



# Overview of Trunk Highway Bonding House Transportation Finance and Policy Committee

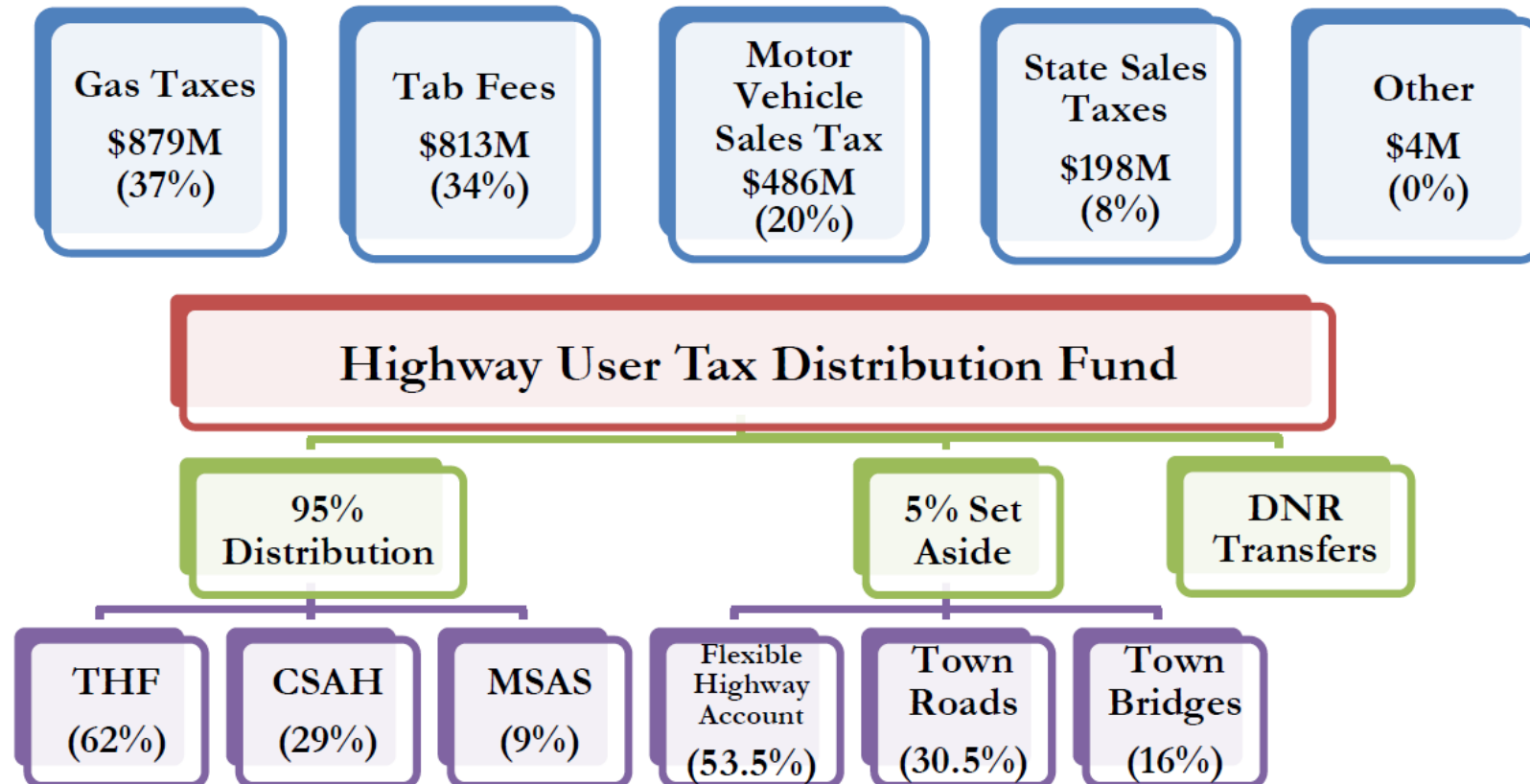
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MnDOT

