



Overview of Trunk Highway Bonding House Transportation Finance and Policy Committee

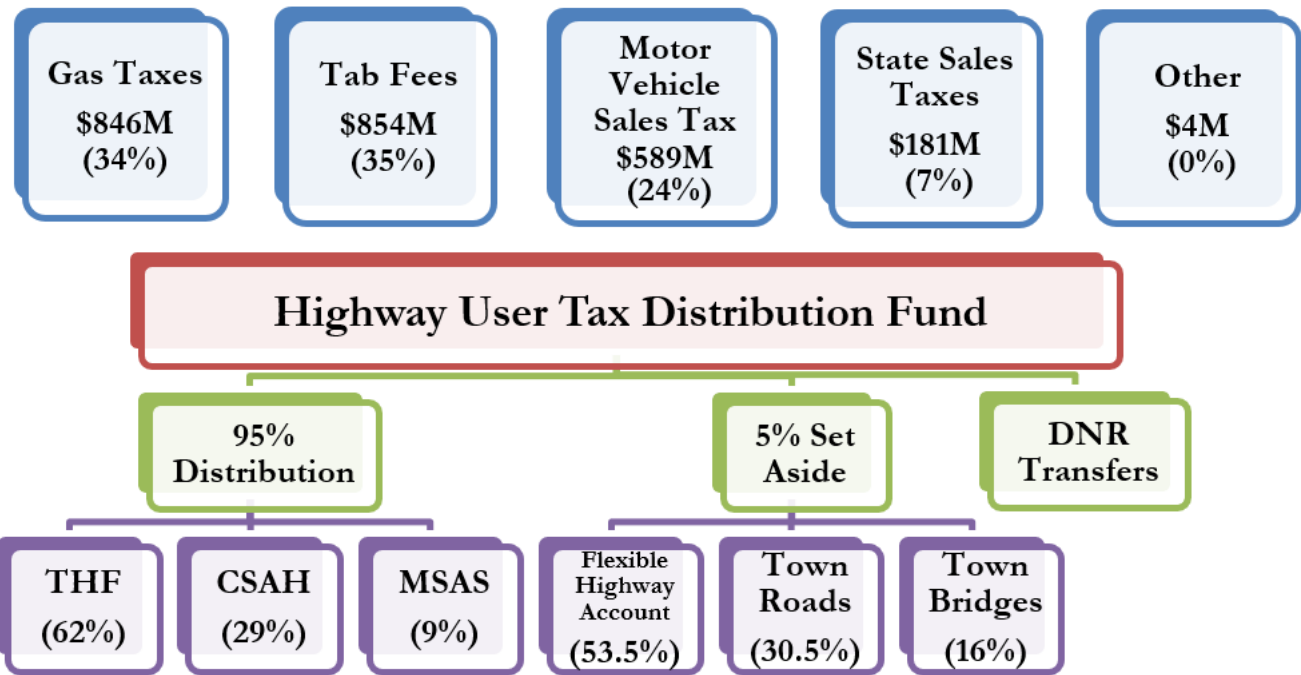
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MnDOT

March 10, 2022

Highway User Tax Distribution Fund

HUTD Sources and Uses
 FY 2021 Actuals
 (\$ in millions)



- Article XIV of the Minnesota Constitution
- State Sales Taxes include: fixed portion of sales tax on auto parts, 11 percent of total Motor Vehicle Lease Sales Tax (MVLST) and rental sales taxes (both 6.5 percent & 9.2 percent)
- DNR transfers for unrefunded gas taxes per Minn. Stat. 296A.18 (totals about 2.5 percent of gas taxes)

General Obligation (GO) Bonds

- Used for purpose specified in law
- Typical authorizations includes local roads and local bridges, airports, rail, ports, etc.

