

MINNESOTA'S



COVID-19 RECOVERY BUDGET



2022-2023 BUDGET RECOMMENDATIONS

Margaret Anderson Kelliher, MnDOT Commissioner
MnDOT FY 2022-23 Biennial Budget Recommendation
March 4, 2021

Creation of MnDOT

M.S. Sect. 174.01-174.03

- ▶ Created by the Legislature in 1976
 - Combined former Department of Aeronautics, Department of Highways, State Planning Agency and Public Service Department
- ▶ Develop and implement policies, plans and programs for highways, railroads, waterways, aeronautics, public transit and motor carriers
- ▶ Provide safe, multimodal transportation
- ▶ Recognize economic importance of transportation
- ▶ Minimize impact on the environment



MnDOT at a Glance

- **5th largest** state highway system in the nation
- Over **145,000 centerline miles** (including trunk highways and local roads)
- **4,901 bridges** greater than 10 feet in length on Trunk Highway routes



MnDOT at a Glance



- **50%** of state highways and **35%** of state bridges are more than 50 years old
- **398 construction projects** planned in the 20-21 biennium
- **\$21 billion** in planned investments for state highways over the next 20 years (MnSHIP)

MnDOT at a Glance

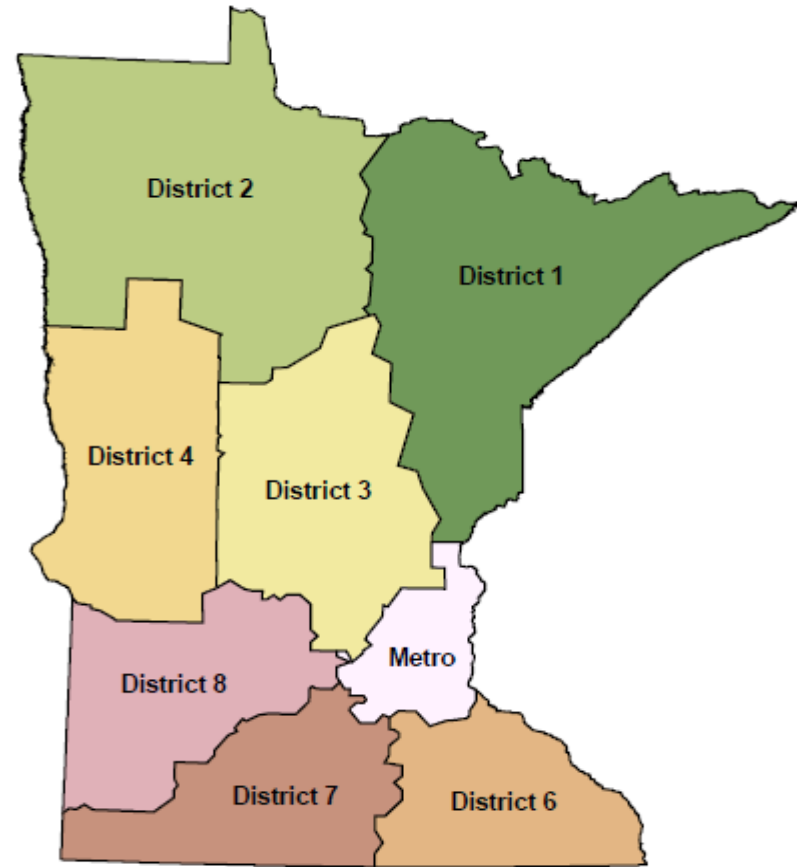
We work with our partners to support:

- 3 active Lake Superior and 4 Mississippi River system ports
- Transit services in all 80 non-metro counties
- 133 publicly owned state-funded airports
- 4,420 track miles serving 21 railroad companies, Northstar commuter, and Amtrak passenger service

