 1.0% | 0.2% | 0.8% |
| 2015 | -0.5% | 0.0% | -0.5% |
| 2016 | 1.2% | 0.8% | 0.4% |
| 2017 | 1.2% | 0.8% | 0.4% |

| MnDOT Consumption Forecast Changes, Feb '14 vs. Nov '13 | | | |
|--|---------------------------|---------------------------|--------|
| Year | Feb '14 Forecast | | Change |
| | Blended Average of EIA/GI | Nov '13 Forecast | |
| | Blended Average of EIA/GI | Blended Average of EIA/GI | |
| 2013 | -0.4% | -0.8% | 0.4% |
| 2014* | 1.1% | -0.5% | 1.6% |
| 2015 | -1.2% | -1.2% | 0.0% |
| 2016 | -0.1% | 0.0% | -0.1% |
| 2017 | -0.1% | 0.0% | -0.1% |

*EIA/GI blended average of -0.09% adjusted to 1.07% in FY 2014 to account for actual year-to-date revenues



For the current year, the EIA and GI forecasts are compared with actual year-to-date revenues. Through January, actual revenues are greater than both the November 2013 forecast and prior year actuals. Because year-to-date actual revenues are up, FY 2014 revenues increased from the November 2013 forecast, which also results in increases in all future years due to a higher base.

Motor Fuel Tax (\$ in millions)

| FY 2014-15 Feb '14 Forecast over Nov '13 | | | FY 2016-17 Feb '14 Forecast over FY 2014-15 | | |
|---|-----------|----------|--|-----------|----------|
| FY 2014-15 | \$ Change | % Change | FY 2016-17 | \$ Change | % Change |
| \$1,731 | \$27 | 1.6% | \$1,718 | (\$13) | (0.7%) |

The estimated revenue included in the February 2014 forecast is shown below:

Motor Fuel Tax Revenues (\$ in millions)

| State Fiscal Year | Feb '14 Fcst | Nov '13 Fcst | \$ Change | % Change |
|-------------------|--------------|--------------|-----------|----------|
| 2013 | \$860 M | \$860 M | \$0.0 M | 0.0% |
| 2014 | 871 | 857 | 13.5 | 1.6% |
| 2015 | 860 | 847 | 13.7 | 1.6% |
| 2016 | 860 | 847 | 12.9 | 1.5% |
| 2017 | \$859 M | \$847 M | \$12.1 M | 1.4% |

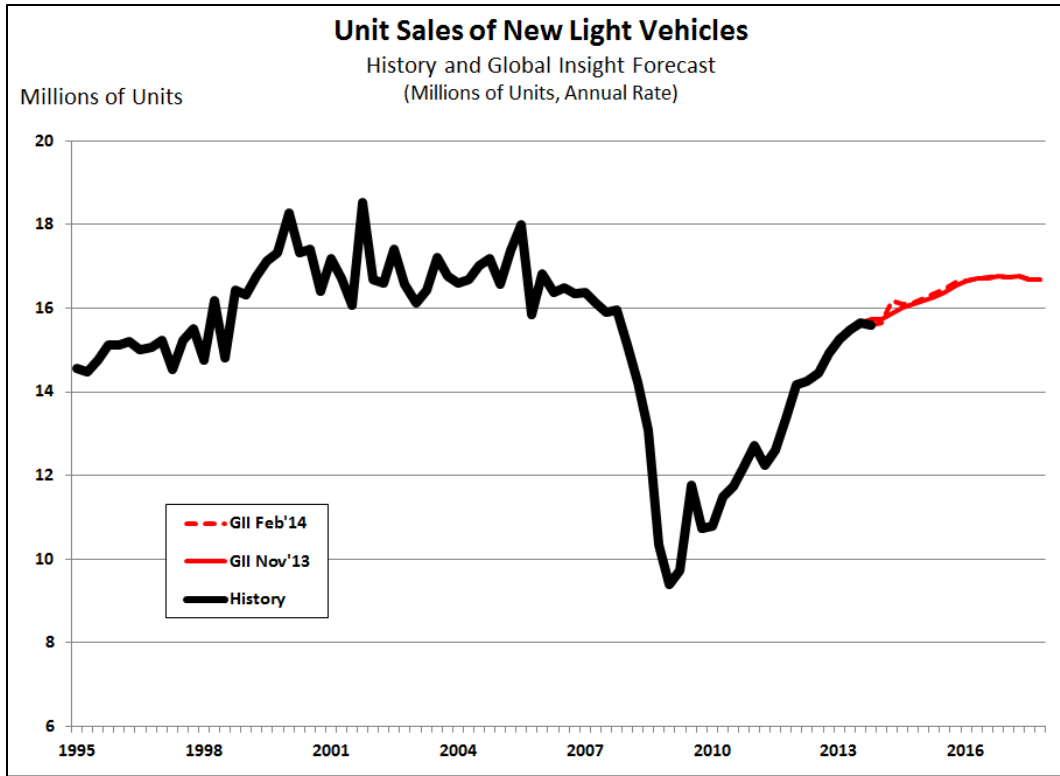
Motor Vehicle Registration Tax Forecast

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." Revenue from these taxes is deposited in the HUTD fund.

The policy for taxes on passenger motor vehicles is described in Minnesota Statutes 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 comprises 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. The current passenger motor vehicle registration tax policy was instituted in 2008, and included a provision that 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 GI and reflect national levels. The dashed red line reflects the current forecast, which is virtually unchanged since the November 2013 forecast.





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 GI. The chart suggests that new vehicle sales will be slightly greater than was assumed in GI's prior forecast. The February 2014 forecast also incorporated detailed vehicle information supplied by the Department of Public Safety (February 2014 data), which MnDOT uses in its model to forecast revenue from all passenger motor vehicles. This data, which serves as the base for projecting future years, was up 1.9% overall and the mix of vehicles was also newer and more expensive, as compared to the same vehicle data from February 2013. This resulted in increased projected revenues in all years. MnDOT assumes that an additional \$110 million per year of motor vehicle registration tax revenue is received from taxes on various other types of vehicles, primarily on heavy trucks. Estimated revenues for the forecast period are shown below.

Motor Vehicle Registration Tax (\$ in millions)

| FY 2014-15 Feb '14 Forecast over Nov '13 | | | FY 2016-17 Feb '14 Forecast over FY 2014-15 | | |
|---|-----------|----------|--|-----------|----------|
| FY 2014-15 | \$ Change | % Change | FY 2016-17 | \$ Change | % Change |
| \$1,336 | \$26 | 2.0% | \$1,456 | \$120 | 8.9% |



The estimated revenue included in the February 2014 forecast is shown below:

| Motor Vehicle Registration Tax Revenues (\$ in millions) | | | | |
|---|---------------------|---------------------|------------------|-----------------|
| State Fiscal Year | Feb '14 Fcst | Nov '13 Fcst | \$ Change | % Change |
| 2013 | \$623 M | \$623 M | \$0.0 M | 0.0% |
| 2014 | 653 | 644 | 8.8 | 1.4% |
| 2015 | 683 | 666 | 16.8 | 2.5% |
| 2016 | 713 | 690 | 23.9 | 3.5% |
| 2017 | \$742 M | \$712 M | \$30.0 M | 4.2% |

Motor Vehicle Sales Tax Forecast

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.

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 GI. 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.

Motor Vehicle Sales Tax (60% that is dedicated to highways) (\$ in millions)

| FY 2014-15 | | | FY 2016-17 | | |
|--------------------------------------|------------------|-----------------|---|------------------|-----------------|
| Feb '14 Forecast over Nov '13 | | | Feb '14 Forecast over FY 2014-15 | | |
| FY 2014-15 | \$ Change | % Change | FY 2016-17 | \$ Change | % Change |
| \$795 | \$5 | 0.6% | \$880 | \$85 | 10.7% |

The estimated revenue included in the February 2014 forecast is shown below:

| Motor Vehicle Sales Tax Revenues (\$ in millions) | | | | |
|--|---------------------|---------------------|------------------|-----------------|
| State Fiscal Year | Feb '14 Fcst | Nov '13 Fcst | \$ Change | % Change |
| 2013 | \$359 M | \$359 M | \$0.0 M | 0.0% |
| 2014 | 386 | 383 | 3.3 | 0.9% |
| 2015 | 408 | 407 | 1.3 | 0.3% |
| 2016 | 430 | 432 | -1.6 | -0.4% |
| 2017 | \$450 M | \$448 M | \$1.4 M | 0.3% |