GO Trunk Highway Bonds

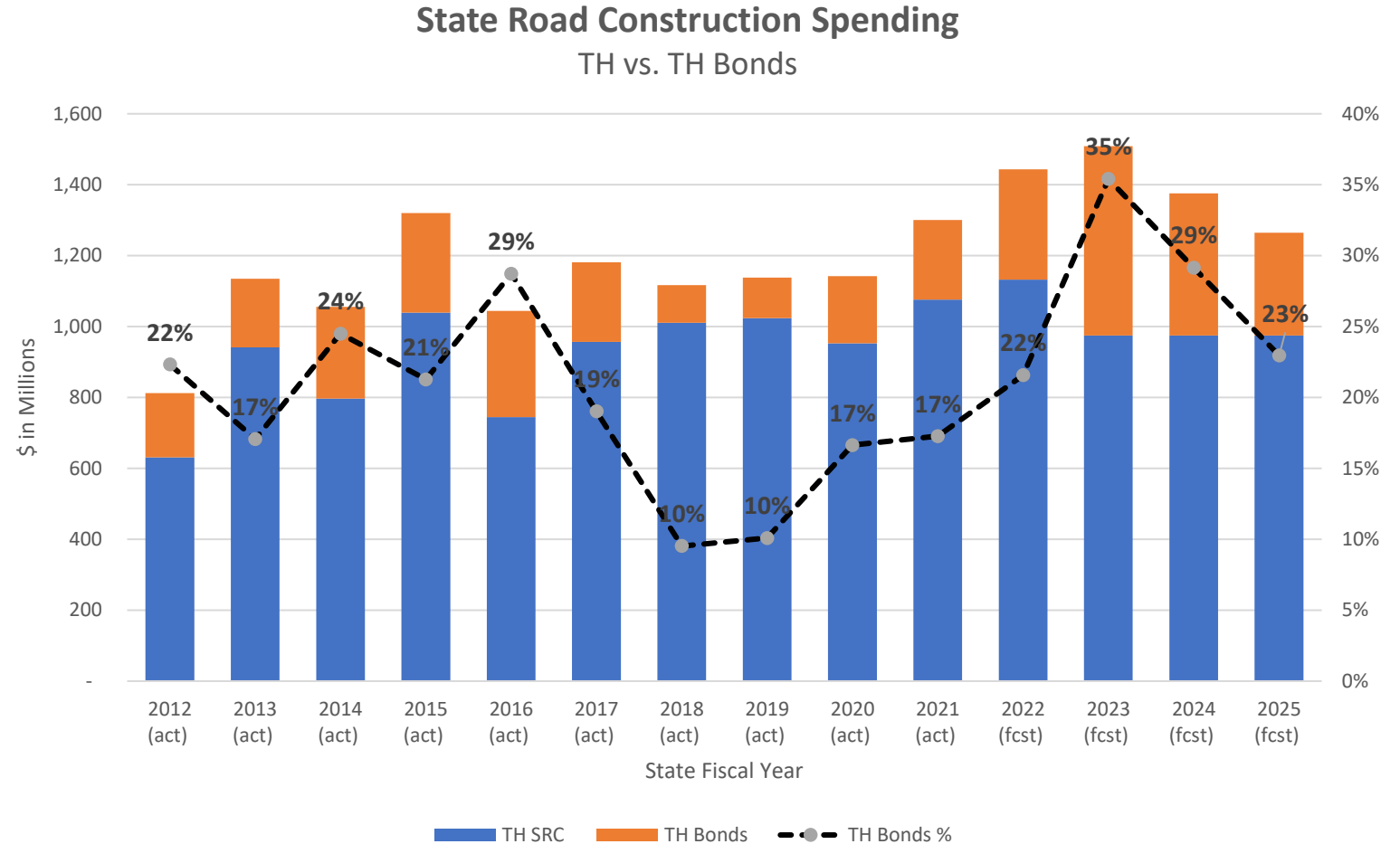
- Must be for a trunk highway purpose (established in Article 14 of the Constitution)
- Debt is repaid by the Trunk Highway Fund
- Has become a significant source of funding (nearly \$4.5B since 2008, \$1.2B for Corridors of Commerce)

Trunk Highway Bonding

- 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)
- Chapter 5 (SS 2021): \$413 million (\$113M regional and community investment priorities, \$100M state road construction, \$200M corridors of commerce)