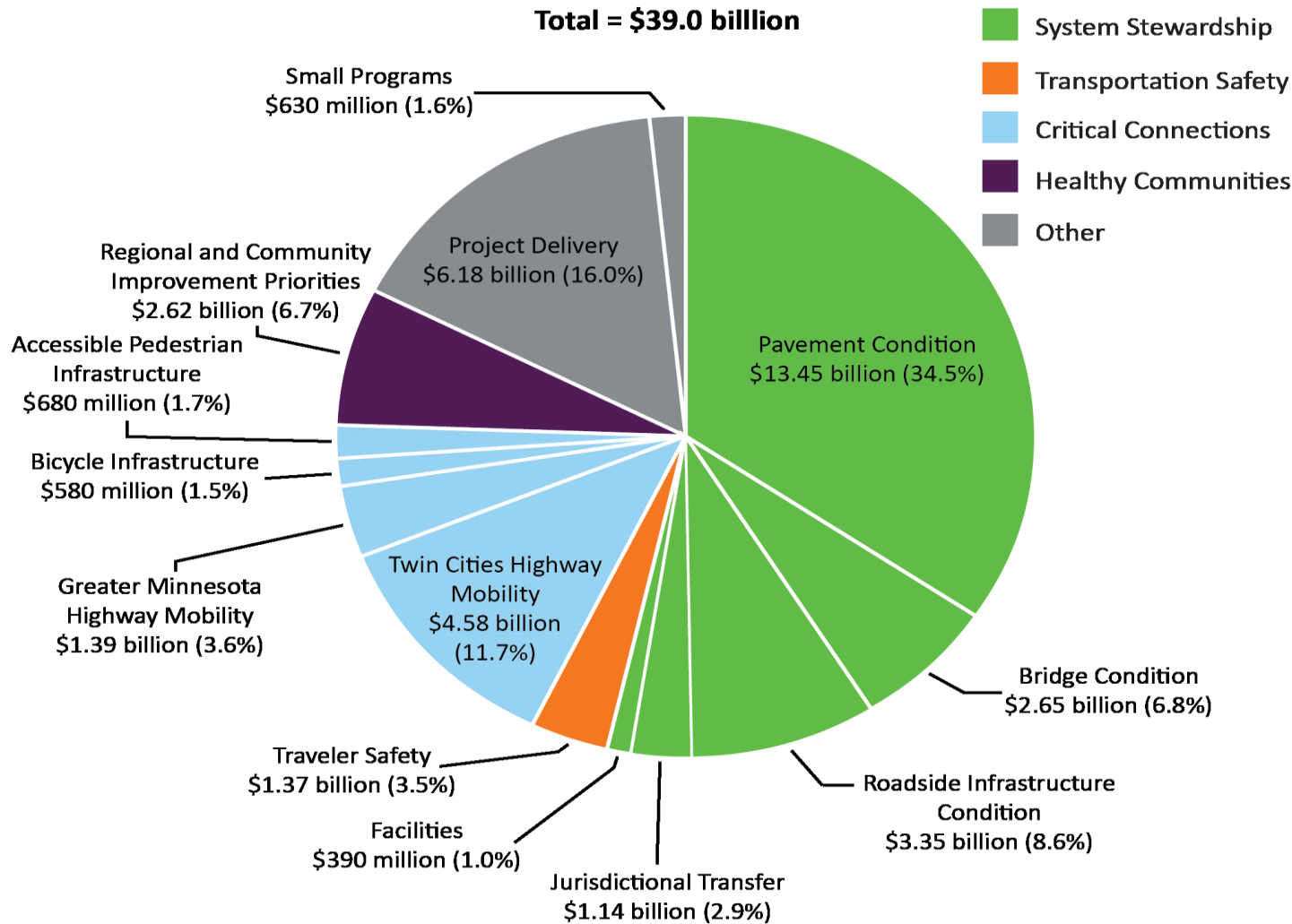


MnDOT Districts

MnDOT is divided into eight regional areas – seven Greater Minnesota districts and the Minneapolis-St. Paul Metro District



Key Fiscal Issues: \$18B funding gap over 20 years (\$900M/year)

