



Transportation Funding Update Transportation Alliance – 11/14/2024

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Important Upcoming Dates

- **By December 6, 2024:** November forecast released
- **October 2024 – January 2025:** Governor's budget decision making
- **By January 28, 2025:** Governor's operating (and capital) budget recommendations for state fiscal years 2026 and 2027 submitted to the Legislature
- **February 2025:** February forecast released
- **March 2025:** Governor's supplemental operating (and capital) budget recommendations submitted to the Legislature

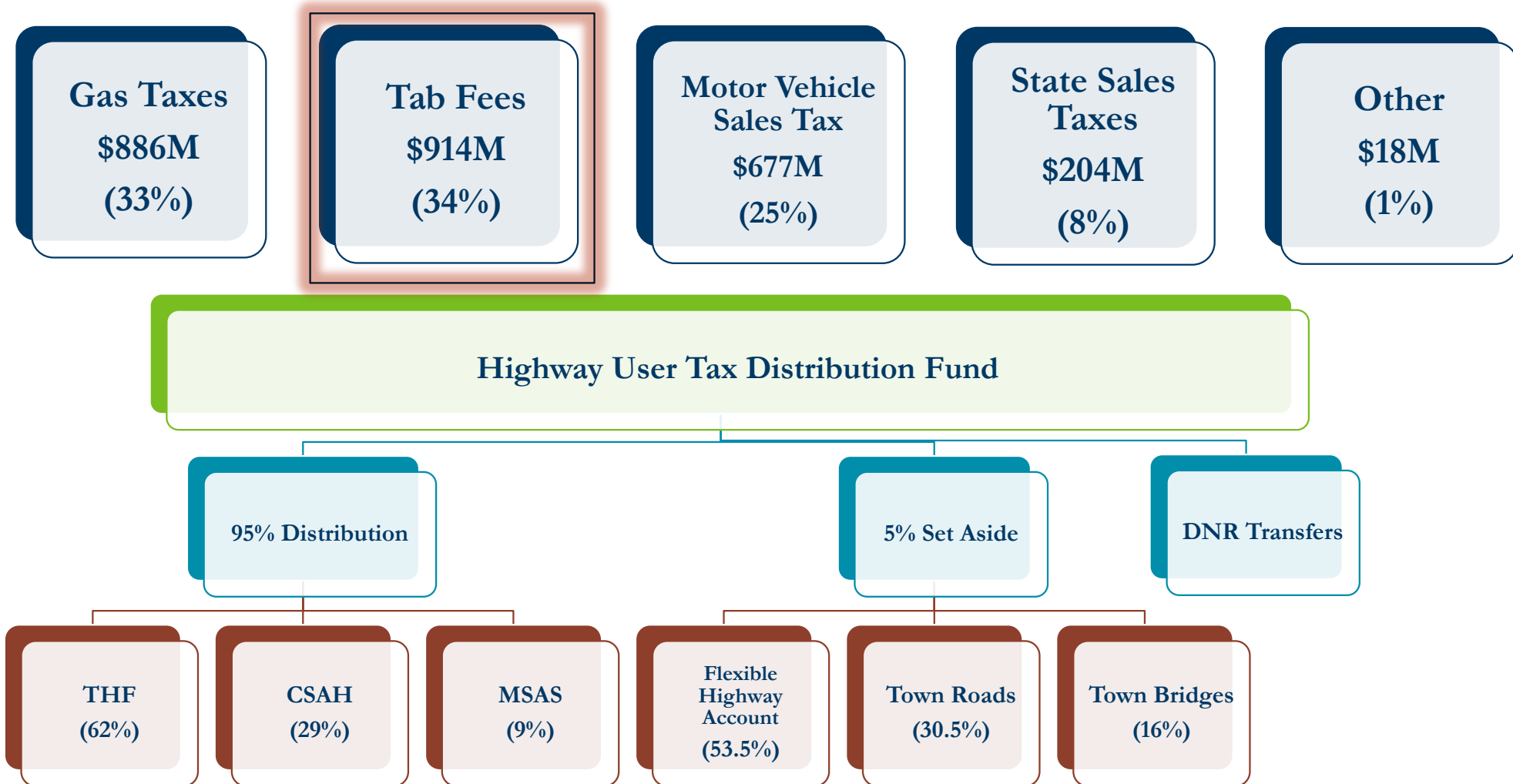
Revenue Updates

<i>\$ in billions</i>	24/25	26/27
<u>Beg Bal</u>	<u>16.516</u>	<u>6.555</u>
Sources	60.988	64.845
Uses	(70.950)	(65.572)
<u>Inflation</u>	<u>-</u>	<u>(0.845)</u>
End Bal	6.555	4.982
Cashflow Reserves	(0.350)	(0.350)
Budget Reserves	(2.913)	(2.913)
Remain Bal	3.291	1.719
24 Revenues	0.494	
25 Revenues YTD	0.234	

