

HF192 - 0 - Trunk Highway Cost Participation Req. Established

Chief Author: **John Burkel**
 Committee: **Transportation Finance and Policy**
 Date Completed: **3/1/2025 8:37:45 AM**
 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
General Fund	-	25,000	25,000	25,000	25,000	25,000
Trunk Highway	-	50,226	50,226	50,226	50,226	50,226
Total	-	75,226	75,226	75,226	75,226	75,226
Biennial Total			150,452		150,452	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	-	-	-
Trunk Highway	-	2	2	2	2
Total	-	2	2	2	2

LBO Analyst's Comment

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

LBO Signature: Laura Cecko **Date:** 3/1/2025 8:37:45 AM
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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
General Fund	-	25,000	25,000	25,000	25,000	25,000
Trunk Highway	-	50,226	50,226	50,226	50,226	50,226
Total		-	75,226	75,226	75,226	75,226
Biennial Total			150,452		150,452	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	25,000	25,000	25,000	25,000	25,000
Trunk Highway	-	50,226	50,226	50,226	50,226	50,226
Total		-	75,226	75,226	75,226	75,226
Biennial Total			150,452		150,452	
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Trunk Highway	-	-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

This bill would establish requirements governing cost participation on trunk highway projects and specifically prohibit MnDOT from requiring local governments to contribute financially to any costs required by the project within Trunk Highway Right of Way regardless of trunk highway eligibility. This would include paying for local utility relocations.

Assumptions

Amounts can vary year to year and currently MnDOT’s accounting systems were not designed to parse project cost as described in this bill. Current accounting and agreements list local costs in bulk by work type. MnDOT assumes an estimated cost based on a review of shared receipts received to the State Road Construction budget from our local partners and have seen by State Fiscal Year over the last 5 years plus local federal funds on MnDOT-led projects.

Larger projects and larger cost shares are estimated earlier for local partners to have an idea of cost range. However, strong estimates for projects are not prepared until they are 90% designed (in the last year) and are better known after the project letting. Change orders and supplemental agreements can change these costs throughout the life of a project. Federal funds for local work are kept separate from the trunk highway fund. The local federal funds are allocated to the Area Transportation Projects (ATPs) for local projects. If there is no change in the amount of federal funds going to locals and the ATPs do not decide to voluntarily make funding available to MnDOT to cover some of these costs, then there would be additional costs to MnDOT to cover these costs from the trunk highway fund. MnDOT assumes that, based upon language in Section 1. Subd 2, if MnDOT and a local unit of government agree that something is in scope during the project development process, MnDOT would be responsible for those funds.

Based on the assumptions above, MnDOT estimates approximately \$75 million per year in expenditures based on this bill:

- \$25M in Trunk Highway Funds for local work currently funded with local resources on Trunk Highway projects that is Trunk Highway Eligible.
- \$25M in Trunk Highway Funds for local work currently funded by local federal on Trunk Highway projects that is Trunk Highway Eligible.
- \$25M in General Funds for local work that is not Trunk Highway eligible within Trunk Highway right of ways,

including utilities.

- o This General Funds amount is based on historical utility cost and the assumption that if these funds fall short, MnDOT would need to cancel or delay projects due to fund shortages. As well as an increase in urban projects in MnDOT's 10-year plan compared to prior years.

In addition to the project costs, work would be needed to update the cost analysis of approximately 80 projects with cost share in the upcoming biennium. This includes updating all plan sheets to reflect different cost splits and detailed analysis of what costs would be covered by MnDOT and what, if any, costs would remain local. MnDOT assumes an average of 8 hours per project to revise existing plan sets and cost breakdowns.

MnDOT would need to develop new guidance for determining final cost responsibilities on projects consistent with this bill, including determining what costs are necessitated as a result of project and what costs may be requested by local communities at local cost. MnDOT assumes the current steering committee for the Cost Participation Policy would guide that work and it would include three meetings of the committee.

MnDOT assumes the need for two additional FTEs. The two FTEs would focus on the highway program management and transportation system management. MnDOT assumes these FTEs would be required over the long-term. Over time, it is possible that there would be fewer construction agreements for these FTEs to work on, but how many is unclear. Many projects may still have local costs for work outside the Right-Of-Way or for work the community seeks to add. It is unclear if this reduction in workload would result in fewer FTEs over the future. Therefore, MnDOT assumes these FTEs would be needed across the next four fiscal years.

Expenditure and/or Revenue Formula

MnDOT estimates approximately \$75 million per year in expenditures based on this bill:

- \$25M in Trunk Highway Funds for local work currently funded with local resources on Trunk Highway projects that is Trunk Highway Eligible.
- \$25M in Trunk Highway Funds for local work currently funded by local federal on Trunk Highway projects that is Trunk Highway Eligible.
- \$25M in General Funds for local work that is not Trunk Highway eligible within Trunk Highway right of ways, including utilities.

New FTEs include

1. One new State Program Admin Senior (003606) average hourly rate \$35.37

Annual calculation $35.37 * 2080 \text{ hours} = 73,575.37 * 1.5 \text{ overhead} = 110,363.06$

2. One new Accounting Officer Senior (00633) average hourly rate \$37.30

Annual calculation $37.30 * 2080 \text{ hours} = 77,576.43 * 1.5 \text{ overhead} = 116,364.65$

Long-Term Fiscal Considerations

Should there not be enough general funds in any year and or the Legislature not appropriately fund non- Trunk Highway eligible costs that would be required for MnDOT to cover under this bill, and local partners are unwilling to voluntarily contribute funding, MnDOT may have to move and or cancel scheduled projects until the Legislature appropriates sufficient General funds for this purpose.

Local Fiscal Impact

Local participation in a project and the amounts of local participation because of the cost sharing policy, including utility work is normally not known until a project is later in the development/design process and can only be roughly estimated

across the program.

References/Sources

MnDOT Office of Transportation System Management

MnDOT Office of Financial Management

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