TH Fund and TH Bond Fund

- Average ~\$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 35%



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 September 2021
 - Trunk Highway bonds sold: \$311M @ 1.49% (2nd lowest in last 15 years)
- MMB official statement: <https://mn.gov/mmb-stat/debt-management/bonding/official-statements/2021/MNState01a-FIN.pdf>

Trunk Highway Bonds Status

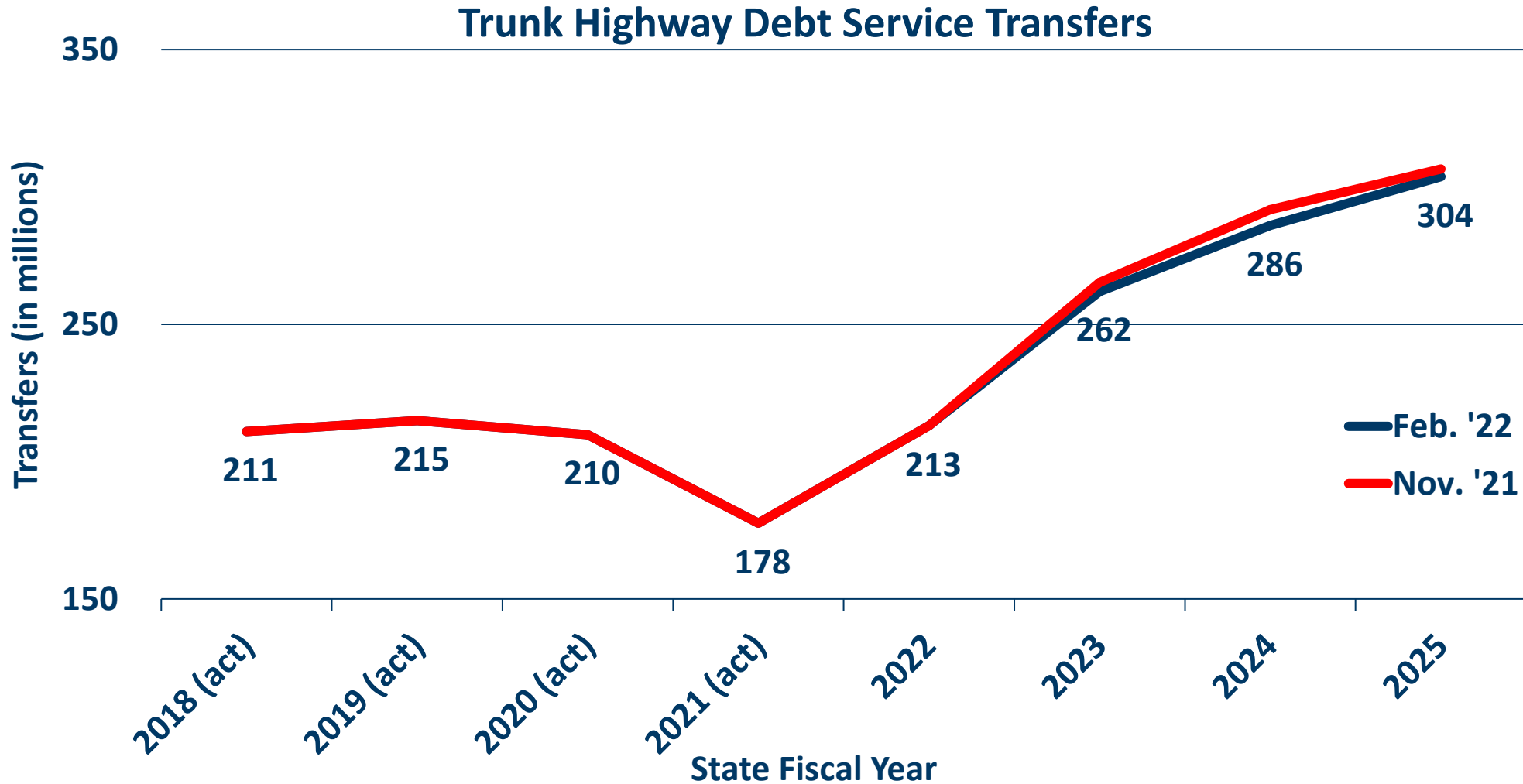
As of September 2021, the authorized and remaining amounts unissued (\$ in millions):