February 16, 2021

# Highway User Tax Distribution Fund

## HUTD Sources and Uses FY 2020 Actuals (\$ in millions)



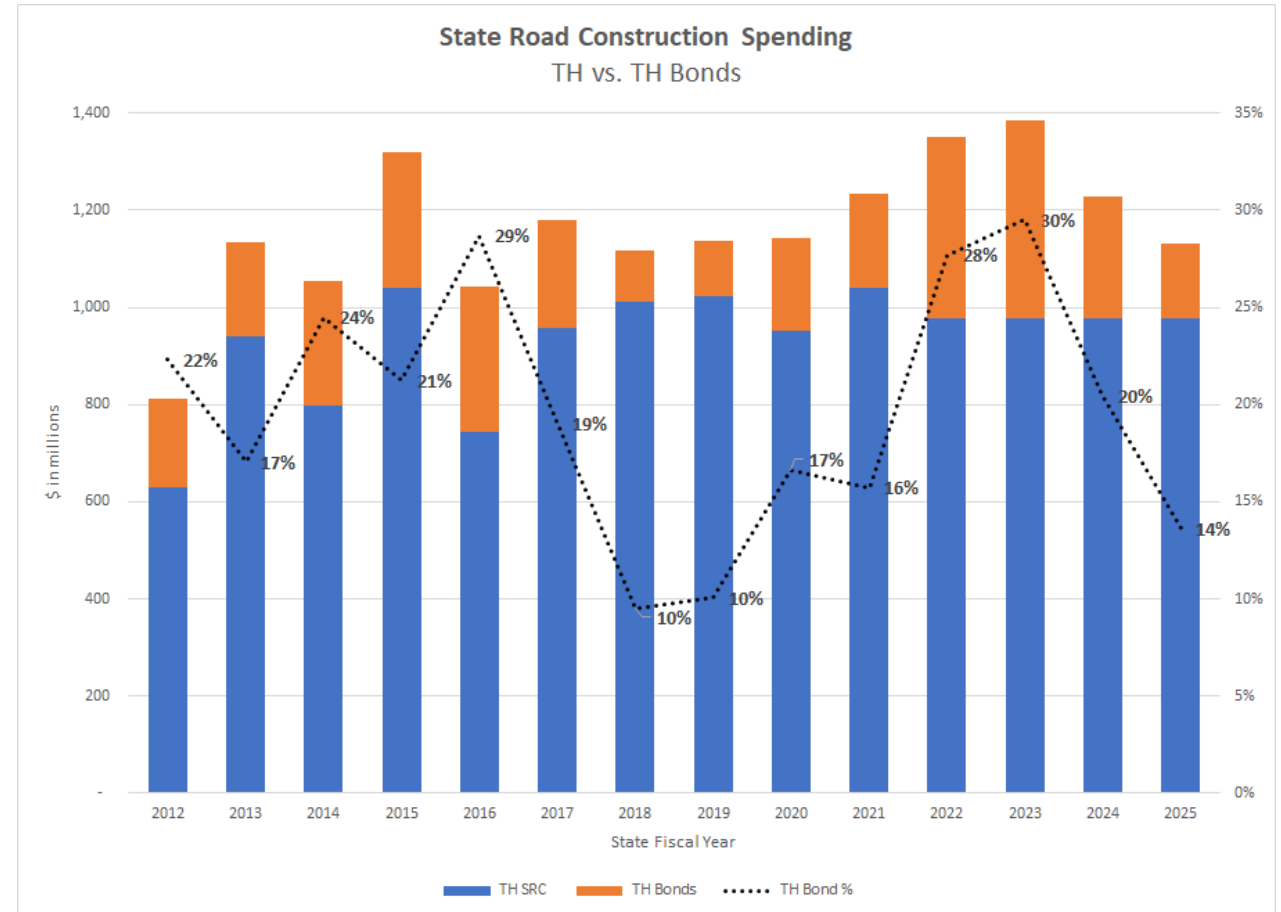
- There are two primary types of bonds MnDOT uses:
  - General Obligation (GO) Bonds: used for purpose specified in law
    - Typical authorizations includes local roads and local bridges, airports, rail, ports, etc.
  - General Obligation Trunk Highway Bonds: must be for a trunk highway purpose (established in Article 14 of the Constitution)
- Bonds are 20 years, equal principal amounts each year, managed by MMB