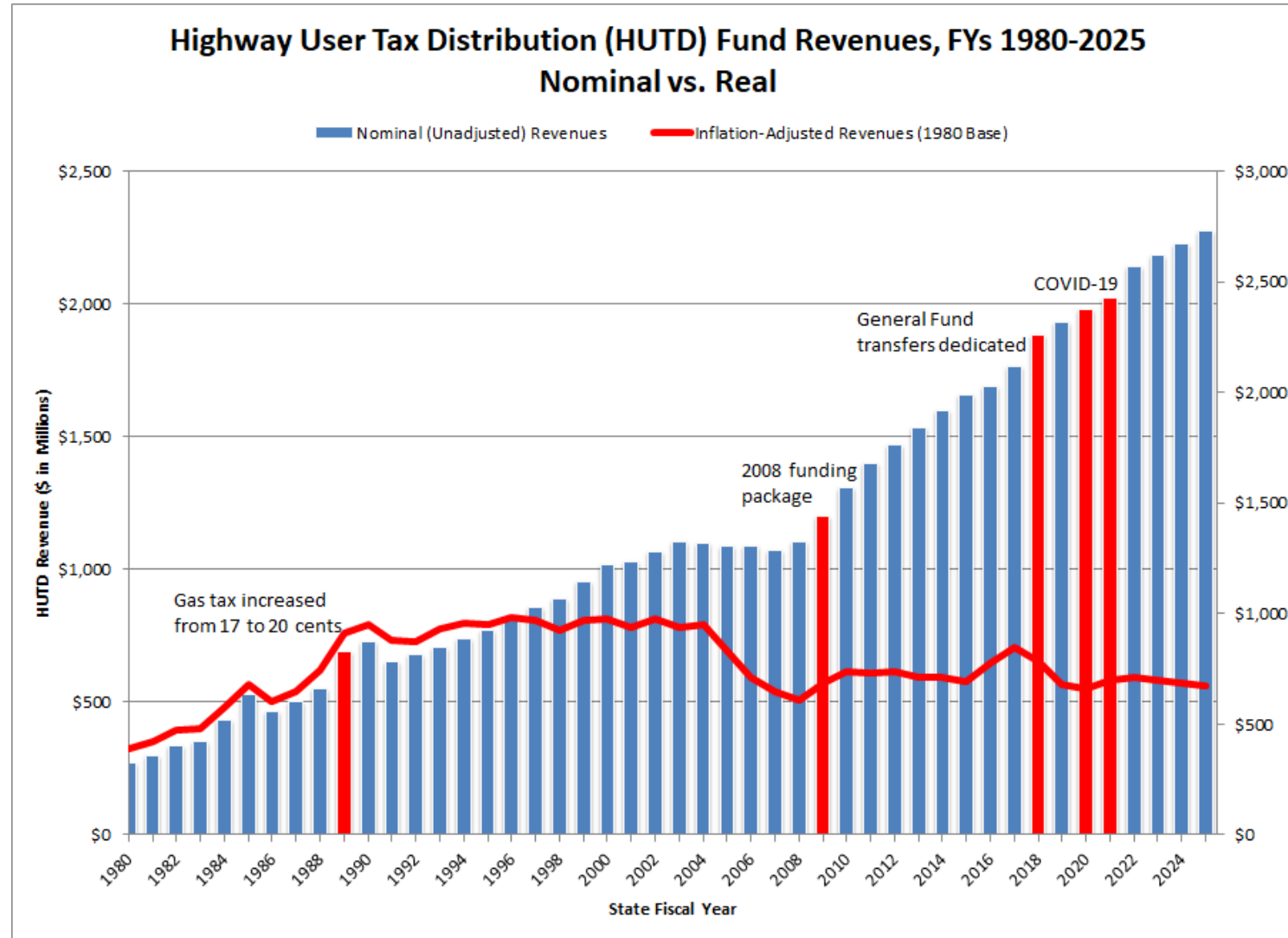


20 year Transportation Needs identified in current State Highway Investment Plan

Transportation needs = \$39B

Available revenue = \$21B

Minnesota Highway User Tax Revenue



Bridge Condition

| National Highway System Bridges | Current (2020) | Target | End of STIP (2024) | End of CHIP (2030) |
|---------------------------------|----------------|--------|--------------------|--------------------|
| Good Condition | 35.3% | ≥ 55%* | 36.7% | 41.8% |
| Poor Condition | 3.1% | ≤ 2% | 1.3% | 8.9% |

| Other State Highway Bridges | Current (2020) | Target | End of STIP (2024) | End of CHIP (2030) |
|-----------------------------|----------------|--------|--------------------|--------------------|
| Good Condition | 37.3% | ≥ 50%* | 34.4% | 33.6% |
| Poor Condition | 3.4% | ≤ 8% | 3.3% | 11.2% |



*MnDOT has increased the accuracy of bridge condition data over the past 4-5 years through improved training, quality control and quality assurance of bridge inspections. Bridge performance targets will be reevaluated as part of the update to the 20-Year State Highway Investment Plan.