| Law Authorizing | Total Authorized | Remaining Amount | % Remaining |
|--------------------|------------------|------------------|-------------|
| 2008, CH 152 | \$1,781 | \$1 | 0.1% |
| 2012, CH 287 | \$18 | \$0.0 | 0% |
| 2013, CH 117 | \$300 | \$0 | 0% |
| 2015 SS, CH 5 | \$140 | \$0 | 0% |
| 2017 SS, CH 3* | \$941 | \$427 | 45% |
| 2018, CH 214* | \$417 | \$366 | 88% |
| 2020 SS, CH 3 | \$300 | \$242 | 81% |
| 2021 SS, CH 5* | \$413 | \$408 | 99% |
| Grand Total | \$4,310 | \$1,444 | 34% |

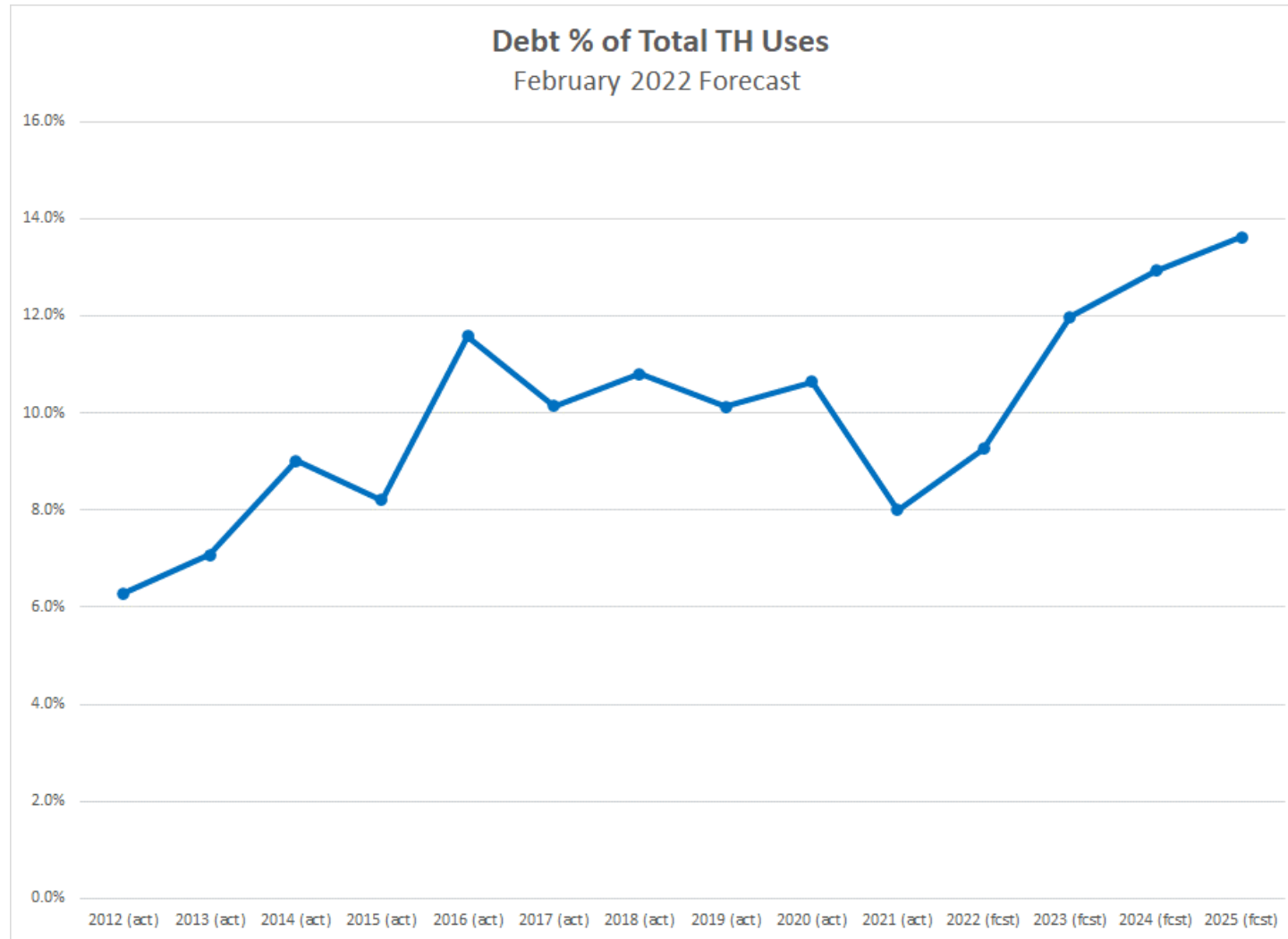
* Authorization Notes:

- **2017** spread over FYs 18-21;
- **2018** spread over FYs 22-24;
- **2021** spread over FYs 22-25

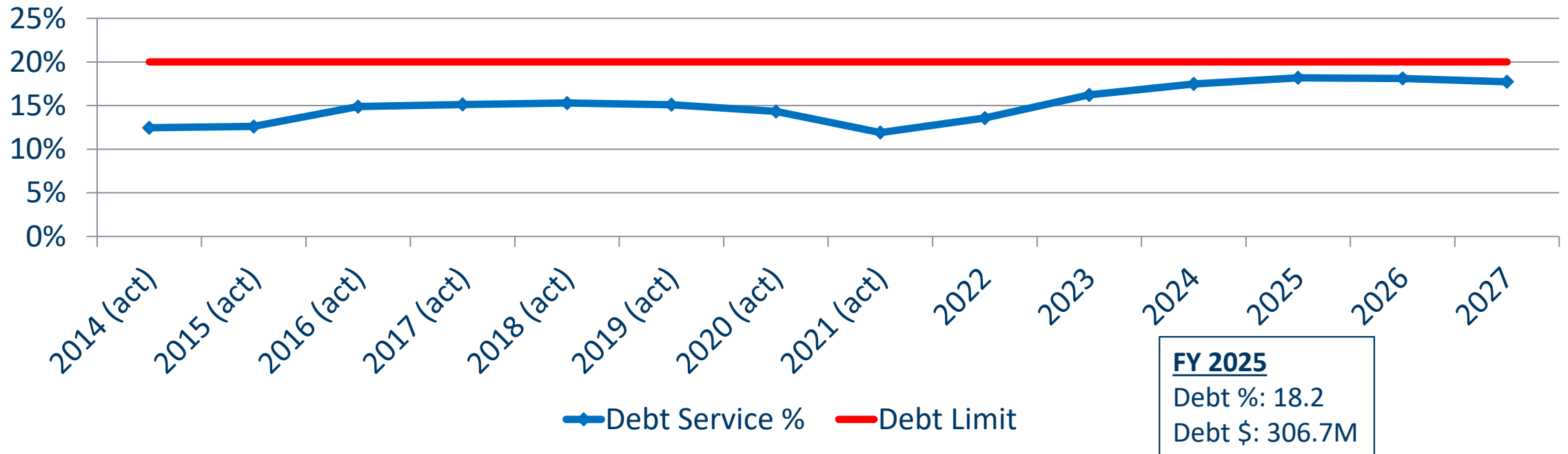
Trunk Highway Debt Service



Trunk Highway Debt Service % of Total Uses

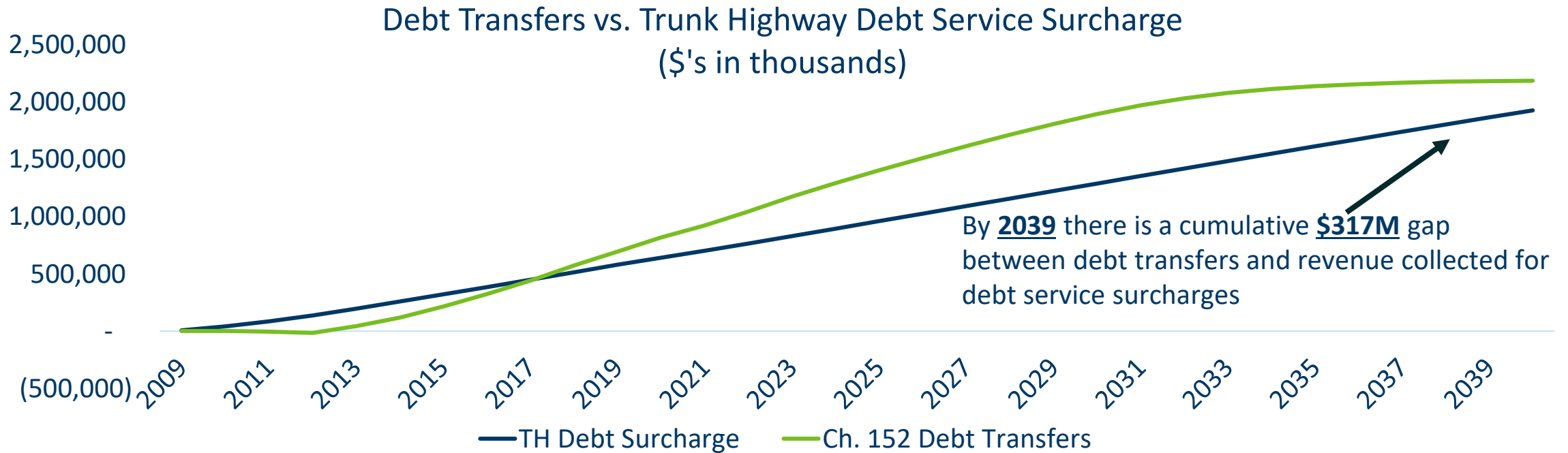


Trunk Highway Debt Service Policy



- MnDOT policy limits debt service repayment to 20% of state revenues in Trunk Highway Fund
- Current projected peak is 18.2% in state fiscal year 2025
- Estimated additional bonding capacity of ~\$305M

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 ~\$317M in 2039

| Project and Program | Funding Source | Governor's Proposal |
|--|----------------|---------------------|
| High Priority Bridges | THB | \$80,000 |
| Local Bridge Replacement Program | GO | \$120,000 |
| Local Road Improvement Program | GO | \$90,000 |
| Highway Railroad Grade Crossing Warning Device Replacement | GO | \$5,000 |
| Port Development Assistance Program | GO | \$5,000 |
| Safe Routes to School Infrastructure Program | GO | \$1,500 |
| Active Transportation | GO/GF | \$5,000 |
| Truck Parking Improvements | TH | \$5,000 |
| Minnesota Rail Service Improvement Program | GO | \$2,000 |
| Greater Minnesota Transit Program | GO | \$1,000 |
| Facilities Capital Improvements | THB/TH | \$71,200 |
| Rail Corridor Capacity Improvements | GO | \$16,100 |