Transfers From HUTD Fund

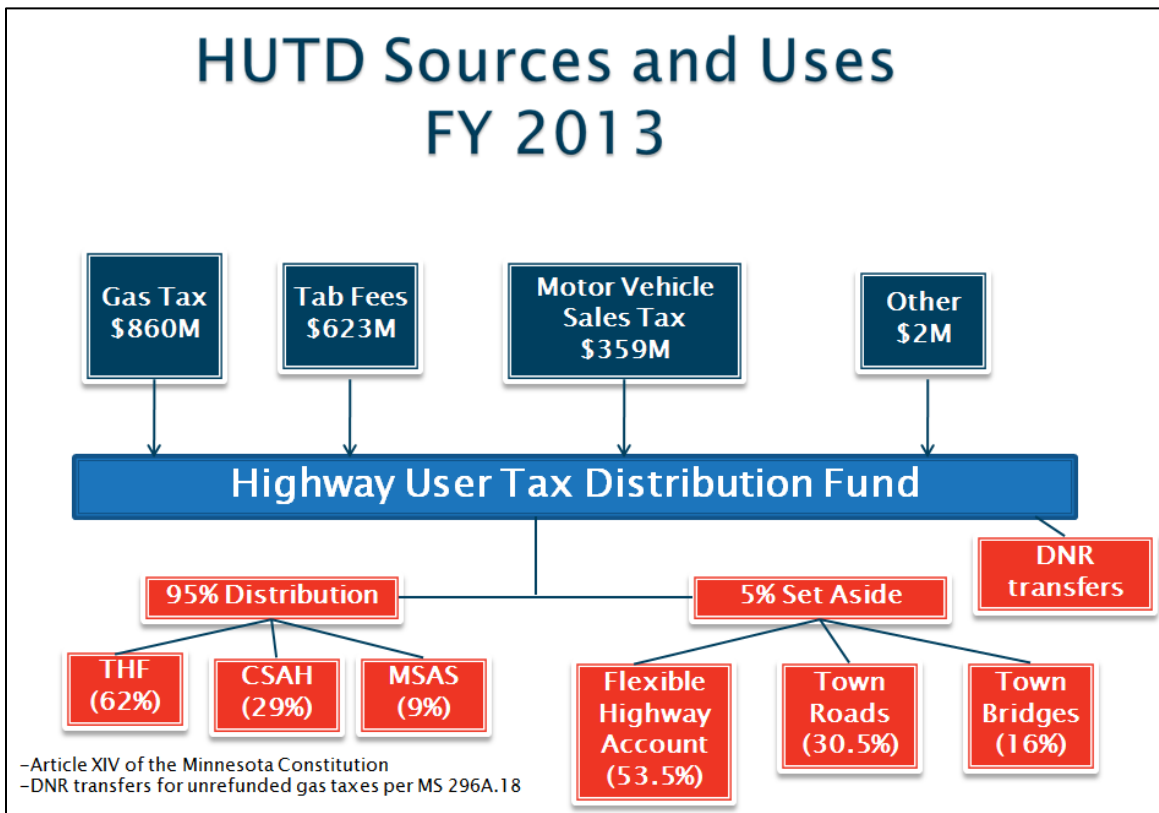
The HUTD fund receives revenues from the three sources dedicated to highways and transit by Article XIV of the Minnesota Constitution, for which revenue estimates have been discussed in the previous several sections.

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. There are small distributions to the Department of Natural Resources based on statutory language.

Of the total revenue to the Highway User Tax Distribution Fund, after statutory distributions to the Department of Natural Resources, 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 Minnesota Statutes 161.081. This funding is further allocated to Township Roads, Township Bridges, and the Flexible Highway Account, as shown in the chart below.



As a result of these provisions, the TH, CSAH, and MSAS funds all have a revenue source included in their fund statements called Transfer From Highway User Tax Distribution Fund. These transfers are based on the forecasts for the



three revenue sources described previously, the forecast for investment income discussed in the section below, and forecasts for several other minor sources of revenue. Estimates of the total amount to be transferred are shown below. The portions of this total going to each of the three funds will be shown in the discussion of these funds, but will all have the same percentage changes as shown below.

Total HUTD Fund Revenues (\$ in millions)

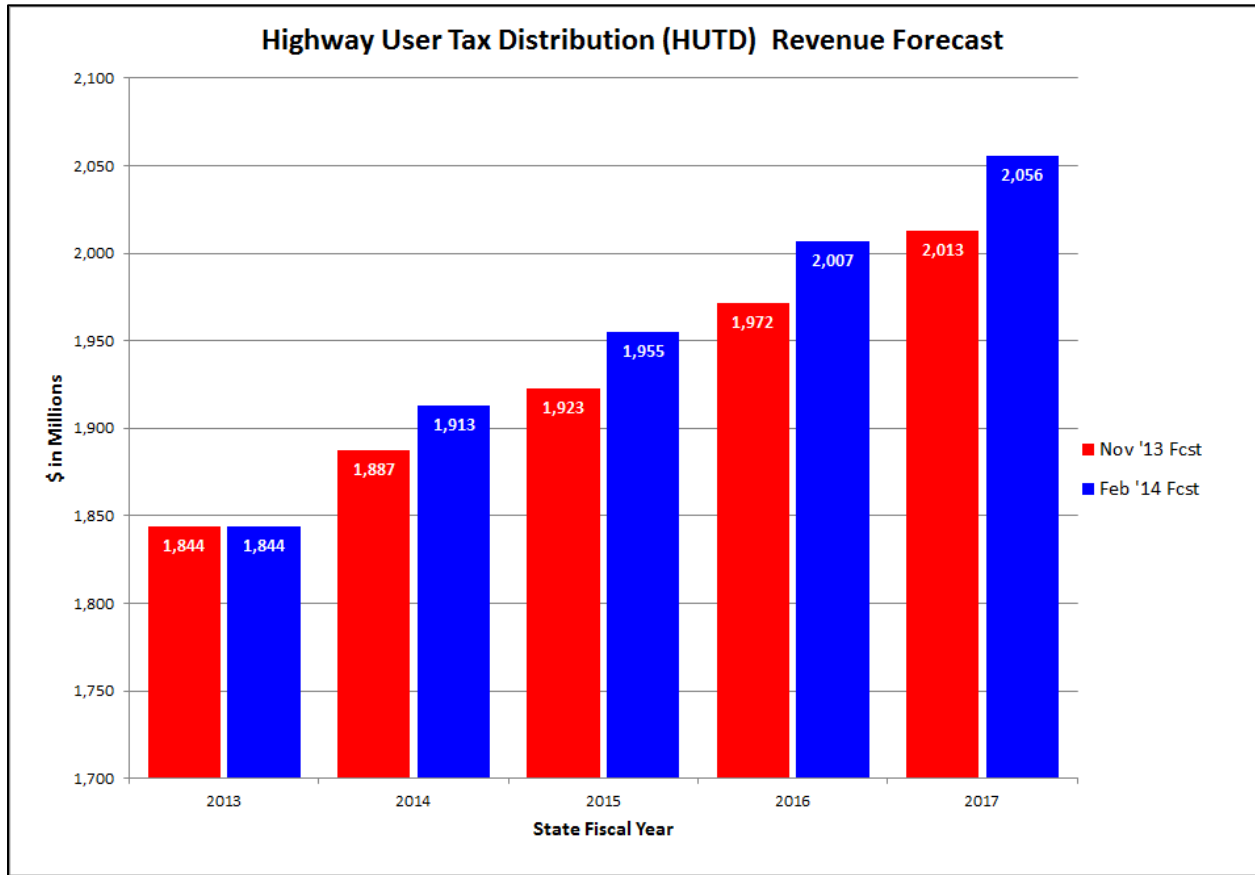
| FY 2014-15 Feb '14 Forecast over Nov '13 | | | FY 2016-17 Feb '14 Forecast over FY 2014-15 | | |
|---|-----------|----------|--|-----------|----------|
| FY 2014-15 | \$ Change | % Change | FY 2016-17 | \$ Change | % Change |
| \$3,868 | \$57 | 1.5% | \$4,062 | \$195 | 5.0% |

The estimated revenue included in the February 2014 forecast is shown below:

| State Fiscal Year | HUTD Revenues (\$ in millions) | | | |
|-------------------|--------------------------------|--------------|-----------|----------|
| | Feb '14 Fcst | Nov '13 Fcst | \$ Change | % Change |
| 2013 | \$1,844 M | \$1,844 M | \$0.0 M | 0.0% |
| 2014 | 1,913 | 1,887 | 25.5 | 1.4% |
| 2015 | 1,955 | 1,923 | 31.7 | 1.7% |
| 2016 | 2,007 | 1,972 | 35.1 | 1.8% |
| 2017 | \$2,056 M | \$2,013 M | \$43.3 M | 2.2% |