- MMB prepares forecast for state General Fund
 - FY 2024 revenues up +\$494 million (+1.7%) vs. forecast
 - FY 2025 revenues (YTD through September) up \$234 million (+3.2%) vs. forecast
 - As of End of Session + FY 24 actuals, General Fund balance is **\$3.8 billion at end of FY 24/25 biennium**
- MnDOT prepares forecasts for 7 transportation funds:
 - FY 2024 Highway User Tax Distribution (HUTD) Fund revenue **down \$25 million (-0.9%) vs. forecast**
 - 2 of 3 major sources (registration taxes, MVST) down vs. forecast (gas taxes up +1.4%)
 - **Revenues up \$127 million (+4.9%) vs. previous year**
 - FY 2025 revenues are trending slightly up
 - Estimated revenues through October up +\$11 million (+1.2%) vs. forecast; up 4.9% compared to last year

HUTD Sources and Uses

FY 2024 Actuals = \$2.7B (56% of total state/federal)



HUTD Revenues

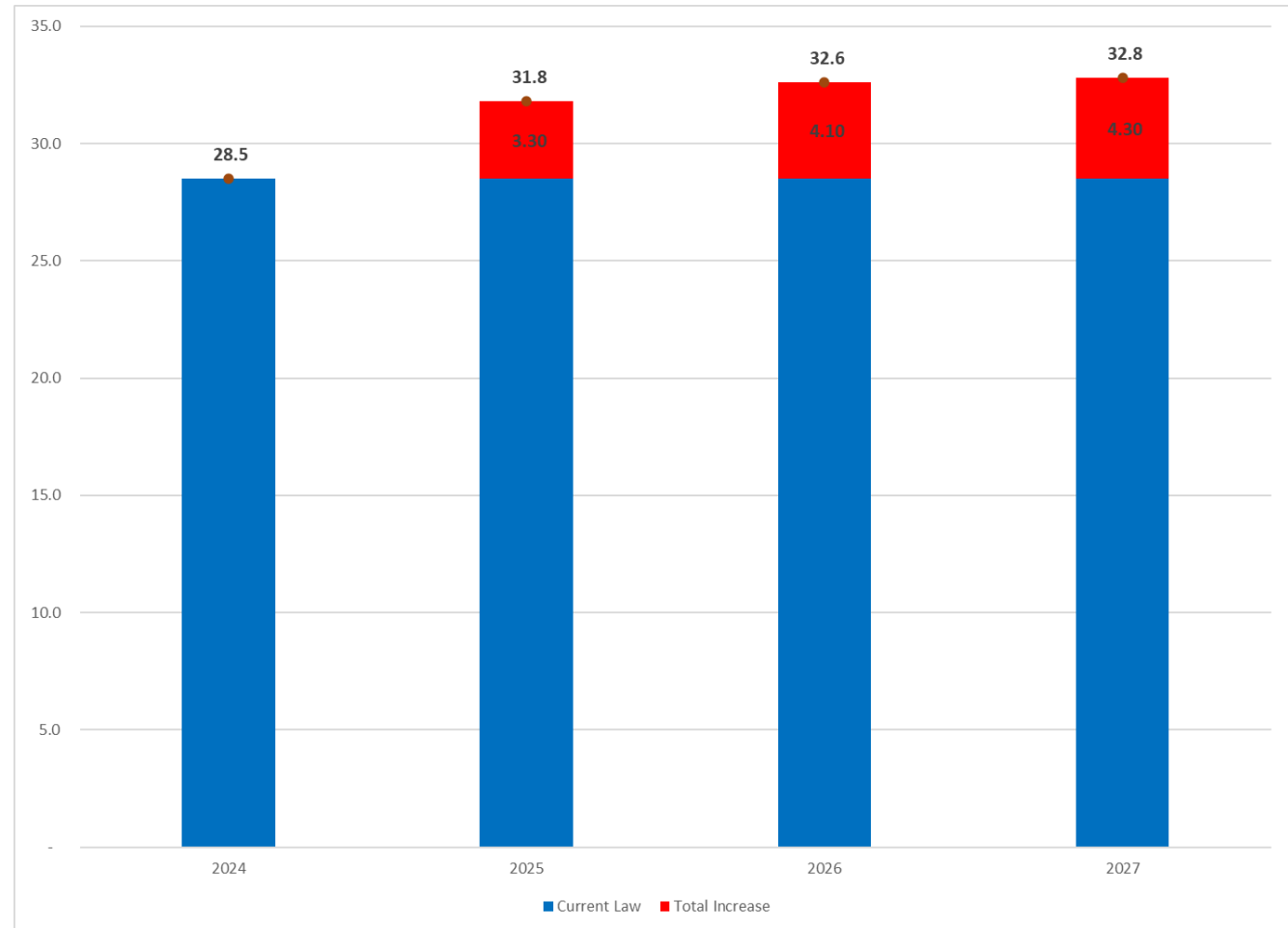
Year-over-Year Growth Rates

Revenue	FY 20 (act)	FY 21 (act)	FY 22 (act)	FY 23 (act)	FY 24 (act)	FY 25 (fcst)	FY 26 (fcst)	FY 27 (fcst)
Gas tax	-6.2%	-3.8%	5.5%	-1.2%	0.5%	3.6%	6.6%	1.1%
Tab fees	1.1%	5.1%	-3.6%	1.6%	9.3%	15.0%	10.0%	5.0%
MVST	0.0%	21.2%	0.4%	7.6%	6.4%	-1.9%	2.5%	3.9%
State sales taxes	119.0%	-8.4%	9.3%	3.3%	-0.0%	3.5%	3.3%	3.1%
Other	-26.1%	-15.5%	18.6%	194.9%	33.7%	-19.1%	-28.6%	-7.2%
Total	2.4%	3.9%	1.5%	2.5%	4.9%	5.9%	6.5%	3.3%
<i>Nov. 23</i>				2.5%	4.6%	5.9%	6.4%	3.2%
<i>MnDOT CCI</i>	5.6%	-10.0%	13.3%	7.2%	0.7%	3.0%	2.0%	3.0%