# Trunk Highway Bonding

- Must be used for trunk highway purposes; debt repaid by Trunk Highway Fund
- Has become a significant source of funding (\$4B+ since 2008, \$1B for Corridors of Commerce):
  - Chapter 152 (2008): \$1.8 billion (\$600M for bridges)
  - Chapter 36 (2009): \$40 million (interchanges)
  - Chapter 388 (2010): \$100 million (\$70M interchanges)
  - Chapter 117 (2013): \$300 million (Corridors of Commerce)
  - Chapter 5 (SS 2015): \$140 million
  - Chapter 3 (SS 2017): \$940 million (\$300M Corridors of Commerce)
  - Chapter 214 (2018): \$400 million (Corridors of Commerce)
  - Chapter 3 (SS 2020): \$300 million (\$110M rail grade crossings, \$84M state road construction, \$58M facilities, \$25M project development, \$23M flood)

# TH Fund and TH Bond Fund

- Overall, ~\$1.2B/year spent on state highway construction (trunk highway funds and trunk highway bonds combined)
- ~20% of that total is trunk highway bonds
- Has ranged from 10% to 30%



# Trunk Highway Bond Sales

- Once bonds are authorized in law, bonds are sold (1-2x/year) for cash needs for upcoming year
- Most recent sale occurred in August 2020
  - Trunk Highway bonds sold: \$152M @ 1.26% (lowest in last 15 years)
  - Trunk Highway bond refundings: ~\$344M (saved an estimated \$57M in interest on debt service payments in FYs 2021 and 2022)
- MMB official statement: <https://mn.gov/mmb-stat/debt-management/bonding/official-statements/2020/MNState01a-FIN.pdf>

