



STATE OF MINNESOTA

Office of Governor Mark Dayton

116 Veterans Service Building ♦ 20 West 12th Street ♦ Saint Paul, MN 55155

April 29, 2016

The Honorable Kurt Daudt
Speaker of the House of Representatives
Room 463, State Office Building
St. Paul, Minnesota 55155

The Honorable Tom Bakk
Senate Majority Leader
Room 3113, Minnesota Senate Building
St. Paul, Minnesota 55155

The Honorable Paul Thissen
House Minority Leader
Room 267, State Office Building
St. Paul, Minnesota 55155

The Honorable David Hann
Senate Minority Leader
Room 147, Minnesota State Office Building
St. Paul, Minnesota 55155

Dear Legislative Leaders:

As the Legislature continues its work to find a comprehensive transportation funding solution, we are writing to update you on what needs to be accomplished in order to address Minnesota's budget shortfalls for highways, roads, bridges, and transit. In short, Minnesota needs, beyond existing sources of revenue:

- **An additional \$400 million per year** in ongoing, dedicated funding just to maintain our state's highways, roads, and bridges in their current conditions;
- **Another \$200 million per year** in ongoing, dedicated funding in order to make the critical improvements and expansions on our state highways, interstates, and bridges, which will be crucial to our continuing economic and social vitality; and
- **An additional \$280 million per year** in ongoing, dedicated funding in order to maintain our current transit and bus systems, and to make the expansions necessary to reduce highway congestion and accommodate growing ridership.

HIGHWAYS, ROADS, AND BRIDGES

In 2012, the Transportation Finance Advisory Committee (TFAC) released its report, which documented the growing gap between Minnesota's transportation needs and existing funding. TFAC identified \$12 billion worth of needed investments on our 12,000 miles of state highways over the next 20 years (\$6 billion over the next decade) to build an economically competitive transportation system.

As a result, last year we recommended a highway, road, and bridge funding package that provides \$600 million annually to fund the needed preservation, maintenance and some strategic expansion of the state highway system over the next decade.

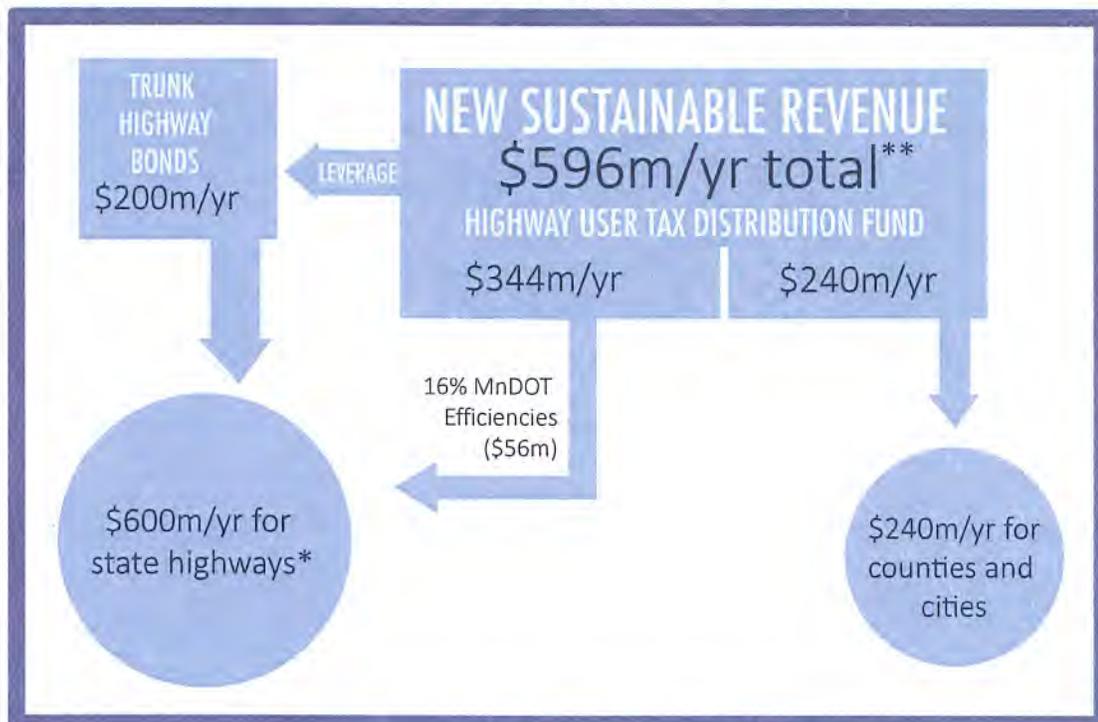
- **Preservation and maintenance on the existing system will cost \$400 million more per year for the state's trunk highway system over the next decade.**

That \$400 million in ongoing, annual funding will provide the resources necessary to invest in long-term road and bridge fixes (rather than short-term patches) that are more costly up front, but last much longer.