2023 Legislative Session

HUTD – Gas Tax

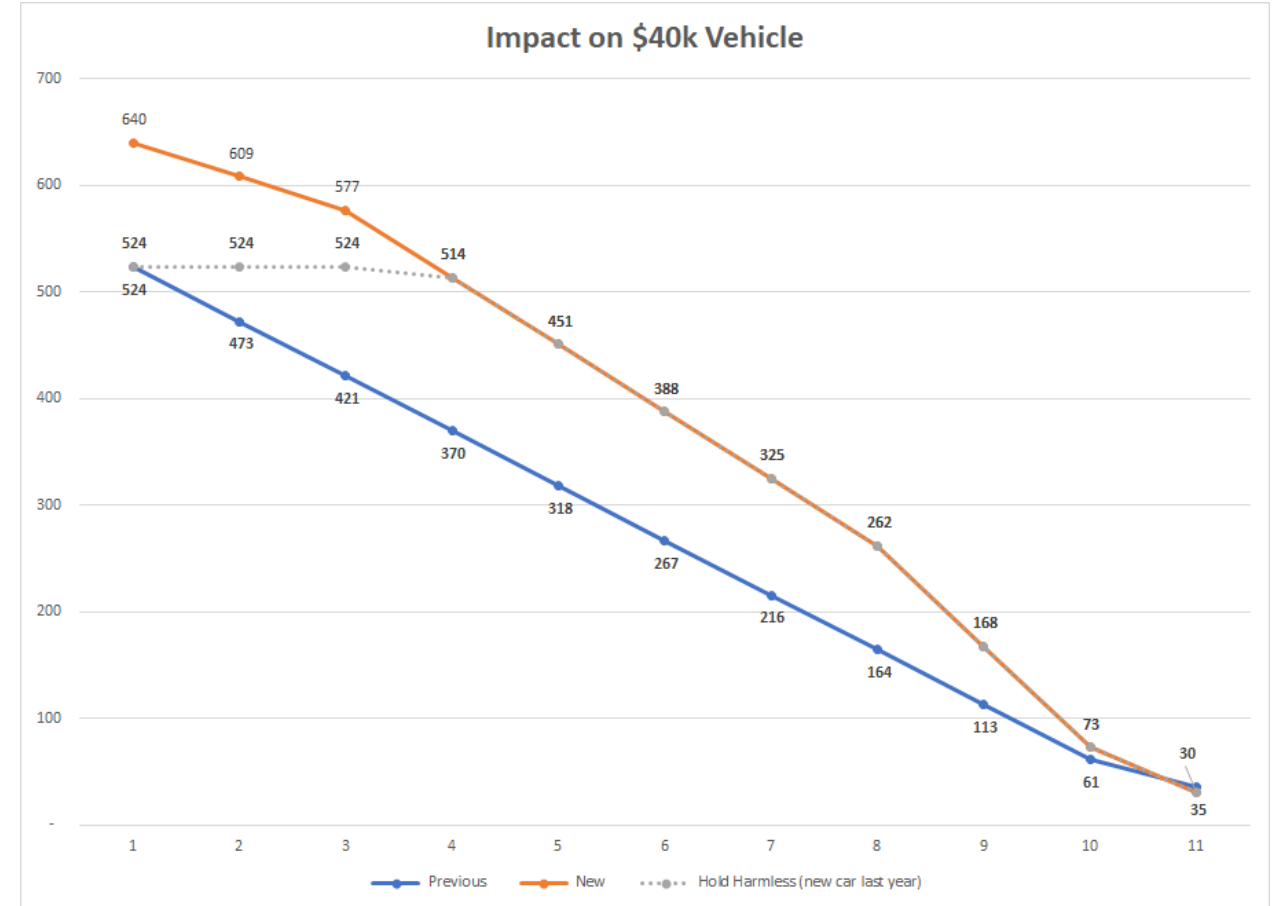
- Gas tax:
 - Indexed to MnDOT Construction Cost Index (CCI)
 - Estimated increases (cents):
 - 1/1/2025: +3.3 (13% inflation in FY22)
 - 1/1/2026: +0.8 (7% inflation, capped at 3%)
 - 1/1/2027: +0.2 (0.7% inflation)
 - Cumulative increase: +4.3
 - Total rate in state fiscal year 2027 = 32.8 cents
 - FY 2027 additional revenue = ~\$147M



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HUTD – Registration Tax

- Registration tax:
 - Rate increased to 1.575% (from 1.285%)
 - Depreciation schedule “slowed” down
 - Effective 1/1/2024
 - “Hold harmless” provision still applies
 - FY 2027 additional revenue = ~\$287M (~30% increase)