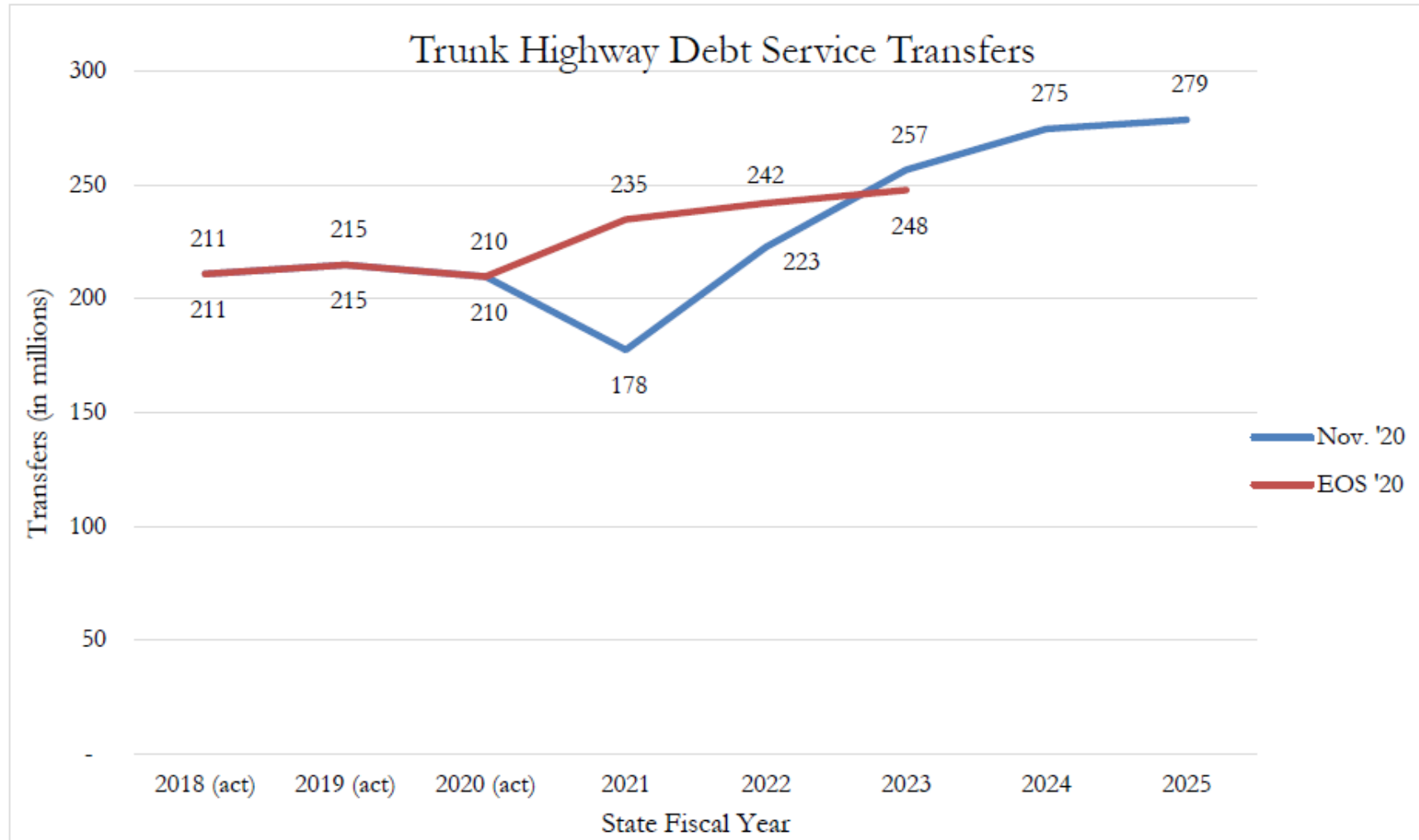
# Trunk Highway Bonds Status

- As of August 2020 bond sale, below are the authorized and remaining amounts unissued (\$ in millions):

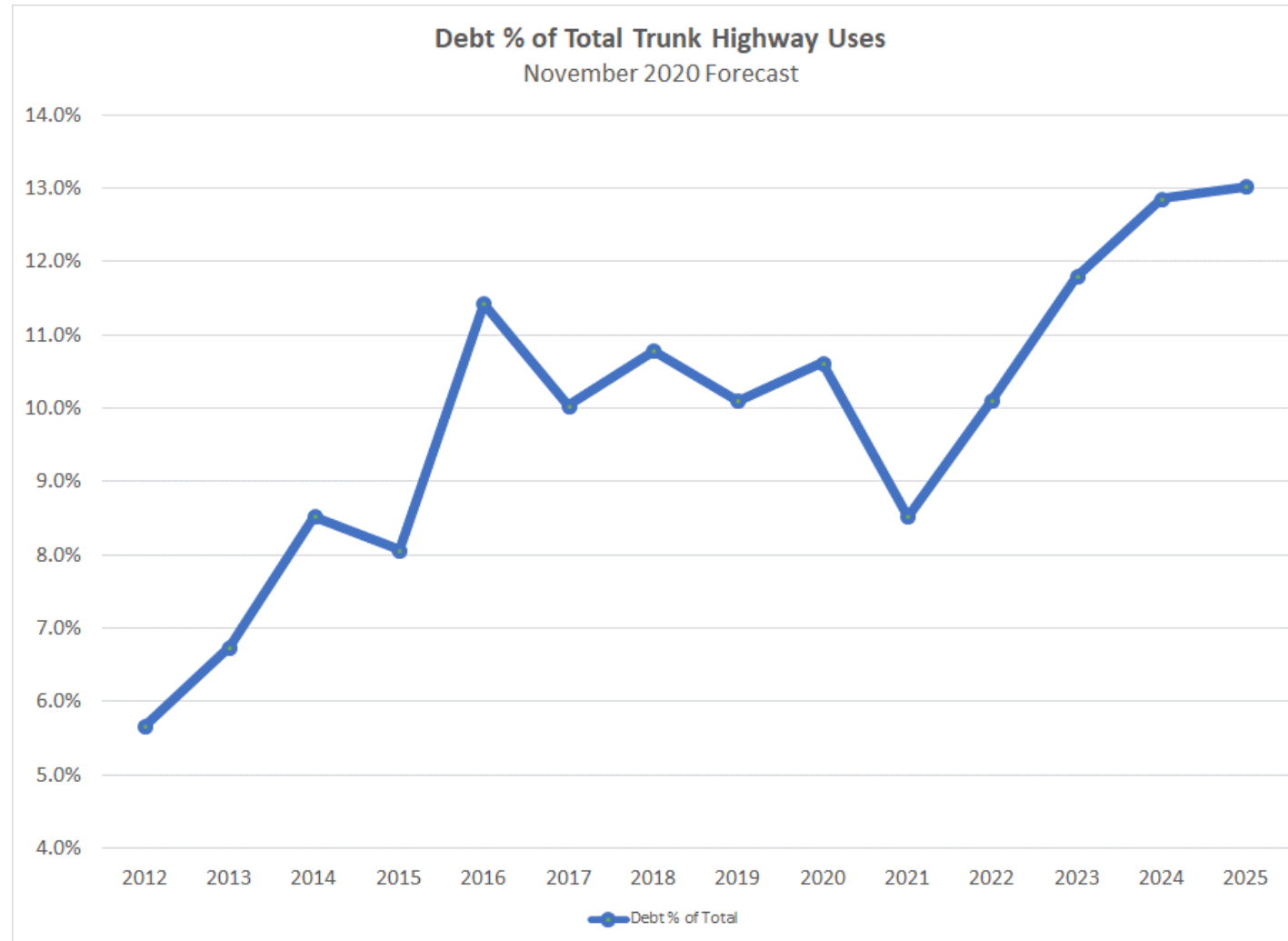
Law Authorizing	Total Authorized	Remaining Amount	% Remaining
2008, CH 152	\$1,781	\$23	1%
2012, CH 287	\$18	\$0	0%
2013, CH 117	\$300	\$0	0%
2015 SS, CH 5	\$140	\$0	0%
2017 SS, CH 3*	\$941	\$612	65%
2018, CH 214*	\$417	\$407	98%
2020 SS, CH 5	\$300	\$300	100%
<b>Grand Total</b>	<b>\$3,896</b>	<b>\$1,342</b>	<b>34%</b>

