

HF748 - 0 - Transpo. Project Assess. & Emissions Goals Mod.

Chief Author: **Jon Koznick**
 Committee: **Transportation Finance and Policy**
 Date Completed: **3/3/2025 5:57:52 PM**
 Agency: **Transportation Dept**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
 Reductions shown in the parentheses.

State Cost (Savings)		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
Total		-	-	-	-	-
Biennial Total				-		-

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2025	FY2026	FY2027	FY2028	FY2029
Total		-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
	Total	-	-	-	-	-
	Biennial Total			-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
	Total	-	-	-	-	-
	Biennial Total			-		-
2 - Revenues, Transfers In*						
	Total	-	-	-	-	-
	Biennial Total			-		-

Bill Description

This bill would make the following changes to the greenhouse gas emissions and vehicle miles travelled assessment required under MN Statute 161.178:

- Remove the requirement to assess highway construction project conformance with MnDOT's vehicle miles travelled targets.
- Remove the requirement to assess a highway construction project if it is "identified as included in the transportation safety investment category established in the Minnesota state highway investment plan"

The bill adds "freight rail infrastructure and service improvements" to the list of eligible offset actions.

Finally, the bill clarifies that statutory goals for the transportation system (15) and (16) that address greenhouse gas emissions and impact to the environment are secondary to goal (1) to minimize fatalities and injuries for transportation users throughout the state.

Assumptions

MnDOT assumes that the addition of freight rail infrastructure and service improvements along with the modification to statutory goal priorities would not directly have a fiscal impact. It's possible that they could change how MnDOT allocates financial resources but would not change the amount of funding needed or used.

MnDOT assumes that level of effort to conduct the impact assessment for just greenhouse gas emissions and not the combination of greenhouse gas emissions and vehicle miles travelled (VMT) would be unchanged as estimating any impacts to VMT would still be required to understand impacts to greenhouse gas emissions.

Therefore, the primary fiscal impacts are likely to derive from exempted projects included in the transportation safety investment category from the assessment, and potential subsequent mitigation.

The Minnesota State Highway Investment Plan investment categories are not categories of projects, but rather represent elements of construction projects such that state highway construction projects typically include 2-5 investment categories. MnDOT assumes the intent of the bill is to exempt projects whose primary purpose is reducing fatal and serious injury crashes (the intent of the investment category). Many projects include small elements designed to reduce crashes, so may have small percentages of costs assigned to the transportation safety category even though the primary purpose of the project may be asset management or highway mobility. For the purposes of this analysis, MnDOT assumes that any project with at least 25% of its cost categorized in the transportation safety investment category would qualify for this exemption.

Prior to August 1, 2027, MN Statutes 161.178 only requires an assessment of major highway projects that add highway

traffic capacity or provide for grade separation of motor vehicle traffic at an intersection, excluding auxiliary lanes less than 2,500 feet. Of the more than 200 current major highway projects in the 2023 Major Highway Projects Report, 17 had 25% or more of their costs assigned to the transportation safety investment category. Of those, only one met the definition of a highway capacity expansion project, so would not be subject to the assessment. That project is already under construction and already exempt from the greenhouse gas assessment requirements, so would not be affected by this bill.

Between now and August 1, 2027, it is possible that another project could be recommended for inclusion in the State Transportation Improvement Program (STIP) that would meet the requirements of needing an assessment but have 25% or more of costs be categorized as transportation safety. Given the long development timeline for projects, MnDOT assumes that at most one or two projects would be proposed in this timeframe. Depending on the level of complexity of the project, the assessment would cost between \$2,000 to \$30,000 to complete. For the purposes of this fiscal note, MnDOT assumes one project would not be assessed during Fiscal Year 2027 that would have otherwise needed to for an average avoided cost of \$15,000. That project would likely have been scheduled for construction in 2030, so any required offsets would also have occurred in 2030 or later. The cost of those offsets could be relatively small (less than \$5m) or quite large (more than \$50m) depending on the nature of the project and the amount of offsets that would be required. As most of the available offset categories are not eligible for trunk highway funds, those costs would need to come from another source or from local sponsors of the project.

After August 1, 2027, all trunk highway projects are to be assessed as a portfolio. The first year of projects that would be assessed as a portfolio are state fiscal year 2031 construction. The assessment for that year would be conducted during State Fiscal Year 2028. MnDOT assumes an average of 5 projects per year would be exempted by this bill. MnDOT is still developing the methodology to conduct a portfolio assessment, but a reduction of 5 projects from the portfolio is not likely to have a significant effect on the level of effort to conduct the assessment.

The effect of removing five projects from the portfolio assessment for state fiscal year 2031 construction is not known and hard to estimate at this time. If the projects removed from the assessment reduced greenhouse gas emissions, then the effect of this bill might be to increase the need for offsets and therefore increase the cost to deliver the 2031 construction program. However, if the projects increased greenhouse gas emissions, their exclusion from the portfolio assessment would reduce the need for offsets and therefore reduce the costs needed in 2031 and beyond.

Expenditure and/or Revenue Formula

No MnDOT fiscal impact.

Long-Term Fiscal Considerations

None

Local Fiscal Impact

If a local unit of government was leading a trunk highway project excluded from the greenhouse gas assessment, they would not have to conduct the assessment nor provide any offsetting actions.

References/Sources

MnDOT Office of Transportation System Management

MnDOT Major Highways Projects Report

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