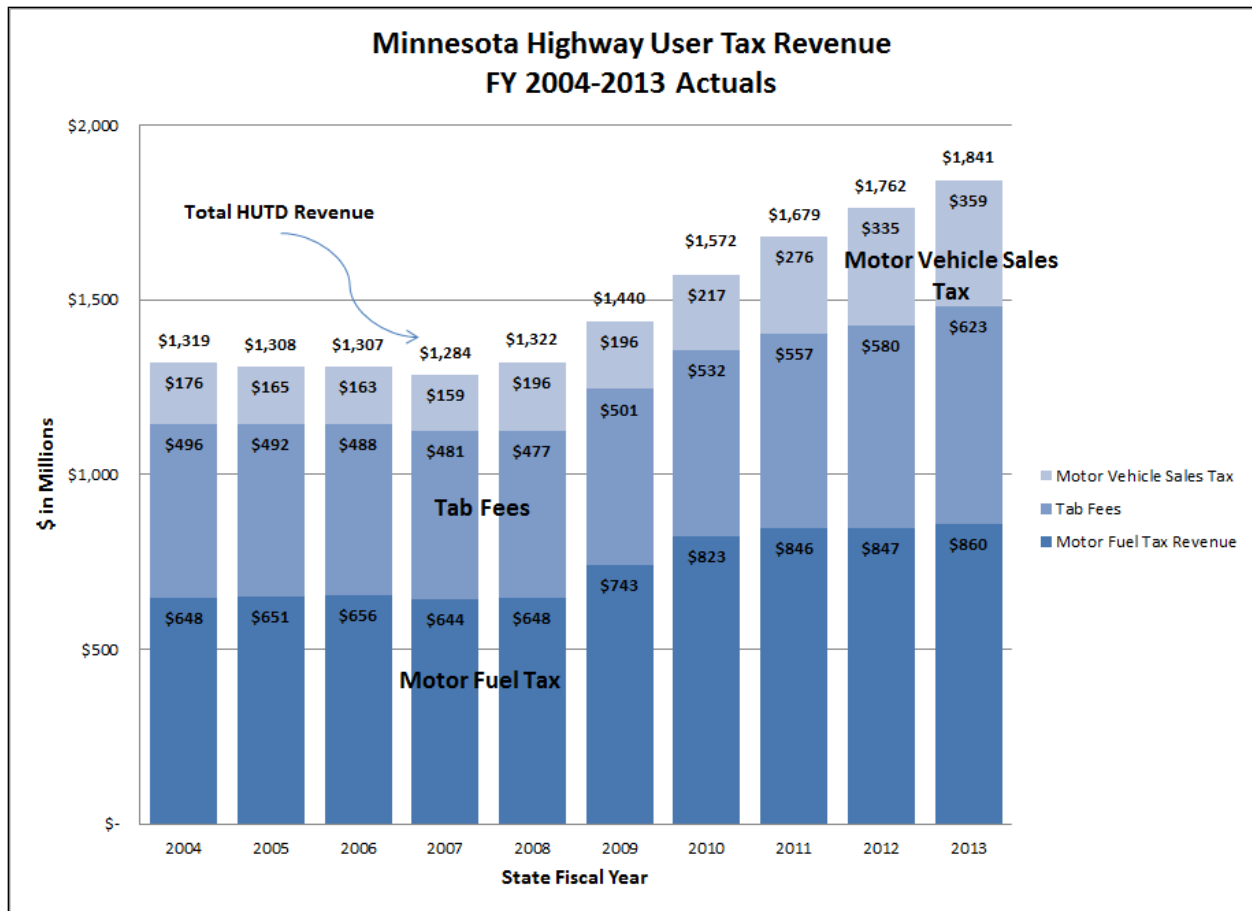


These revenues are also shown in the bar chart below:



The bar chart below details a 10-year history of actual revenues for the HUTD fund (2004-13), which shows the relative shares of revenue attributed to gas tax, tab fees, and MVST over the period. This bar chart demonstrates that over the last ten years, revenue from the gas tax has been providing a reduced percentage of the total revenue, while revenue from the tab fees and MVST are providing increased percentages of total revenue. Appendix 8 contains similar data from 1998-2017, displayed as percentages to more clearly illustrate the relative contributions of each revenue source and how they've changed over time.





Investment Income Forecasts

All of the transportation funds discussed in this document, except the Transit Assistance Fund, receive investment income earned on cash balances in the funds. Two factors influence the amount of revenue – the amount of cash anticipated to be in the funds, and the estimated interest rates for the invested cash. Forecasts of the interest rates are supplied by MMB.

Currently interest rates are very low – about 0.5%. The February 2014 forecast assumes that interest rates will increase in the latter years of forecast period, especially in FY 2016 and FY 2017. Compared with the November 2013 forecast the same pattern is forecast, although all interest rates are expected to be slightly lower. Also, the cash balances in all funds are expected to be similar to the November 2013 forecast. In general, investment income in all funds slightly decreases in the FY 2014-15 biennium as compared to the November 2013 forecast. These forecasts are shown below for all five funds that earn investment income.



Investment Income (\$ in millions)

| | FY 2014-15 Feb '14 Forecast over Nov '13 | | | FY 2016-17 Feb '14 Forecast over FY 2014-15 | | |
|-------------|---|-----------|----------|--|-----------|----------|
| | FY 2014-15 | \$ Change | % Change | FY 2016-17 | \$ Change | % Change |
| HUTD | \$0.8 | (\$0.1) | (15.2%) | \$3.7 | \$3.0 | 392% |
| THF | 7.0 | (0.7) | (9.2%) | 35.6 | 28.6 | 409% |
| CSAH | 4.5 | (0.3) | (7.2%) | 23.3 | 18.8 | 416% |
| MSAS | 1.5 | (0.1) | (7.4%) | 7.5 | 6.0 | 413% |
| SAF | \$0.2 | (\$0.0) | (9.0%) | \$1.4 | \$1.0 | 490% |

Motor Vehicle Lease Sales Tax Forecast

One-half of revenue greater than \$32 million from this tax is shared by the CSAH fund and the greater Minnesota transit account in the TAF. For the FY 2014-15 biennium one-half of this revenue, capped at \$9 million, is allocated to the CSAH fund and the remainder is allocated to the greater Minnesota transit account in the TAF. In the FY 2016-17 biennium and beyond, this revenue is split equally between the CSAH fund and the greater Minnesota transit account in the TAF. The forecast for this revenue is supplied by the Department of Revenue.

The February 2014 forecast is shown below.

Motor Vehicle Lease Sales Tax (amount above \$32 million) (\$ in millions)

| | FY 2014-15 Feb '14 Forecast over Nov '13 | | | FY 2016-17 Feb '14 Forecast over FY 2014-15 | | |
|--|---|-----------|----------|--|-----------|----------|
| | FY 2014-15 | \$ Change | % Change | FY 2016-17 | \$ Change | % Change |
| | \$80 | (\$2) | (2.8%) | \$105 | \$25 | 31.4% |

Effect of Revenue Forecasts on Fund Statements For Individual Funds

The remainder of this document will focus on the effects of the revenue forecasts on the individual funds, except for the HUTD fund. That fund is not discussed because the primary purpose of the fund is to receive revenue that is subsequently distributed to three other funds, as previously discussed, and the overall revenue change has already been described. In addition, information about expenditures will also be provided.



Trunk Highway Fund

As mentioned previously, the TH fund receives revenue from transfers from the HUTD fund and from investment income. One other substantial source of revenue for the fund is from federal aid agreements with the Federal Highway Administration, through which reimbursement for the federal share of highway construction projects is provided. In addition, the fund receives revenue from several other smaller sources. Across FY 2014-17, 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.

Since the November 2013 forecast there has been no change in the estimates for federal aid agreement revenue. However, it should be noted that there is a high level of uncertainty about forecasts for years beyond FY 2014. This is due both to the expiration of the current federal authorization law (Moving Ahead for Progress in the 21st Century, or MAP-21) on September 30, 2014, and to the deteriorating ability of the federal highway trust fund (funded primarily by the federal motor fuel taxes) to fully fund the various federal transportation programs.

The estimated revenues in the February 2014 forecast are shown below.

Trunk Highway Fund Revenues (\$ in millions)

| | FY 2014-15 Feb '14 Forecast over Nov '13 | | | FY 2016-17 Feb '14 Forecast over FY 2014-15 | | |
|-------------------------------|---|-----------|----------|--|-----------|----------|
| | FY 2014-15 | \$ Change | % Change | FY 2016-17 | \$ Change | % Change |
| Transfers from HUTD | \$2,242 | \$33 | 1.5% | \$2,352 | \$110 | 4.9% |
| Investment Income | 7 | (0.7) | (9.2%) | 36 | 29 | 409% |
| Federal Aid Agreements | 951 | 0 | 0% | 725 | (226) | (24%) |
| Other | 113 | 0 | 0% | 107 | (6) | (5%) |
| Total | \$3,313 | \$33 | 1.0% | \$3,220 | (\$93) | (2.8%) |

Trunk Highway Fund Expenditure Forecast Changes

The forecast for expenditures is generally based on the previously enacted biennial budget, so there usually are not changes in forecasted spending. However, the TH 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. The biennial budget includes amounts for debt service, but the law also states that any increase in the amount of estimated debt service is to be transferred, because there is a statutory open appropriation for trunk highway debt service.

