

Mn/DOT Federal Funds Narrative

The major federal fund accounts include federal grants revenue deposited in the federal fund, either on an advance or reimbursement basis. Federal Highway Administration (FHWA) federal aid, the agency's largest federal program, is on a cost reimbursement basis, with a significant portion of program reimbursements deposited directly into the Trunk Highway Fund for the department's state road construction program.

Maintenance Level of Effort:

The regular formula federal funds are typically split 80% federal 20% state. One of the federal fund appropriations relates to the restoration of historical sites along the Minnesota section of the Great River Road. These sites require ongoing site maintenance comparable to that typically afforded MnDOT Class IV rest areas.

Related State Spending:

Federal funds are matched by varying state funds depending on the program. For example, the major FHWA program is matched by a combination of trunk highway fund, municipal and county state aid funds, and local government funds depending on the project. The major Federal Aviation Administration program is matched by local government funds. General funds, revenues from the motor vehicle sales tax and local government funds match the federal funding from the Federal Transit Administration (FTA) programs.

Basis for Estimates:

Estimates are based on the best funding information currently available to MnDOT program managers. Overall, federal funds anticipated during the FY 2014-15 biennium will be a reduction from the 2012-13 biennium due to American Recovery and Reinvestment Act (ARRA) projects nearing completion.

Potential Impact of Sequestration:

The Gramm-Rudman-Hollings (GRH) sequester process is written in Part C of the Balanced Budget and Emergency Deficit Control Act of 1985 and sequestration provides for automatic, across-the-board budget cuts in many programs beginning in 2013 and continuing until 2021.

The Budget Control Act of 2011 imposed caps on discretionary spending that will reduce their funding by \$1 trillion from 2012 to 2021. This act also established the Joint Select Committee on Deficit Reduction (the "Super Committee") to propose legislation reducing deficits by another \$1.2 trillion over the same period, and established a backup "sequestration" procedure to ensure that \$1.2 trillion in deficit reduction would be achieved in the event the Super Committee failed to pass legislation reducing the deficit. The Super Committee failed to enact a bill, so sequestration is scheduled to take effect in March 2013 (unless superseding legislation is passed) and would cover the period of time from 2013 to 2021.

Transportation Impact:

Contract authority programs that receive obligation limitation, like the highway and transit formula programs supported by the Highway Trust Fund, are exempt from sequestration. Beyond the Highway Trust Fund programs and Social Security, however, almost everything else is subject to sequestration in March 2013. Specifically for highway and transit programs, this translates to the following (national) spending cuts due to sequester:

- Transportation Investment Generating Economic Recovery (TIGER) program: 8.2% or \$41 million out of \$500 million
- FHWA Emergency Relief Program: 8.2% or \$136 million out of \$1.662 billion
- First federal General Fund transfer to the Highway Account of the Highway Trust Fund occurred in October 2012 as contained in Moving Ahead for Progress in the 21st Century (MAP-21): 7.6% or \$471 million out of \$6.2 billion
- FHWA Budget Authority Exempt from Obligation Limitation (traditionally a portion of Equity Bonus): 7.6% or \$56 million out of \$739 million
- FTA administrative expenses: 8.2% or \$8 million out of \$99 million
- FTA Capital Investment Grants: 8.2% or \$156 million out of \$1.906 billion
- FTA research: 8.2% or \$4 million out of \$44 million