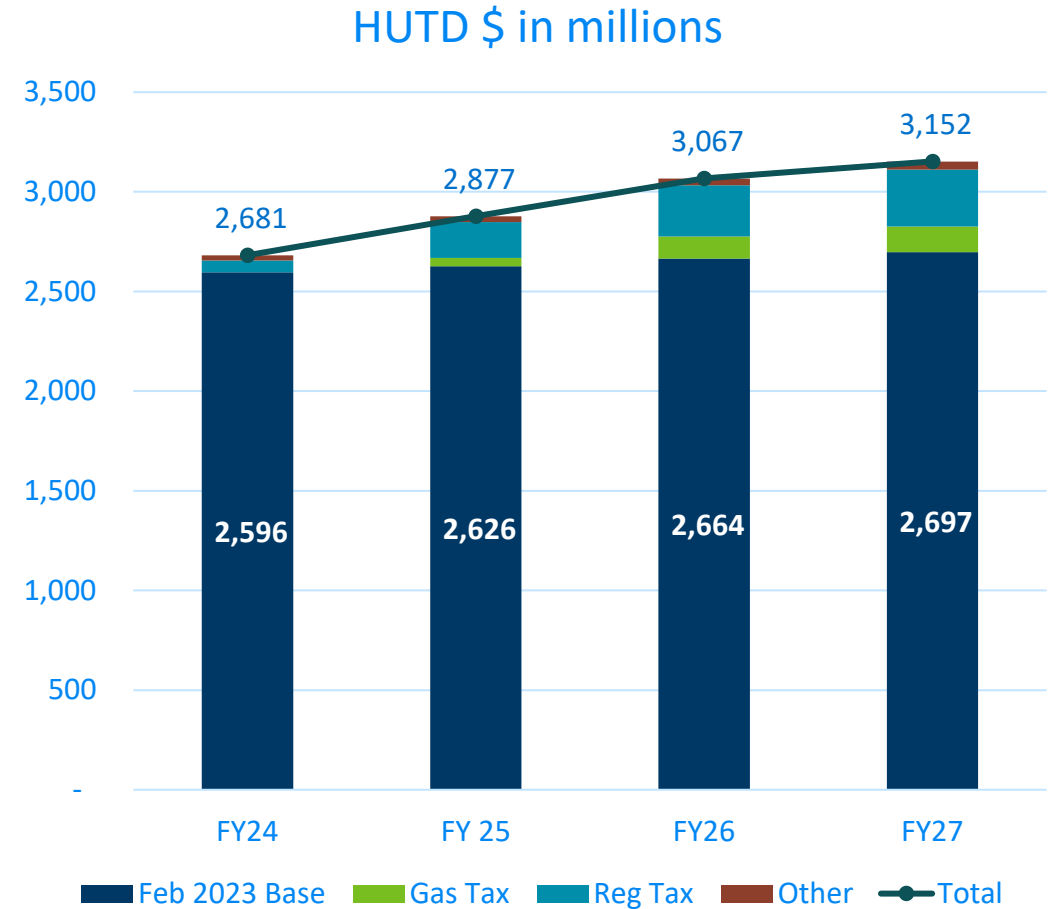
Registration Taxes

- Tax rate:
 - 1.575% of MSRP (as of 1/1/2024)
 - Was 1.2875% of MSRP
- Total vehicles:
 - 6.27M (\$141/vehicle)
 - 5.3M passenger vehicles (\$152/vehicle)
 - 1.0M “other” (\$84/vehicle)
 - 485k trailers
 - 202k motorcycles
- Electric vehicles:
 - 41,747 (0.8% of passenger vehicles)
 - 5,254 in 2019 (51% CAGR over 5 years)
 - 6.6% of new vehicle purchases
 - \$75 surcharge in addition to other taxes
 - ~\$3M in additional revenues
 - If MSRP > ~10%, EVs contribute more taxes in total than comparable ICE vehicle