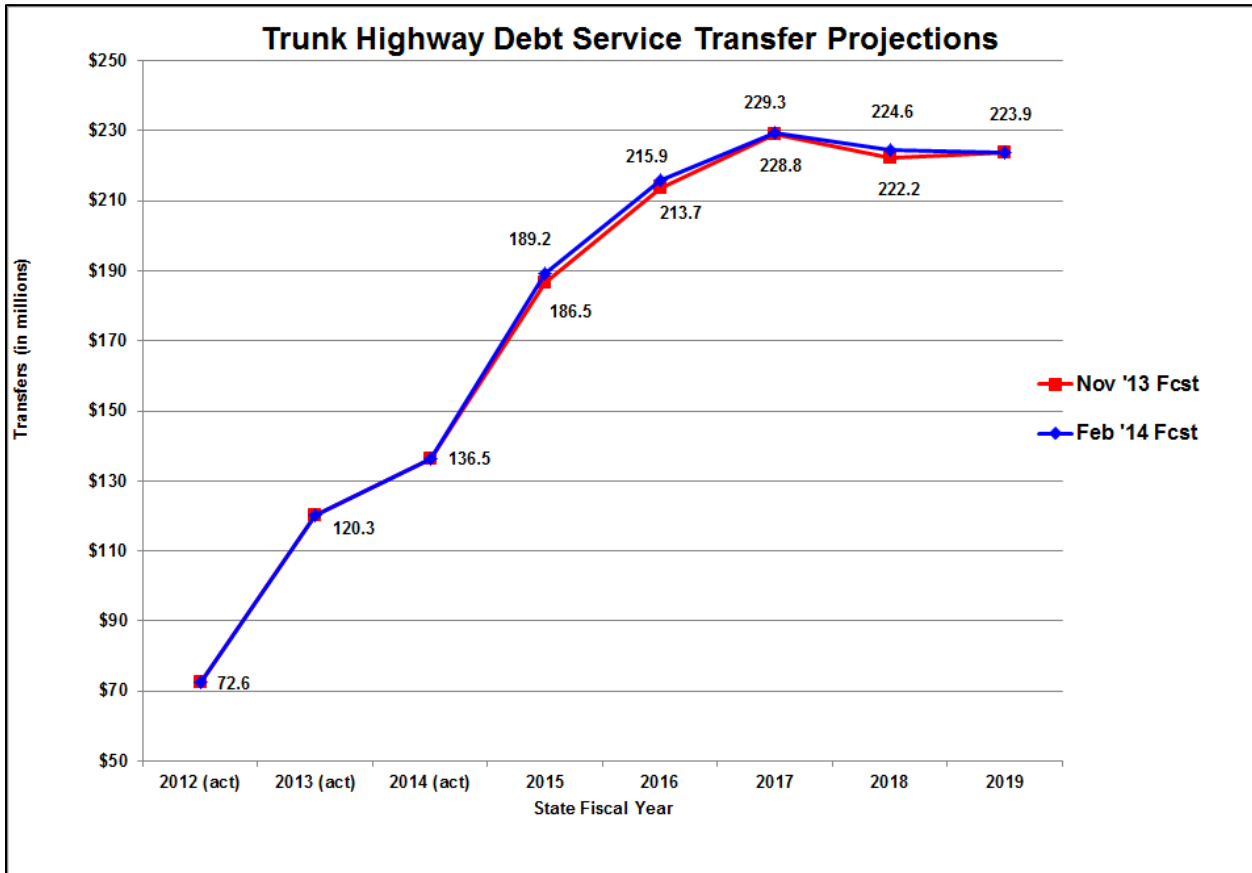
Since the November 2013 forecast, the expenditure estimates for FY 2015, 2016, and 2017 have all increased. This is due to increased interest rates being assumed by MMB for upcoming bond sales; revisions to cash flow estimates used in forecasting future bond sales and debt service amounts are only made in preparation for the November forecast each year and for scheduled bond sales. The forecasted amount of increased debt service costs is shown below.



Trunk Highway Fund Debt Service Transfers (\$ in millions)

| FY 2014-15 Feb '14 Forecast over Nov '13 | | | FY 2016-17 Feb '14 Forecast over FY 2014-15 | | |
|---|-----------|----------|--|-----------|----------|
| FY 2014-15 | \$ Change | % Change | FY 2016-17 | \$ Change | % Change |
| \$326 | \$3 | 0.8% | \$445 | \$119 | 37% |

The graph below depicts the debt service transfer amounts by year, compared to the November 2013 forecast.



MnDOT's Trunk Highway Fund is governed by four financial policies. The Debt Management Policy addresses the percentage of debt service that is allowed. This policy states that debt service (which includes transfers to the state bond fund for debt service on trunk highway bonds, repayments of local government advances (LGA) in accordance with Minnesota Statutes 161.361, and transportation revolving loan (TRLF) repayments in accordance with Minnesota Statutes 161.04, subdivision 4) should not exceed 20 percent of annual state revenues to the Trunk Highway Fund. A link to this policy is included in the appendix.



The percentage of debt service for the upcoming few years is depicted on the chart below. This chart also includes estimates for the FY 2018-19 biennium, in order to be consistent with the approach MMB uses with the debt service projections for General Fund debt service. The chart below demonstrates that currently estimated debt service expenditures from the TH fund are between 18% and 19% through the end of the FY 2018-19 biennium.

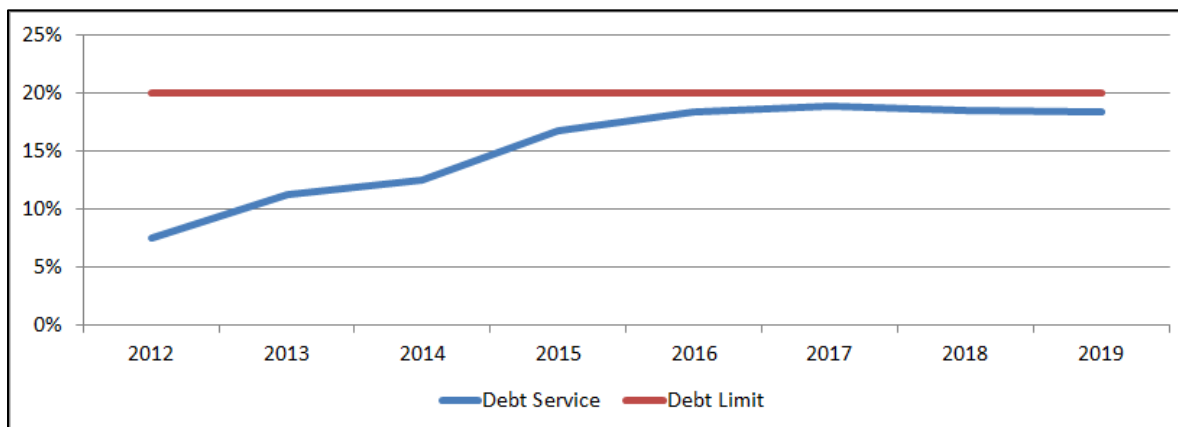
Debt Management Policy (\$ in millions)

| Year | Total Debt Service ⁽¹⁾ | Estimated Current % | Variance from 20% Policy Limit ⁽²⁾ |
|------|-----------------------------------|---------------------|---|
| 2012 | \$80.5M | 7.5% | \$133.6M |
| 2013 | 126.4 | 11.2% | 99.1 |
| 2014 | 146.0 | 12.4% | 88.8 |
| 2015 | 198.7 | 16.7% | 38.9 |
| 2016 | 225.4 | 18.4% | 19.7 |
| 2017 | 238.8 | 18.8% | 15.0 |
| 2018 | 234.1 | 18.4% | 19.7 |
| 2019 | \$233.4M | 18.4% | \$20.4M |

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

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

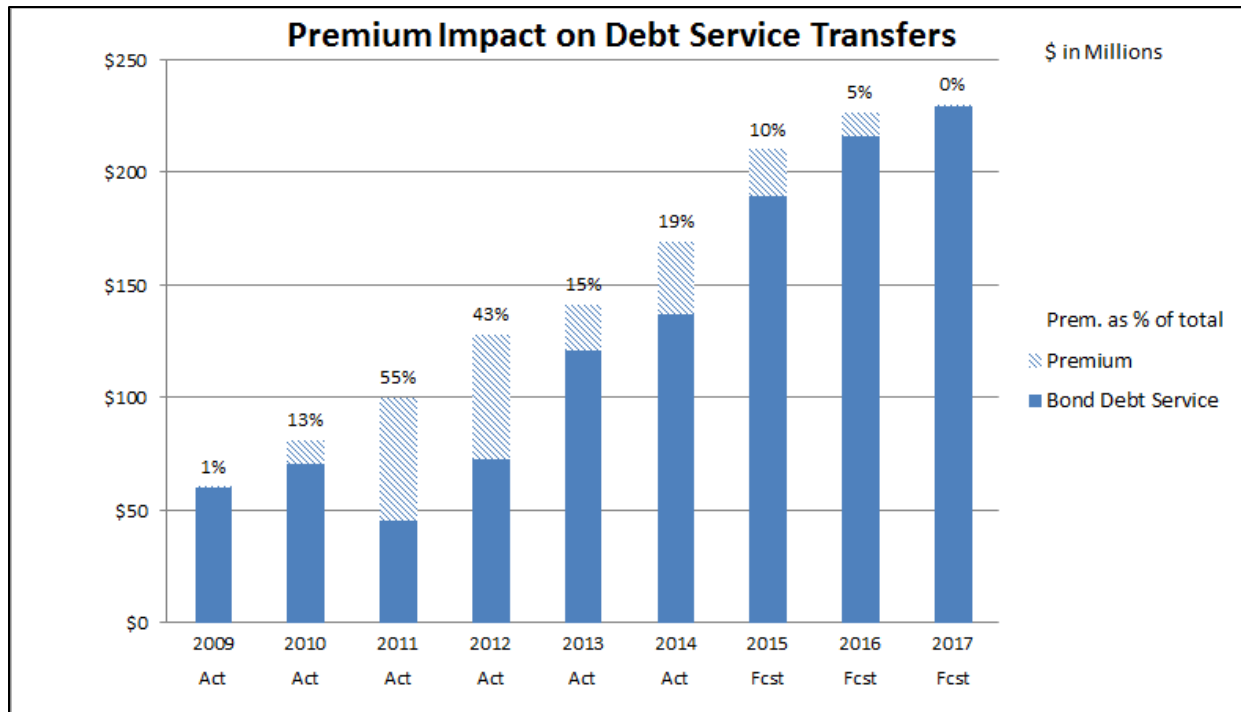
The graph below depicts the debt service estimates compared with the policy limit.