\*Note: 2017 authorizations spread over FYs 18-21; 2018 spread over FYs 22-24

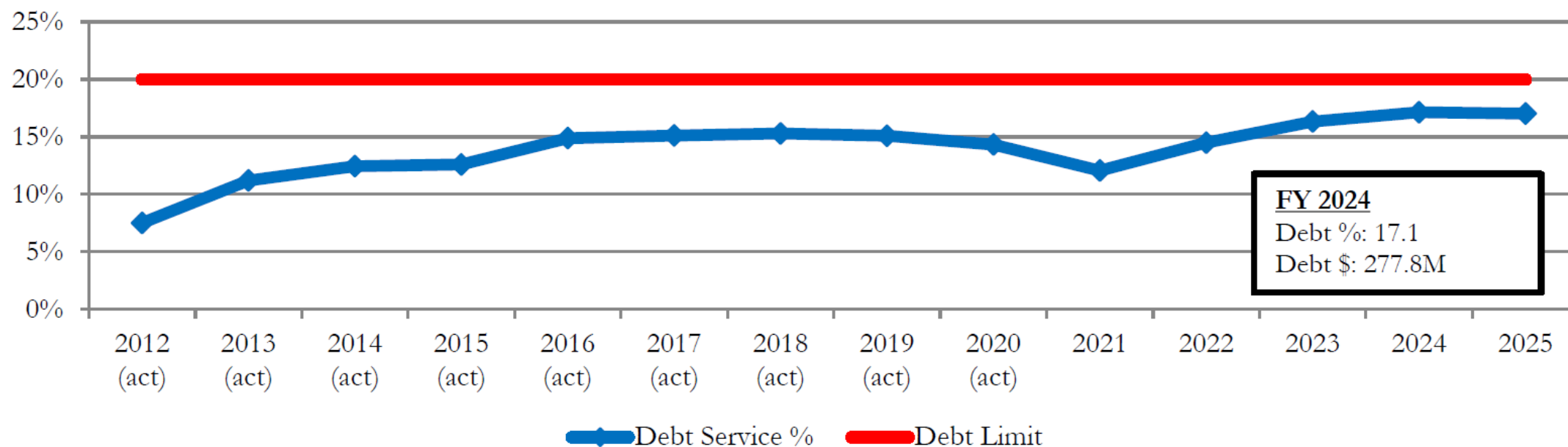
# Trunk Highway Debt Service



# Trunk Highway Debt Service % of Total Uses



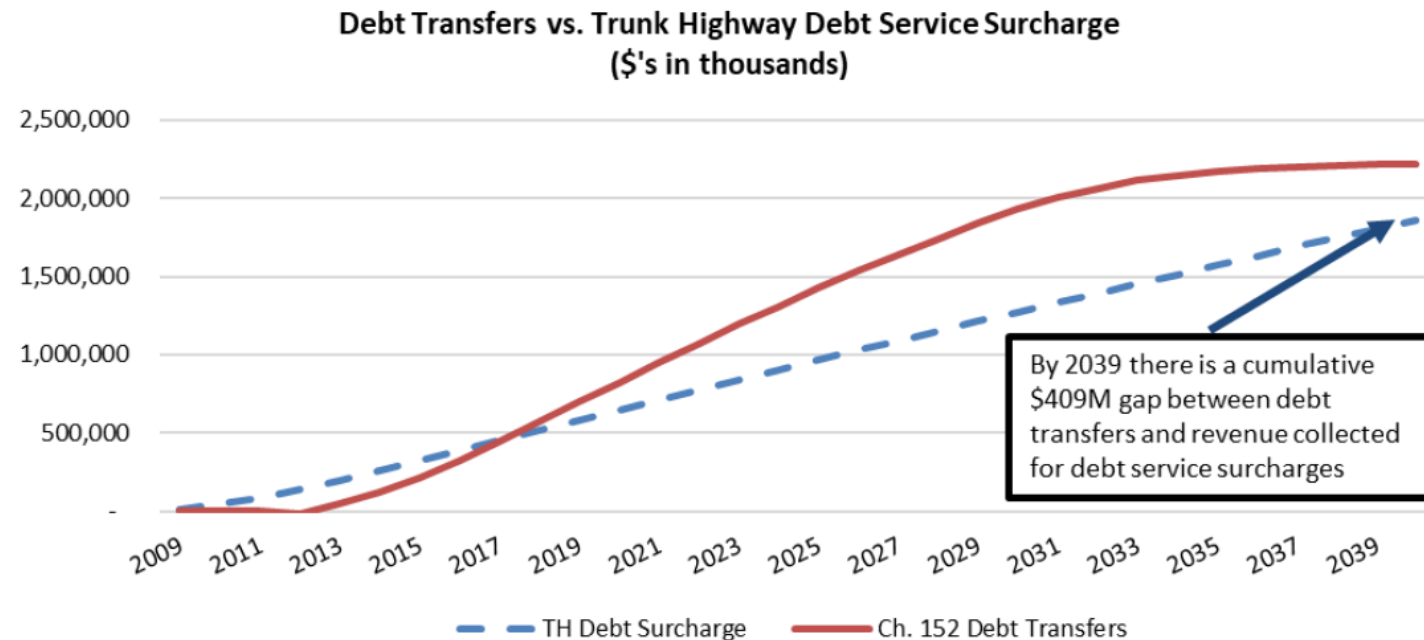
# Trunk Highway Debt Service Policy



- MnDOT policy limits debt service repayment to 20% of state revenues in Trunk Highway Fund
- Current projected peak is 17.1% in state fiscal year 2024
- Estimated additional bonding capacity of ~\$460M

# Motor Fuel Tax – Debt Service Surcharge

- Existing 28.5 cent motor fuel tax includes 3.5 cent debt service surcharge
- Surcharge is dedicated to repay \$1.8B in CH 152 bonds (trunk highway portion only)
- Cumulative estimated gap between surcharge and debt is ~\$409M in 2039
- To eliminate gap would require:
  - Additional 0.7 cents (CH 152 only)
  - Additional 4.3 cents (all existing debt)



# Thank you again!

**Josh Knatterud-Hubinger**

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