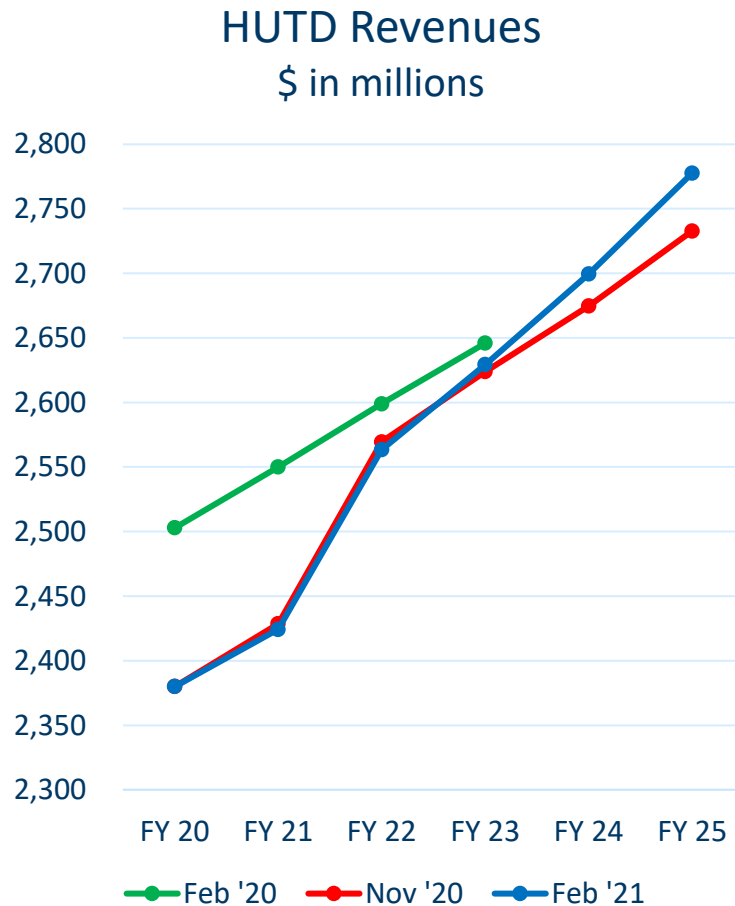
Pavement Condition (Ride Quality)

| Interstate Pavements | Current (2019) | Target | End of STIP (2024) | End of CHIP (2030) |
|--|----------------|--------|--------------------|--------------------|
| Good Condition | 81.5% | ≥ 70% | 78.5% | 86.9% |
| Poor Condition | 1.3% | ≤ 2% | 2.8% | 1.2% |
| National Highway System (Non-Interstate) Pavements | | | | |
| Good Condition | 73.8% | ≥ 65% | 68.8% | 71.2% |
| Poor Condition | 1.4% | ≤ 4% | 4.3% | 6.0% |
| Other State Highway Pavements | | | | |
| Good Condition | 65.4% | ≥ 60% | 60.7% | 55.8% |
| Poor Condition | 6.2% | ≤ 10% | 7.7% | 10.4% |

New Strategic Focus Areas



HUTD Revenues



- FY 2020-21 biennial revenues down - \$4.5M (-0.1%) compared to Nov
- Still down -\$249M (-4.9%) compared to Feb '20
- FY 2022-23 revenues projected to recover nearly to February forecast levels, then grow ~3%/year

Coronavirus Aid, Relief, and Economic Security Act

March 27, 2020

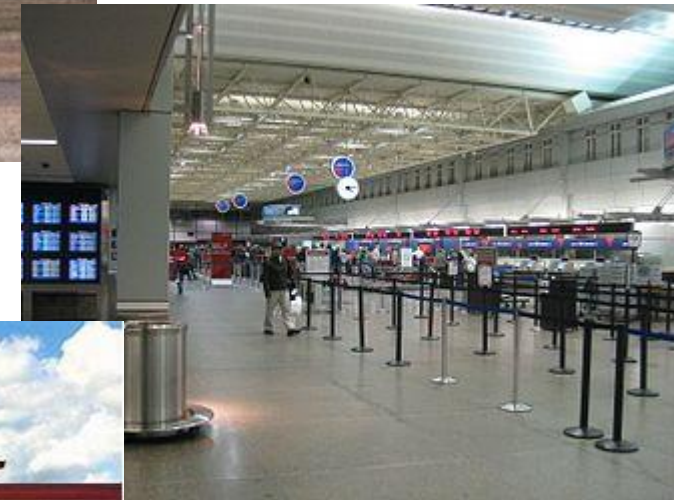


- Coronavirus Relief Fund
 - \$600K COVID-19-positive client transportation
- Federal Transit Administration
 - \$54 million for greater Minnesota transit (MnDOT)
 - \$27 million for transit systems in urban areas w/ populations of 50,000+
 - \$227 million for Twin Cities metro transit (Met Council)
 - \$4.4 million to replace 47 buses for 20 transit agencies in rural areas