As MnDOT manages to this policy, there are variables to the debt management calculation outside of the State's control. One of the largest variables is interest rate fluctuation, which can lead to large debt service expenditure fluctuations. Because of low interest rates, MnDOT's fund balance has benefited the past several years. When bond interest rates drop below 5%, trunk highway general obligation bonds command a premium which is accounted for in the year of sale. Therefore, debt service is lower the year the bonds are sold, but this decrease is then offset over the 20 year life of the bonds.

In recent years MnDOT's debt has increased, primarily as a result of Laws of 2008, Chapter 152, which included \$1.8 billion of bonding authorization. The chart below illustrates the reduction to debt service as the result of premium. The solid bar represents the actual/forecast debt service; adding the dashed bar represents what the debt service would have been without the actual/forecast premium reducing it in each bond sale year.





Fund Balance Impacts

The table below summarizes the impacts on the THF fund balance for the revenue and expenditure forecasts previously discussed.

Trunk Highway Fund Balance Changes

Feb '14 vs. Nov '13

(\$ in millions)

| | <u>FY14-15</u> | | <u>FY16-17</u> | |
|--|----------------|----------|----------------|----------|
| Transfers from HUTD | 33.4 | M | 45.8 | M |
| Federal Aid Agreements | 0.0 | | 0.0 | |
| Other Revenue | -0.7 | | -0.3 | |
| Total Revenue Impact | 32.7 | | 45.4 | |
| Debt Service Transfer | 2.7 | | 2.7 | |
| Total Expenditure and Transfer Impact | 2.7 | | 2.7 | |
| Fund Balance Change | 30.0 | | 42.8 | |
| Total Cumulative Change | 30.0 | M | 72.7 | M |
| Fund Balance | | | | |
| Nov '13 Forecast | 178.9 | | 201.0 | |
| Feb '14 Forecast | 208.9 | | 273.8 | |
| Change | 30.0 | M | 72.7 | M |



County State Aid Highway (CSAH) Fund

As mentioned previously the CSAH fund receives revenue from transfers from the HUTD fund, from investment income, and from its share of the motor vehicle lease sales tax (MVLST). A summary of these revenues is shown below.

CSAH Fund Revenues (\$ in millions)

| | FY 2014-15 Feb '14 Forecast over Nov '13 | | | FY 2016-17 Feb '14 Forecast over FY 2014-15 | | |
|----------------------------|---|-----------|----------|--|-----------|----------|
| | FY 2014-15 | \$ Change | % Change | FY 2016-17 | \$ Change | % Change |
| Transfers from HUTD | \$1,239 | \$18 | 1.5% | \$1,300 | \$61 | 4.9% |
| Investment Income | 4.5 | (0.3) | (7.2%) | 23 | 18 | 416% |
| MVLST | 18 | 0 | 0% | 53 | 35 | 192% |
| Other | 0.6 | 0 | 0% | 0.6 | 0 | 0% |
| Total | \$1,262 | \$18 | 1.5% | \$1,376 | \$114 | 9% |

CSAH Expenditure Forecast Changes

Minnesota Statutes, Chapter 162 provides the policy controlling this fund's expenditures. In general, the statute describes the way in which the fund's revenues are allocated to Minnesota's 87 counties. Two formulas exist which, together, provide these allocations. The first is based on revenue at taxation levels prior to passage of Laws of 2008, chapter 152 and the allocations of revenue from the motor vehicle sales tax prior to passage of the constitutional amendment by the electorate in the 2008 election dedicating this revenue to transportation. The second formula provides a different allocation based on revenues attributable to increases provided by Chapter 152 and the constitutional amendment. These allocations are calculated each year based primarily on revenue estimates for the CSAH fund. A Commissioner's Order is issued each year that establishes these allocations.

The CSAH fund is directly appropriated based on the most current revenue forecast at the time the law is written. The Commissioner's Order is based on revenue estimates depicted in the preceding November forecast each year. The result is in an increase or decrease to the total appropriation amount each year after the Commissioner's Order is executed. Since the order is calendar year and available for the February forecast, the forecast expenditures for FY 2014 have been updated to reflect the new estimates in the 2014 Commissioner's Order. The accounting system is also updated to reflect these changes.

The expenditure estimates for the FY 2016-17 biennium are also updated in this forecast; these updates are based on the revised revenue forecast for the fund. The estimated expenditures for FY 2015 continue to be the amount in the biennial budget enacted by the 2013 legislature.

The revised expenditures forecast, compared with the amounts in the November 2013 forecast, are shown below.



CSAH Expenditures and Transfers (\$ in millions)

| State Fiscal Year | Feb '14 Fcst | Nov '13 Fcst | \$ Change | % Change |
|-------------------|--------------|--------------|-----------|----------|
| 2013 | \$570 M | \$570 M | \$0.0 M | 0.0% |
| 2014 | 627 | 608 | 19.3 | 3.2% |
| 2015 | 621 | 621 | 0.0 | 0.0% |
| 2016 | 674 | 662 | 12.4 | 1.9% |
| 2017 | \$702 M | \$686 M | \$16.0 M | 2.3% |

A portion of these expenditures is attributed to the portion of the MVLST that is allocated to the CSAH fund. This revenue is allocated to five of the seven metropolitan counties, not including Hennepin and Ramsey counties, rather being available for all 87 counties, as was described previously.

A portion of the expenditures from the CSAH fund is related to what is called the five percent portion of the revenues for the HUTD fund. The constitution allows the legislature to allocate five percent of the total HUTD fund revenues in a manner different from the constitutional formula (62% to the TH fund, 29% to the CSAH fund, and 9% to the MSAS fund). The current allocation is to have 100% of this portion of the revenue go to the CSAH fund (see Minnesota Statutes 161.081). This funding is further allocated to Township Roads (30.5%), Township Bridges (16.0%), and the Flexible Highway Account (53.5%). The portion allocated to the Flexible Highway Account is available for transfer to the TH and MSAS Funds, if so designated in the appropriation law. Transfers authorized by the current appropriation law are included in the totals shown above.

Municipal State Aid Street (MSAS) Fund

As mentioned previously, the MSAS fund receives revenue from transfers from the HUTD fund, authorized transfers from the CSAH fund, and investment income. Summaries of these revenues are shown below.

MSAS Fund Revenues (\$ in millions)

| | FY 2014-15 Feb '14 Forecast over Nov '13 | | | FY 2016-17 Feb '14 Forecast over FY 2014-15 | | |
|----------------------------|---|-----------|----------|--|-----------|----------|
| | FY 2014-15 | \$ Change | % Change | FY 2016-17 | \$ Change | % Change |
| Transfers from HUTD | \$325 | \$5 | 1.5% | \$341 | \$16 | 4.9% |
| Investment Income | 1.5 | (0.1) | (7.4%) | 7.5 | 6 | 413% |
| Transfer from CSAH | 23 | 0 | 0% | 0 | (23) | (100%) |
| Other | 0.6 | 0 | 0% | 0.6 | 0 | 0% |
| Total | \$350 | \$5 | 1.4% | \$349 | (\$1) | (0.3%) |



MSAS Expenditure Forecast Changes

As is the case for the CSAH fund, the policy controlling the CSAH fund's expenditures is provided by Minnesota Statutes, Chapter 162. In general the statute describes the way in which the fund's revenues are allocated to the accounts within the fund, and how the residual is apportioned to each of the Minnesota State Aid Cities defined as having a population of 5,000 or greater.

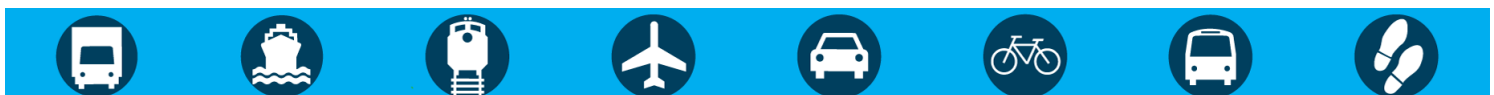
Per Minnesota Statutes Chapter 162, the allocations are calculated based primarily on revenue estimates for the MSAS fund, not including transfers from the CSAH fund. The same Commissioner's Order establishes both the CSAH and MSAS fund appropriations each year. The MSAS fund is also directly appropriated based on the most current revenue forecast at the time the law is written. The Commissioner's Order is based on revenue estimates depicted in the preceding November forecast each year. The result is in an increase or decrease to the total appropriation amount each year after the Commissioner's Order is executed. Since the order is calendar year and available for the February forecast the forecast expenditures for FY 2014 have been updated to reflect the estimates in the 2014 Commissioner's Order. The accounting system is also updated to reflect these changes.