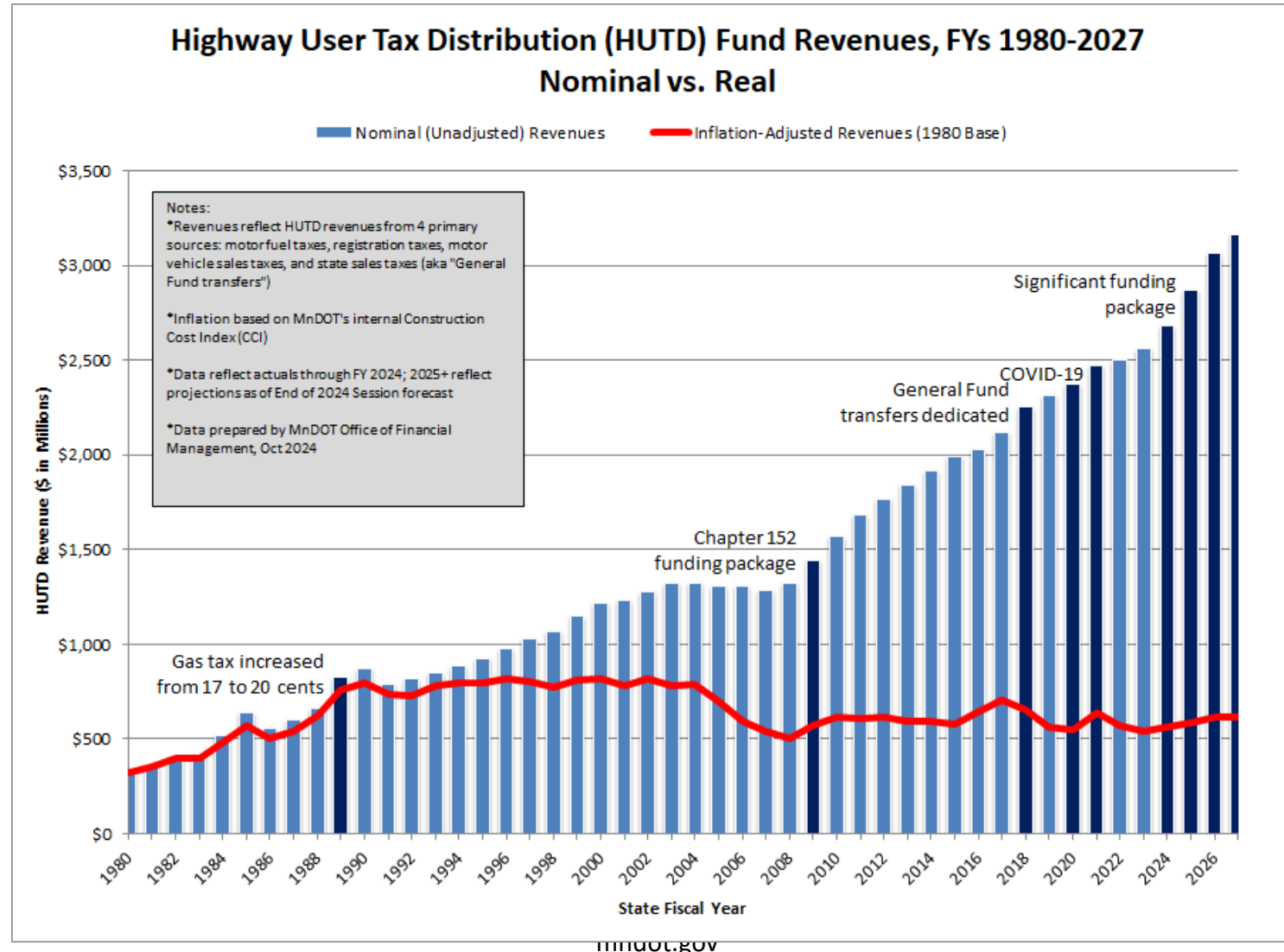
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HUTD – Overall Changes

- Gas tax indexed
- Registration taxes increased
- MVST increased to 6.875% (from 6.5%)
- Overall, revenues increase ~17% in FY 2027 once fully phased in



Minnesota Highway User Tax Revenue History of Annual Revenues



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Transportation Advancement Account (TAA)

- Dedicated funding for locals
- Funded from two revenue sources:
 - Growing portion of existing Sales Tax on Auto Parts (3.5% in FY 24; 56.5% in FY 33+)
 - New retail delivery fee starting in FY 25: \$0.50 on eligible orders of \$100+
- Total revenues:
 - FY 2024: \$11M (actual)
 - FY 2025: \$80M
 - FY 2033: \$300M+
- Distributions:
 - Metro counties (36%)
 - 41.5%: active transportation/corridor safety studies
 - 41.5%: repair, preservation, rehab/limited replacements
 - 17%: transit/complete streets/mitigation
 - Counties via “normal” CSAH (10%)
 - Larger cities (15%)
 - Small cities (27%)
 - Town roads (11%)
 - Food delivery support grants via DHS (1%)

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Other Significant Funding

- New metro area sales tax (0.75%)
- ~\$600M/year
 - 83% to Met Council (~\$500M/year)
 - 95% for transit
 - 5% for active transportation
 - 17% to metro counties (\$100M/year) - \$47M distributed in FY 2024
 - 41.5%: active transportation/corridor safety studies
 - 41.5%: repair, preservation, rehab/limited replacements
 - 17%: transit/complete streets/mitigation
- Bonding/capital funding of ~\$1 billion
 - \$400M in capital bills
 - \$85M LRIP
 - \$67M local bridges
 - \$18M ports
 - ~\$600M in Trunk Highway bonds
 - \$200M SRC (for Blatnik)
 - \$153M CoC
 - \$158M named projects

Federal Funds Updates

- FFY 2025 obligation authority through December 20, 2024
- August redistribution:
 - FY 2024: \$117M (~1.3% of total)
 - FY 2023: \$122M (~1.5% of total)
 - FY 2022: \$189M (~3.1% of total)

Questions?

Thank you!

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