Coronavirus Aid, Relief, and Economic Security Act

March 27, 2020

- Federal Aviation Administration
 - \$125 million for Minneapolis-St. Paul
 - \$30 million for other 8 commercial service airports
 - \$3 million for 88 general aviation airports
 - 36 airports receive nothing



Coronavirus Response & Relief Supplemental Appropriations Act

December 27, 2020

- Federal Highway Administration
 - \$162 million for state and local highways
- Federal Transit Administration
 - \$14.7 million for greater Minnesota transit
- Federal Aviation Administration
 - \$42 million for grants to airports



Prioritization and Evaluation

The key priorities for MnDOT change items include:

- Equity, Environment & Emerging Trends
- Safety – Securing People and Supporting System
- Maintaining Existing Services Levels
- Policy Items with Minimal Fiscal Impact



MnDOT Expenditures by Fund

\$ in \$1,000s

| Total | FY22-23 Base | FY22-23 Gov Rec | \$ Difference | % Difference |
|----------------------|------------------|------------------|----------------|--------------|
| General Fund | 38,634 | 38,770 | 136 | 0% |
| Special Revenue Fund | 147,766 | 151,403 | 3,637 | 2% |
| Trunk Highway Fund | 3,466,995 | 3,710,625 | 243,630 | 6% |
| HUTD Fund | 264 | 883 | 619 | 234% |
| State Airport Fund | 52,375 | 52,820 | 64 | 0% |
| Grand Total | 3,706,034 | 3,954,501 | 248,086 | 7% |
| <i>FTEs*</i> | <i>5,371</i> | <i>5,384</i> | <i>13.5</i> | <i>0%</i> |

**Average for the biennium and includes MNIT FTEs*

MnDOT Governor's Budget Recommendation for Major Trunk Highway Fund Appropriations

\$ in \$1,000s

| Appropriation | FY22-23 Base | FY22-23 Gov Rec | \$ Difference | % Difference |
|--------------------------|------------------|------------------|----------------|--------------|
| Operations & Maintenance | 727,116 | 741,156 | 14,040 | 2% |
| Program Delivery | 455,136 | 466,756 | 11,620 | 3% |
| Planning & Research | 61,900 | 62,380 | 480 | 1% |
| State Road Construction | 1,848,564 | 2,043,564 | 195,000 | 11% |
| Agency Services | 106,138 | 126,998 | 20,860 | 20% |
| Buildings | 79,388 | 80,638 | 1,250 | 2% |
| Grand Total | 3,278,242 | 3,521,492 | 243,250 | 7% |

Governor's Budget Recommendations

\$ in \$1,000s

| | Request Name | Fund | FY 2022 | FY 2023 |
|---|---|----------|---------|---------|
| <i>Equity, Environment & Emerging Trends</i> | Small Contracts to Advance Equity | TH | 2,000 | 2,000 |
| | Climate Change and Sustainability | TH | 2,705 | 3,705 |
| | | HUTD | (275) | (344) |
| | UAS Enforcement and Regulation | Airports | 28 | 36 |
| <i>Safety – securing people and supporting system</i> | Cyber Security, Risk Management and Agency Priority Initiatives | TH | 9,800 | 9,800 |
| | Rail Grade Safety and Development | SR | 1,857 | 1,800 |
| | Homeless Encampment Sites | TH | 350 | 350 |
| <i>Maintaining Current Service Levels</i> | State Road Construction Appropriation Increase | TH | 117,000 | 78,000 |
| | Operating Adjustment | TH | 9,360 | 9,560 |
| | | GF | 46 | 90 |
| | Increase Admin Cap for Transit Assistance Fund | N/A | - | - |
| <i>Policy</i> | Sale of Surplus, Excess and Unsold Land | TH | (12) | (12) |
| | Horse and Buggy Travel Safety | N/A | - | - |

Small Contracts to Advance Equity

Equity, Environment & Emerging Trends



- \$2 million/year from the Trunk Highway Fund for:
 - Small Contracts to Advance Equity programs
 - Right size contract and maximize opportunities for small diverse businesses available