The expenditure estimates for the FY 2016-17 biennium are also updated in this forecast; these updates are based on the revised revenue estimates for the fund. The estimated expenditures for FY 2015 continue to be the amount in the biennial budget enacted by the 2013 legislature. The revised expenditure estimates, compared with the amounts in the November forecast, are shown below.

| MSAS Expenditures (\$ in millions) | | | | |
|------------------------------------|--------------|--------------|-----------|----------|
| State Fiscal Year | Feb '14 Fcst | Nov '13 Fcst | \$ Change | % Change |
| 2013 | \$134 M | \$134 M | \$0.0 M | 0.0% |
| 2014 | 175 | 169 | 5.3 | 3.2% |
| 2015 | 169 | 169 | -0.1 | 0.0% |
| 2016 | 171 | 168 | 3.0 | 1.8% |
| 2017 | \$178 M | \$175 M | \$3.8 M | 2.2% |

Transit Assistance Fund

As mentioned previously, the TAF receives revenue from transfers from its share of revenues from MVST and MVLST. The MVST share for the TAF must be at least 40% according to the constitution, and is currently set at 40% by statute (Minnesota Statutes 297.09). Of this revenue, 36% is allocated to metropolitan transit and 4% is allocated to greater Minnesota transit. This fund also receives revenue from the MVLST, as was described on page 12. Revenue forecasts for these two revenue sources are shown below.



Transit Assistance Fund Revenues (\$ in millions)

| | FY 2014-15 Feb '14 Forecast over Nov '13 | | | FY 2016-17 Feb '14 Forecast over FY 2014-15 | | |
|-------------------|---|-----------|----------|--|-----------|----------|
| | FY 2014-15 | \$ Change | % Change | FY 2016-17 | \$ Change | % Change |
| MVST (40%) | \$530 | \$3 | 0.6% | \$586 | \$57 | 10.7% |
| MVLST | 62 | (2) | (3.6%) | 53 | (9) | (15.2%) |
| Total | \$592 | \$1 | 0.1% | \$639 | \$47 | 8.0% |

The MVLST changes are due to the factors discussed on page 12. As was stated, the share of this revenue dedicated to the CSAH fund is capped at \$9 million per year for the FY 2014-15 biennium only.

The total estimated revenue for the Transit Assistance Fund, by fiscal year, is shown below.

Transit Assistance Fund Revenues (\$ in millions)

| State Fiscal Year | Feb '14 Fcst | Nov '13 Fcst | \$ Change | % Change |
|-------------------|--------------|--------------|-----------|----------|
| 2013 | \$254 M | \$254 M | \$0.0 M | 0.0% |
| 2014 | 285 | 284 | 1.0 | 0.4% |
| 2015 | 307 | 307 | -0.3 | -0.1% |
| 2016 | 312 | 312 | -0.1 | 0.0% |
| 2017 | \$327 M | \$325 M | \$2.6 M | 0.8% |

Of this total revenue, the 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 '14 Fcst | Nov '13 Fcst | \$ Change | % Change |
|-------------------|--------------|--------------|-----------|----------|
| 2013 | \$38 M | \$38 M | \$0.0 M | 0.0% |
| 2014 | 53 | 54 | -1.0 | -1.8% |
| 2015 | 62 | 63 | -1.1 | -1.7% |
| 2016 | 54 | 53 | 0.9 | 1.7% |
| 2017 | \$58 M | \$56 M | \$1.7 M | 3.1% |

Transit Assistance Fund Expenditure Forecast Changes

MVST revenues are annually appropriated. The share allocated to metropolitan transit is appropriated to the Metropolitan Council, and the share allocated to greater Minnesota transit appropriated to MnDOT. This means that forecasted revenues are the same as forecasted expenditures. For MVLST, because revenue for a specific fiscal year is not made available until the following fiscal year, the amount estimated for FY 2014 is shown as an appropriation carry forward into FY 2015, and so on.



State Airports Fund

The revenue sources in the State Airports Fund are unique to this fund, and are not shared with any of the other five transportation funds. This fund was statutorily created (Minnesota Statutes 360.017) to carry out 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.

Fund Balance Policy

A State Airports Fund Balance policy was recently developed by MnDOT to provide an appropriate level of reserve in the State Airports Fund to protect against major fluctuations in revenue. The Aeronautics Office, in consultation with their stakeholders, is developing a long-range plan to comply with the policy that will take into consideration the General Fund payback of \$15 million that occurred in December 2013.

2013 Enacted Legislation Impacts

Prior to the changes enacted by the Legislature in 2013, the State Airports Fund received most of its revenue from three primary sources: airline flight property tax (46%), aircraft registration tax (34%), and aviation fuel tax (19%) across FY 2012-17. This policy was changed by adding a fourth revenue source – sales tax on aircraft purchases (previously credited to the general fund), by increasing the aviation fuel tax, and by changing the policy for aircraft registration that resulted in lower amounts of revenue from this source. The effective dates of these changes were July 1, 2013 for change in treatment of the sales tax on aircraft and July 1, 2014 for the aviation fuel tax and aircraft registration tax changes. The estimated revenue effects of these changes are summarized below:

| | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
|-----------------------|----------------|----------------|----------------|----------------|
| Aviation Fuel Tax | \$0.0 M | \$1.9 M | \$2.1 M | \$2.2 M |
| Sales Tax on Aircraft | 2.9 | 2.9 | 2.9 | 2.9 |
| Aircraft Registration | 0.0 | -3.8 | -3.8 | -3.8 |
| Total | \$2.9 M | \$1.0 M | \$1.2 M | \$1.3 M |

Fiscal Years 2014 and 2015 Forecast

Compared with the November 2013 forecast, there were changes to the forecasts for only two of these revenue sources – airline flight property tax and investment income (which was described previously). MnDOT certifies the airline flight property tax to the Department of Revenue in accordance with Minnesota Statutes 270.075. The airline flight property tax estimate has been reduced for FY 2014 from \$8 million to \$7 million. 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...” The estimated amount for this revenue source for each of the forecast fiscal years 2015, 2016, and 2017 is \$8 million per year. These changes are shown in the tables below.



State Airports Fund Revenues (\$ in millions)

| | FY 2014-15 Feb '14 Forecast over Nov '13 | | | FY 2016-17 Feb '14 Forecast over FY 2014-15 | | |
|------------------------------------|---|-----------|----------|--|-----------|----------|
| | FY 2014-15 | \$ Change | % Change | FY 2016-17 | \$ Change | % Change |
| Airline Flight Property Tax | \$17 | (1) | (5.4%) | \$16 | (\$1) | (7.0%) |
| Investment Income | 0.2 | (0.0) | (9.0%) | 1.4 | 1.1 | 490% |
| Other | 36 | 0 | 0% | 23 | (14) | (37.6%) |
| Total | \$54 | (\$1) | (1.9%) | \$40 | (\$14) | (25.5%) |

The total estimated revenue for the State Airports Fund, by fiscal year, is shown below.

| State Airports Revenues and Transfers (State Airports Fund Only) (\$ in millions) | | | | |
|--|--------------|--------------|-----------|----------|
| State Fiscal Year | Feb '14 Fcst | Nov '13 Fcst | \$ Change | % Change |
| 2013 | \$23 M | \$23 M | \$0.0 M | 0.0% |
| 2014 | 35 | 36 | -1.0 | -2.8% |
| 2015 | 19 | 19 | 0.0 | -0.1% |
| 2016 | 20 | 20 | 0.0 | 0.0% |
| 2017 | \$20 M | \$20 M | \$0.0 M | 0.1% |

State Airports Fund Expenditure Forecast Changes

The expenditures for this fund are the same as was included in the biennial budget, and therefore have not changed since the November 2013 forecast.