| General Obligation Bond (GO) Total | | \$244,600 |
| General Fund Cash (GF) Total | | \$1,000 |
| Trunk Highway Bonds (THB) Total | | \$151,200 |
| Trunk Highway Fund (TH) Total | | \$5,000 |
| Grand Total | | \$401,800 |

High Priority Bridges \$80 Million Trunk Highway Bonds

\$80 million in Trunk Highway Bonds to fund high priority bridge projects throughout the state

- Proposal could leverage an equal amount of federal funds
- Bridge conditions are currently meeting targets but are projected to decline significantly over the next ten years



Facilities Capital Improvement Program \$71.2 Million Trunk Highway Bonds/Cash

\$69 million in Trunk Highway Bonds and \$2.2 million Trunk Highway Cash to support building infrastructure

- Facilities Capital Improvement Program is a systematic approach to the maintenance, renovation, and replacement
- MnDOT maintains 892 facilities at 279 sites



Truck Parking Improvements

\$5 Million Trunk Highway Fund

\$5 million in Trunk Highway Cash for enhanced truck parking

- Expand public truck parking and information for truck drivers at two key rest areas:
 - At Big Spunk in Avon and Enfield in Monticello (St. Cloud region)
- Site modifications and lighting improvements to enhance safety
- No previous appropriations



Thank you again!

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