Climate Change and Sustainability

Equity, Environment & Emerging Trends

- Invest in liquid deicing chemicals and storage (1x Trunk Highway Fund):
 - \$2.13M in FY22
 - \$2.13M in FY23
- Base budget increase of \$575k/year from the Trunk Highway Fund
 - \$425k for sustainability and public health initiatives (2 FTEs)
 - \$150k for energy efficiency improvements at MnDOT facilities



Climate Change and Sustainability

Equity, Environment & Emerging Trends

- Dedicate half of \$75 electric vehicle surcharge (capped at \$1M) from HUTD Fund to expand EV charging infrastructure.
 - Average \$400k/year from HUTD Fund between FY22-25
- Add between 4 DC-fast and 31 Level 2 chargers around the state each year



Climate Change and Sustainability

Equity, Environment & Emerging Trends

Climate Change Impacts to Transportation in MN

Climate Impacts



Floods



Warmer Winters



Invasive Species



Droughts



Extreme Heat



Wildfires



Severe Wind

Increased Likelihood

Very High

Very High

High

Medium

Medium Low

Low

Low

Transportation Impacts

- Slope failures and erosion
- Increased large-scale river flooding and localized flooding
- More frequent and extensive inundation of low-lying areas
- Increased overnight icing and freeze/thaw cycles, reducing pavement performance and life cycle
- Increased average winter precipitation and more extreme precipitation
- Soil erosion from vegetation loss
- Increase in invasive species populations
- Wetland site failure
- Roadside vegetation stress and increases soil erosion
- Low stream and ground water flow
- Pavement and rail buckling
- Increase in vehicles overheating and electrical system malfunctions
- Limitations on construction hours
- Immediate and significant threat to human safety
- Increased risk of future flooding and slope failure
- Severe wind-related road closures, blown-down trees, signs

UAS Enforcement and Regulation

Equity, Environment & Emerging Trends

- Reduce registration fee for small drones from \$100 to \$25 annually
 - Increase in registration revenue by approximately \$60,000 in FY2025
- Allow commercial drone operators to use on-demand insurance
- MnDOT is allowed to review proposed ordinances developed by local governments



Cyber Security, Risk Management, and Agency Priority Initiatives

Safety – securing people and supporting system



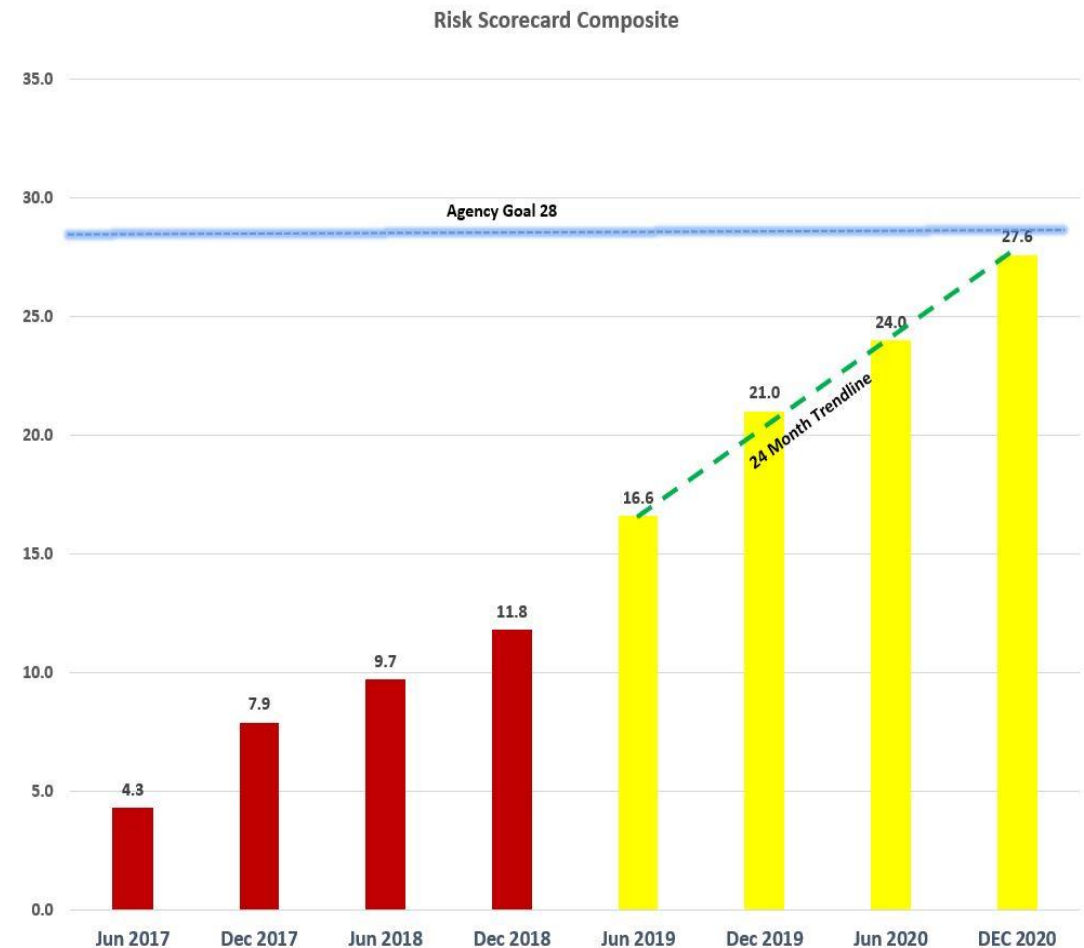
- Base budget increase from the Trunk Highway Fund:
 - \$9.8M/year
- Implement recommendations of Governor's Blue Ribbon Council
- Data modernization, cyber-security, risk management, and protection of the state's sensitive data assets and technology investments