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: Minnesota Highway User Tax Revenue – 10-Year History 2004-13
- Appendix 8: Minnesota Highway User Tax Revenue – % of Total Revenues
- Policy Links: <http://www.dot.state.mn.us/policy/financial.html>

Contacts

| | | |
|---|--------------|-----------------------------|
| Tracy Hatch, Deputy Commissioner and Chief Financial Officer..... | 651-366-4811 | tracy.hatch@state.mn.us |
| Duane Leurquin, Financial Management Director..... | 651-366-3165 | duane.leurquin@state.mn.us |
| Kristi Schroedl, Assistant Financial Management Director..... | 651-366-4859 | kristi.schroedl@state.mn.us |
| Robyn Rupp, Budget Director..... | 651-366-3161 | robyn.rupp@state.mn.us |



Highway User Tax Distribution Fund

February 2014 Forecast

Comparison to November 2013 Forecast

| (\$ in thousands) | February 2014 Forecast | | | | | | Change from November 2013 | | | | |
|--|------------------------|-----------|-----------|-----------|--------------|--------------|---------------------------|---------|---------|--------------|--------------|
| | Close | Close | Budget | Budget | Planning Est | Planning Est | Close | Budget | Budget | Planning Est | Planning Est |
| | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
| Balance Forward from prior year | \$1,848 | \$2,025 | \$8,691 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Prior year adjustments | \$1 | \$4,595 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Adjusted Balance Forward | \$1,850 | \$6,620 | \$8,691 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Net Revenue and Transfers-In | | | | | | | | | | | |
| Motor Fuel Excise Tax | 846,741 | 860,007 | 870,615 | 860,371 | 859,639 | 858,808 | 0 | 13,491 | 13,743 | 12,883 | 12,060 |
| Motor Vehicle Registration Tax | 579,619 | 622,586 | 652,997 | 683,000 | 713,407 | 742,161 | 0 | 8,823 | 16,789 | 23,892 | 30,009 |
| Motor Vehicle Sales Tax | 335,351 | 358,671 | 386,302 | 408,298 | 429,923 | 449,623 | 0 | 3,269 | 1,284 | -1,606 | 1,427 |
| Other income | 2,690 | 2,280 | 2,989 | 2,975 | 3,706 | 5,219 | 0 | -52 | -84 | -99 | -224 |
| Total Net Revenue and Transfers-In | 1,764,401 | 1,843,544 | 1,912,903 | 1,954,643 | 2,006,674 | 2,055,811 | 0 | 25,531 | 31,732 | 35,070 | 43,272 |
| Expenditures and Transfers-Out | | | | | | | | | | | |
| Appropriations to MnDOT, Revenue, DPS | 10,866 | 11,126 | 11,529 | 11,472 | 11,472 | 11,480 | 0 | -10 | 0 | 0 | 0 |
| Transfers--DNR | 21,196 | 21,866 | 22,051 | 22,008 | 21,876 | 21,854 | 0 | 199 | 346 | 338 | 317 |
| Transfers--5% Set-Aside | 86,542 | 90,358 | 94,334 | 95,992 | 98,600 | 101,058 | 0 | 1,267 | 1,569 | 1,737 | 2,148 |
| Transfers--County State-Aid Highway | 476,846 | 497,870 | 519,783 | 528,915 | 543,286 | 556,827 | 0 | 6,982 | 8,647 | 9,569 | 11,834 |
| Transfers--Municipal State-Aid Highway | 147,987 | 154,511 | 161,312 | 164,146 | 168,606 | 172,808 | 0 | 2,167 | 2,683 | 2,970 | 3,673 |
| Transfers--Trunk Highway | 1,019,463 | 1,064,412 | 1,111,259 | 1,130,784 | 1,161,508 | 1,190,458 | 0 | 14,926 | 18,486 | 20,457 | 25,301 |
| Other | 1,326 | 1,330 | 1,326 | 1,326 | 1,326 | 1,326 | 0 | 0 | 0 | 0 | 0 |
| Total Expenditures and Transfers-Out | 1,764,225 | 1,841,473 | 1,921,594 | 1,954,643 | 2,006,674 | 2,055,811 | 0 | 25,531 | 31,732 | 35,070 | 43,272 |
| Ending Balance | \$2,025 | \$8,691 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

February 2014 Forecast-Transportation

Trunk Highway Fund
February 2014 Forecast
Comparison to November 2013 Forecast

| (\$ in thousands) | February 2014 Forecast | | | | | | Change from November 2013 | | | | |
|---|------------------------|------------------|------------------|------------------|------------------|------------------|---------------------------|-----------------|-----------------|-----------------|-----------------|
| | Close | Close | Budget | Budget | Planning Est | Planning Est | Close | Budget | Budget | Planning Est | Planning Est |
| | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
| Balance Forward from prior year | \$199,967 | \$397,785 | \$316,756 | \$195,846 | \$208,880 | \$226,037 | \$0 | \$0 | \$14,657 | \$29,986 | \$48,153 |
| Prior year adjustments | 15,106 | 25,299 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Adjusted Balance Forward | 215,073 | 423,084 | 316,756 | 195,846 | 208,880 | 226,037 | 0 | 0 | 14,657 | 29,986 | 48,153 |
| Net Revenue and Transfers-In | | | | | | | | | | | |
| Transfer from HUTD | 1,019,463 | 1,064,412 | 1,111,259 | 1,130,784 | 1,161,508 | 1,190,458 | 0 | 14,926 | 18,486 | 20,457 | 25,301 |
| Federal aid agreements | 393,993 | 550,712 | 438,775 | 512,080 | 362,980 | 361,980 | 0 | 0 | 0 | 0 | 0 |
| Other income and transfers-in | 51,041 | 63,154 | 62,622 | 57,060 | 64,064 | 78,536 | 0 | -229 | -482 | -126 | -214 |
| Total Net Revenue and Transfers-In | 1,464,497 | 1,678,278 | 1,612,656 | 1,699,924 | 1,588,552 | 1,630,974 | 0 | 14,697 | 18,004 | 20,331 | 25,087 |
| Expenditures and Transfers-Out | | | | | | | | | | | |
| Transportation Department | 1,124,582 | 1,573,451 | 1,507,109 | 1,407,212 | 1,265,010 | 1,262,912 | 0 | 0 | 0 | 0 | 0 |
| Public Safety and Other Depts. | 84,603 | 90,850 | 89,969 | 90,490 | 90,515 | 91,037 | 0 | 0 | 0 | 0 | 0 |
| Debt service | 72,601 | 120,305 | 136,488 | 189,188 | 215,870 | 229,301 | 0 | 40 | 2,675 | 2,165 | 490 |
| Total Expenditures and Transfers-Out | 1,281,785 | 1,784,606 | 1,733,566 | 1,686,890 | 1,571,395 | 1,583,250 | 0 | 40 | 2,675 | 2,165 | 490 |
| Balance before reserves | 397,785 | 316,756 | 195,846 | 208,880 | 226,037 | 273,761 | 0 | 14,657 | 29,986 | 48,153 | 72,749 |
| Less Appropriation Carryforward | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ending Balance | \$397,785 | \$316,756 | \$195,846 | \$208,880 | \$226,037 | \$273,761 | \$0 | \$14,657 | \$29,986 | \$48,153 | \$72,749 |
| Reserved Fund Balance per Policy | | \$88,398 | \$90,932 | \$85,350 | \$83,766 | \$83,900 | \$0 | \$882 | \$1,080 | \$1,220 | \$1,505 |
| Unreserved Fund Balance per Policy | | \$228,358 | \$104,914 | \$123,530 | \$142,271 | \$189,861 | \$0 | \$13,776 | \$28,906 | \$46,933 | \$71,244 |
| Debt Service Percentage Compared to State Revenue | | 11.2% | 12.4% | 16.7% | 18.4% | 18.8% | 0.0% | -0.2% | -0.1% | -0.1% | -0.4% |

Appendix 3

Transit Assistance Fund
 February 2014 Forecast
 Comparison to November 2013 Forecast

| (\$ in thousands) | February 2014 Forecast | | | | | | Change from November 2013 | | | | |
|---|------------------------|-----------------|----------------|----------------|----------------|----------------|---------------------------|--------------|---------------|---------------|--------------|
| | Close | Close | Budget | Budget | Planning Est | Planning Est | Close | Budget | Budget | Planning Est | Planning Est |
| | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
| Balance Forward from prior year | \$6,010 | \$15,622 | \$34,816 | \$27,580 | \$34,370 | \$24,975 | \$0 | \$0 | -\$1,180 | -\$1,160 | \$985 |
| Prior year adjustments | 0 | 212 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Adjusted Balance Forward | 6,010 | 15,834 | 34,816 | 27,580 | 34,370 | 24,975 | 0 | 0 | -1,180 | -1,160 | 985 |
| Net Revenue and Transfers-In | | | | | | | | | | | |
| Metropolitan Area transit account | 201,210 | 215,202 | 231,781 | 244,979 | 257,954 | 269,774 | 0 | 1,961 | 770 | -963 | 856 |
| Greater Minnesota transit account | 22,357 | 23,911 | 25,753 | 27,220 | 28,662 | 29,975 | 0 | 218 | 86 | -107 | 95 |
| Total Motor Vehicle Sales Tax | 223,567 | 239,114 | 257,535 | 272,198 | 286,615 | 299,749 | 0 | 2,179 | 856 | -1,070 | 952 |
| Leased Vehicle Sales Tax | 9,299 | 14,438 | 27,580 | 34,370 | 24,975 | 27,560 | 0 | -1,180 | -1,160 | 985 | 1,615 |
| Total Net Revenue and Transfers-In | 232,866 | 253,552 | 285,115 | 306,568 | 311,590 | 327,309 | 0 | 999 | -304 | -85 | 2,567 |
| Expenditures and Transfers-Out | | | | | | | | | | | |
| Metropolitan Council | 201,210 | 210,929 | 236,054 | 244,979 | 257,954 | 269,774 | 0 | 1,961 | 770 | -963 | 856 |
| Transportation Department | 22,043 | 23,641 | 56,296 | 54,800 | 63,032 | 54,950 | 0 | 218 | -1,095 | -1,267 | 1,080 |
| Total Expenditures and Transfers-Out | 223,254 | 234,570 | 292,351 | 299,778 | 320,985 | 324,724 | 0 | 0 | 0 | 0 | 0 |
| Balance before reserves | 15,622 | 34,816 | 27,580 | 34,370 | 24,975 | 27,560 | 0 | -1,180 | -1,160 | 985 | 1,615 |
| Less Appropriation Carryforward | 0 | 0 | 27,580 | 34,370 | 24,975 | 27,560 | 0 | -1,180 | -1,160 | 985 | 1,615 |
| Less Met Council Balance | 0 | 4,273 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ending Balance | \$15,622 | \$30,543 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