- **For an additional \$200 million more per year on the state highway system, MnDOT could perform strategic expansion and critical mobility improvements such as:**
 - Four-lane expansion of Highway 14;
 - Four-lane expansion of Highway 23;
 - Rebuild the I-35/494 interchange;
 - Rebuild I-94 between the downtowns; and
 - Complete MnPass expansion build-out on 5 additional corridors.

The state highway system is funded through the Highway User Tax Distribution Fund (HUTD). Dedicated transportation revenues (existing gas tax; vehicle registration fees; motor vehicle sales tax) are deposited into the Fund. The revenues are distributed 62 percent to state highways; 29 percent to county state aid highways; 9 percent to municipal state aid highways.¹

In order to fund the \$600 million in annual projected needs for state highway preservation, maintenance and expansion, the state must provide \$596 million in new revenue to the Highway User Tax Distribution Fund. Through the HUTD formula, \$344 million will be allocated to the state highway system, which generates \$56 million (16 percent) in value through efficiencies. This new revenue also leverages an additional \$200 million in trunk highway bonds. The chart below demonstrates how the money is raised and divided.



* includes operations, planning, state road construction, and debt service

**Revenue from fuel not used for transportation on public roads (such as snow mobiles, ATVs, boats, etc.) is transferred to Department of Natural Resources accounts related to those activities. Estimated at \$12 million.

¹ More information on how transportation funding is distributed can be found here: [Minnesota House Research Highway Finance](#).

TRANSIT

The minimum additional funding needed for the metropolitan region's transit system is \$280 million per year or \$2.8 billion over 10 years.

The Metropolitan Council has developed the Transportation Policy Plan to plan for the transit system expansion necessary to meet the needs of the region's growing population. The region is anticipated to grow by 800,000 people by 2040. In addition, millennials and the aging baby boomer population rely on transit more than other generations in the past.

\$280 million per year (or \$2.8 billion over 10 years) will:

- **Provide a 30 percent expansion of regular route bus services over 10 years and make the necessary capital investments to improve transit facilities, including 1,000 bus shelters.**
- **Fund the state share of transitway capital development costs for 17 new bus rapid transitways and three new light rail lines. It will also cover the state share of transitway operations.**

Last year we presented a detailed proposal to provide an additional \$600 million per year for state highways, roads, and bridges and an additional \$280 million per year for transit. Our plan would also provide an additional \$240 million each year to cities, counties, and townships to improve their local roads and bridges. If you disagree with our approach, we await your alternative proposal that does not "starve the general fund" putting Minnesota's budget stability at risk or bet that future legislatures will pass additional GO bonding authority for transportation projects.

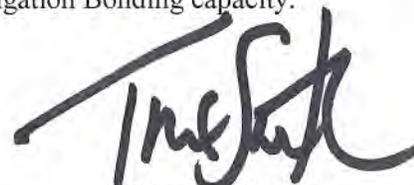
We emphasize again that these additional expenditures to maintain, improve, and expand Minnesota's transportation systems are absolutely essential to continuing our state's economic growth and social vitality. A lesser commitment would seriously jeopardize that growth and vitality.

Previous legislatures have avoided this responsibility. As a result, our transportation deficiencies have grown and have become more expensive to correct. Another failure to make these investments will cause further deterioration in highway conditions, congestion, and safety. That failure would be irresponsible and inexcusable.

Therefore, we urge you to pass a transportation bill, which provides this necessary funding without draining either our General Fund or our General Obligation Bonding capacity.

Sincerely,


Mark Dayton
Governor


Tina Smith
Lt. Governor

cc: Senator Scott Dibble, Chair Transportation and Public Safety Budget Division
Representative Tim Kelly, Chair Transportation Policy and Finance Committee
Commissioner Charlie Zelle, MnDOT
Chair Adam Duininck, Metropolitan Council