Cyber Security, Risk Management, and Agency Priority Initiatives

Safety – securing people and supporting system

How we're addressing cyber security at MnDOT:

- Statewide monitoring through the MNIT Security Operations Center and Denial of Service (DDOS) Protection
- Monthly Activity Reports and Security Operations Summaries
- Offering Advanced Threat Protections, Multi-Factor Authentication, Phishing Training Programs, etc.



Rail Grade Safety and Development

Safety – securing people and supporting system

- Increase funding for the Grade Crossing Safety Account from \$1 to \$2.5 million/year in response to increasing needs for rail safety improvements (revenues from Trunk Highway Fund)
- 2 additional rail inspectors, funded through assessment on the railroads at an estimated \$357k in FY22 and \$300K each year thereafter
 - MnDOT currently has 4 railroad inspectors



Homeless Encampment Sites

Safety – securing people and supporting system

- \$350,000/year from the Trunk Highway Fund
- Coordinate approach to minimize the establishment of encampment sites along MnDOT right-of-way
- Engage public and develop sites in ways that honor the cultural values and improve safety
- Coordinate with other state agencies and nonprofits



State Road Construction Appropriation

Maintaining Current Service Levels

- Total request: \$117M in FY 2022, \$78M in FY 2023
 - **\$117M** (FY22) and \$58M (FY23) in estimated additional federal funds due to recently updated STIP
 - **\$74M** Coronavirus Response and Relief Act, which is recognized in FY22 but not included in the appropriation request at this time
 - **\$20M** base budget increase starting in FY23 from the Trunk Highway Fund
- Invest in the state highway system working towards performance targets and key system goals



Operating Pressures

Maintaining Current Service Levels

- Base budget increase of \$9.36M FY22 and \$9.56M each year thereafter from **Trunk Highway Fund**
 - Address compensation pressures (healthcare costs and step increases)
 - Cedar Truck Station lease payment: \$560,000/year
 - Central Office Lease: \$200K in FY22 and \$400K each year thereafter
- Base budget increase of \$46K in FY22 and \$90K each year thereafter from **General Fund**



Increase Admin Cap for Transit Assistance Fund

Maintaining Current Service Levels



- Increase portion of Transit Assistance Funds allowed to be used for administrative costs
 - Recommend changing to **2%** of annual revenues
 - Estimated to be ~\$1.4M/year in FY 2022-23 biennium
 - 2% for admin is consistent with other funds (CSAH, MSAS, etc.)

- Streamline processes and expedite sale of excess land:
 - Allow realtors to negotiate a price down to 80% of the certified appraised value, instead of current 90%
 - Allow MnDOT to sell unsold land for at least 80% of the certified appraised value
 - Allow MnDOT to sell some excess lands directly adjacent to landowner
- Potential cost saving to MnDOT staff of approximately \$12K/year



- Horse and buggy would be identified as a slow-moving vehicle under Minnesota Statute
- Clarify the emblem that must be displayed by a horse and buggy as a slow-moving vehicle
- Partner with DPS to create safety manual to help drivers and law enforcement how to safely operate these vehicles on public roadways

Questions?