February 2014 Forecast-Transportation

State Airports Fund
February 2014 Forecast
Comparison to November 2013 Forecast

| (S in thousands) | February 2014 Forecast | | | | | | Change from November 2013 | | | | |
|---------------------------------------|------------------------|---------|----------|----------|--------------|--------------|---------------------------|---------|----------|--------------|--------------|
| | Close | Close | Budget | Budget | Planning Est | Planning Est | Close | Budget | Budget | Planning Est | Planning Est |
| | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
| Balance Forward from prior year | \$2,902 | \$2,605 | \$4,112 | \$19,874 | \$20,128 | \$20,268 | \$0 | \$0 | -\$999 | -1,013 | -1,006 |
| Prior Year adjustments | 479 | 144 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Adjusted Balance Forward | 3,381 | 2,749 | 4,112 | 19,874 | 20,128 | 20,268 | 0 | 0 | -999 | -1,013 | -1,006 |
| Net Revenue and Transfers-In | | | | | | | | | | | |
| Transfer from General Fund | \$0 | \$0 | \$15,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | 0 | 0 |
| Sales Tax on Aircraft | 0 | 0 | 2,900 | 2,900 | 2,900 | 2,900 | \$0 | \$0 | \$0 | 0 | 0 |
| Airline Flight Property Tax | 7,287 | 12,017 | 9,201 | 8,000 | 8,000 | 8,000 | 0 | -990 | 0 | 0 | 0 |
| Aircraft Registration Tax | 6,496 | 8,704 | 3,816 | 2,500 | 2,500 | 2,500 | 0 | 0 | 0 | 0 | 0 |
| Gasoline & Special Fuel Tax | 3,470 | 2,522 | 3,539 | 5,507 | 5,775 | 5,945 | 0 | 0 | 0 | 0 | 0 |
| Other Income | 1,197 | 1,305 | 1,558 | 1,600 | 1,868 | 2,426 | 0 | -9 | -14 | 7 | 23 |
| Total Net Revenue and Transfers-In | 18,450 | 24,547 | 36,015 | 20,507 | 21,043 | 21,771 | 0 | -999 | -14 | 7 | 23 |
| Expenditures and Transfers-Out | | | | | | | | | | | |
| Transportation Department | 19,227 | 23,183 | 20,252 | 20,252 | 20,902 | 20,902 | 0 | 0 | 0 | 0 | 0 |
| Revenue Department | 0 | 0 | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 0 |
| Total Expenditures and Transfers-Out | 19,227 | 23,183 | 20,253 | 20,253 | 20,903 | 20,903 | 0 | 0 | 0 | 0 | 0 |
| Balance before reserves | 2,605 | 4,112 | 19,874 | 20,128 | 20,268 | 21,136 | 0 | -999 | -1,013 | -1,006 | -983 |
| Less Appropriation Carryforward | 1,521 | 1,487 | 1,651 | 1,815 | 1,979 | 2,143 | 0 | 0 | 0 | 0 | 0 |
| Ending Balance | \$1,083 | \$2,625 | \$18,223 | \$18,313 | \$18,289 | \$18,993 | \$0 | -\$999 | -\$1,013 | -\$1,006 | -\$983 |

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 2014 Forecast-Transportation

County State Aid Fund
February 2014 Forecast
Comparison to November 2013 Forecast

| (\$ in thousands) | February 2014 Forecast | | | | | | Change from November 2013 | | | | |
|---------------------------------------|------------------------|------------|------------|------------|--------------|--------------|---------------------------|------------|------------|--------------|--------------|
| | Close | Close | Budget | Budget | Planning Est | Planning Est | Close | Budget | Budget | Planning Est | Planning Est |
| | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
| Balance Forward from prior year | \$314,720 | \$453,538 | \$488,869 | \$487,409 | \$503,136 | \$503,136 | \$0 | \$0 | -\$11,141 | -\$1,208 | -\$1,208 |
| Prior Year adjustments | 485 | 188 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Adjusted Balance Forward | 315,205 | 453,726 | 488,869 | 487,409 | 503,136 | 503,136 | 0 | 0 | -11,141 | -1,208 | -1,208 |
| Net Revenue and Transfers-In | | | | | | | | | | | |
| Leased Vehicle Sales Tax | 9,299 | 14,438 | 9,000 | 9,000 | 24,975 | 27,560 | 0 | 0 | 0 | 985 | 1,615 |
| Other income | 2,372 | 2,431 | 2,488 | 2,635 | 7,214 | 16,721 | 0 | -111 | -238 | 111 | 360 |
| Transfer from HUTD | 563,388 | 588,227 | 614,117 | 624,907 | 641,886 | 657,885 | 0 | 8,249 | 10,216 | 11,305 | 13,982 |
| Transfer from MSAS | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Net Revenue and Transfers-In | \$575,059 | \$605,096 | \$625,605 | \$636,542 | \$674,075 | \$702,166 | \$0 | \$8,138 | \$9,978 | \$12,401 | \$15,957 |
| Expenditures and Transfers-Out | | | | | | | | | | | |
| Grants to local governments | 425,372 | 560,979 | 595,518 | 597,505 | 659,863 | 687,266 | 0 | 19,335 | 0 | 12,146 | 15,627 |
| MnDOT Administrative and Research | 7,236 | 8,975 | 12,847 | 13,310 | 14,212 | 14,900 | 0 | -56 | 45 | 255 | 330 |
| Transfers to MSAS | 2,218 | 0 | 13,000 | 10,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers to Trunk Highway Fund | 1,900 | 0 | 5,700 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Expenditures and Transfers-Out | 436,726 | 569,954 | 627,065 | 620,815 | 674,075 | 702,166 | 0 | 19,279 | 45 | 12,401 | 15,957 |
| Balance before reserves | 453,538 | 488,869 | 487,409 | 503,136 | 503,136 | 503,136 | 0 | -11,141 | -1,208 | -1,208 | -1,208 |
| Less Appropriation Carryforward | 453,538 | 488,869 | 487,409 | 503,136 | 503,136 | 503,136 | 0 | -11,141 | -1,208 | -1,208 | -1,208 |
| Ending Balance | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

February 2014 Forecast-Transportation

Municipal State Aid Fund
February 2014 Forecast
Comparison to November 2013 Forecast

| (\$ in thousands) | February 2014 Forecast | | | | | | Change from November 2013 | | | | |
|---------------------------------------|------------------------|------------|------------|------------|--------------|--------------|---------------------------|------------|------------|--------------|--------------|
| | Close | Close | Budget | Budget | Planning Est | Planning Est | Close | Budget | Budget | Planning Est | Planning Est |
| | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
| Balance Forward from prior year | \$129,016 | \$139,869 | \$161,492 | \$161,996 | \$167,808 | \$167,808 | \$0 | \$0 | -\$3,208 | -\$531 | -\$531 |
| Prior Year adjustments | 163 | 84 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Adjusted Balance Forward | 129,180 | 139,953 | 161,492 | 161,996 | 167,808 | 167,808 | 0 | 0 | -3,208 | -531 | -531 |
| Net Revenue and Transfers-In | | | | | | | | | | | |
| Other income | 1,009 | 918 | 960 | 1,002 | 2,464 | 5,521 | 0 | -36 | -81 | 25 | 88 |
| Transfer from HUTD | 147,987 | 154,511 | 161,312 | 164,146 | 168,606 | 172,808 | 0 | 2,167 | 2,683 | 2,970 | 3,673 |
| Transfer from CSAH | 2,218 | 0 | 13,000 | 10,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Net Revenue and Transfers-In | \$151,214 | \$155,429 | \$175,272 | \$175,148 | \$171,070 | \$178,329 | \$0 | \$2,131 | \$2,602 | \$2,995 | \$3,761 |
| Expenditures and Transfers-Out | | | | | | | | | | | |
| Grants to local governments | 137,881 | 130,723 | 170,786 | 165,060 | 166,773 | 173,907 | 0 | 5,567 | -35 | 2,922 | 3,670 |
| MnDOT Administrative and Research | 2,644 | 3,167 | 3,982 | 4,276 | 4,297 | 4,422 | 0 | -227 | -41 | 73 | 90 |
| Transfers to CSAH | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Expenditures and Transfers-Out | 140,524 | 133,891 | 174,768 | 169,336 | 171,070 | 178,329 | 0 | 5,339 | -75 | 2,995 | 3,761 |
| Balance before reserves | 139,869 | 161,492 | 161,996 | 167,808 | 167,808 | 167,808 | 0 | -3,208 | -531 | -531 | -531 |
| Less Appropriation Carryforward | 139,869 | 161,492 | 161,996 | 167,808 | 167,808 | 167,808 | 0 | -3,208 | -531 | -531 | -531 |
| Ending Balance | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

