

Transportation Finance 101

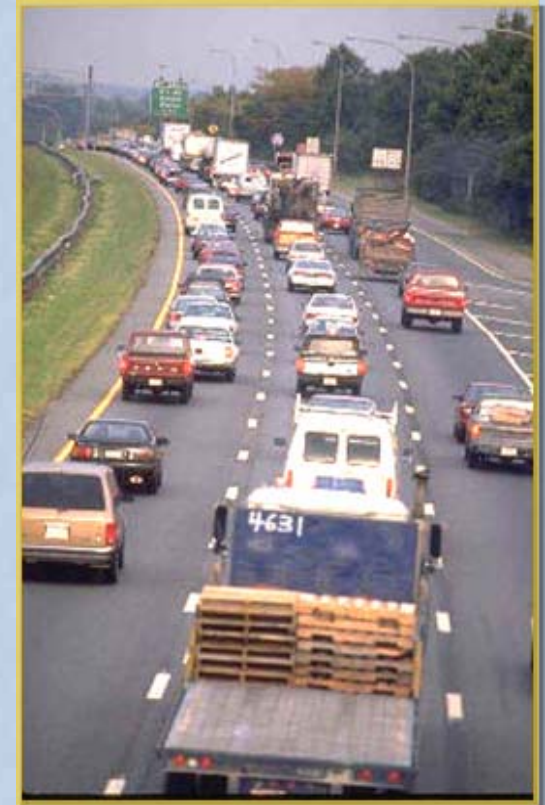


An introduction to
highway and transit
funding



Today's topics

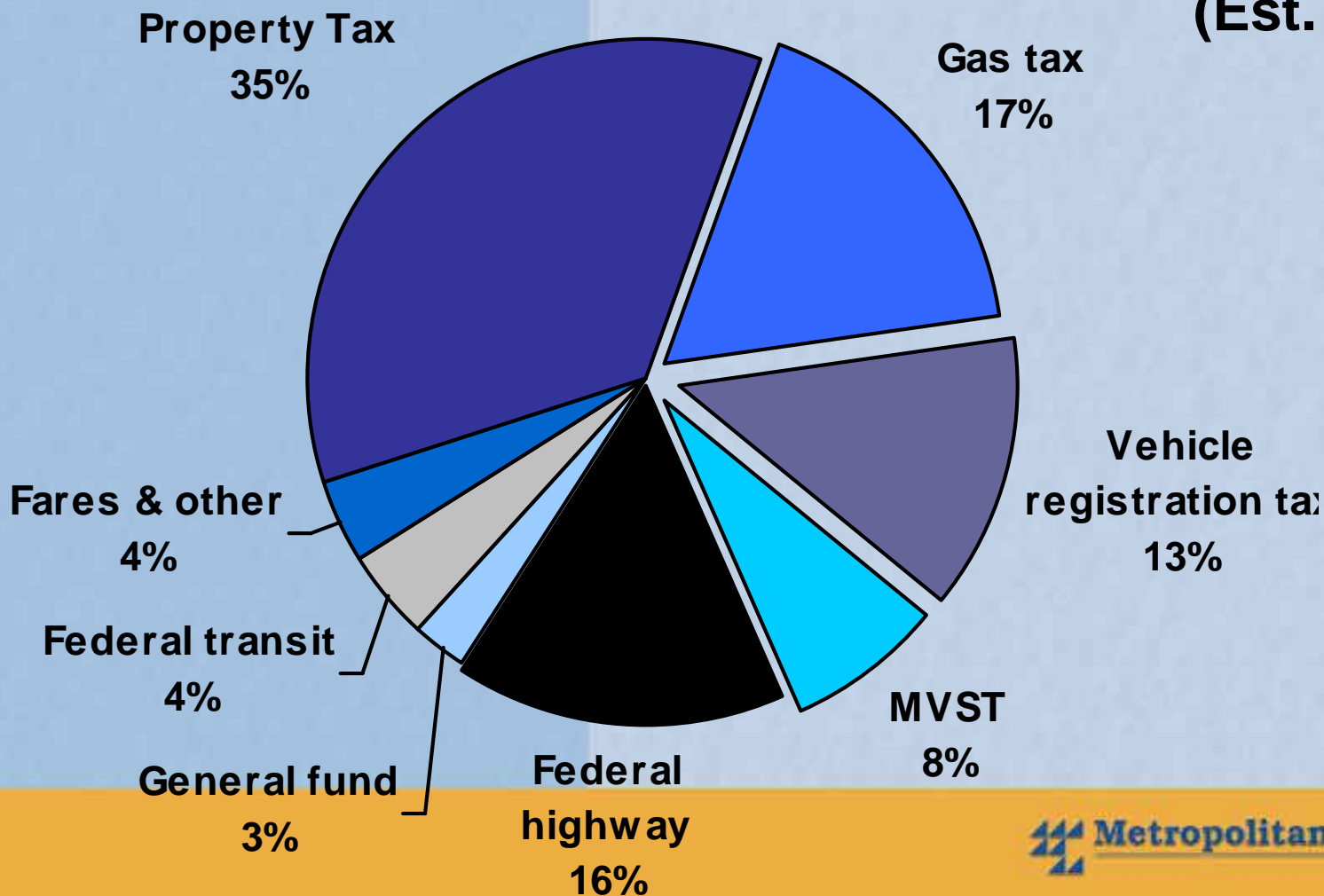
- Total Mn transportation revenues and expenditures
- How state revenues have changed and the forecast
- Highway revenues and expenditures
- Transit revenues and expenditures





Road and transit revenue: \$3.8 billion

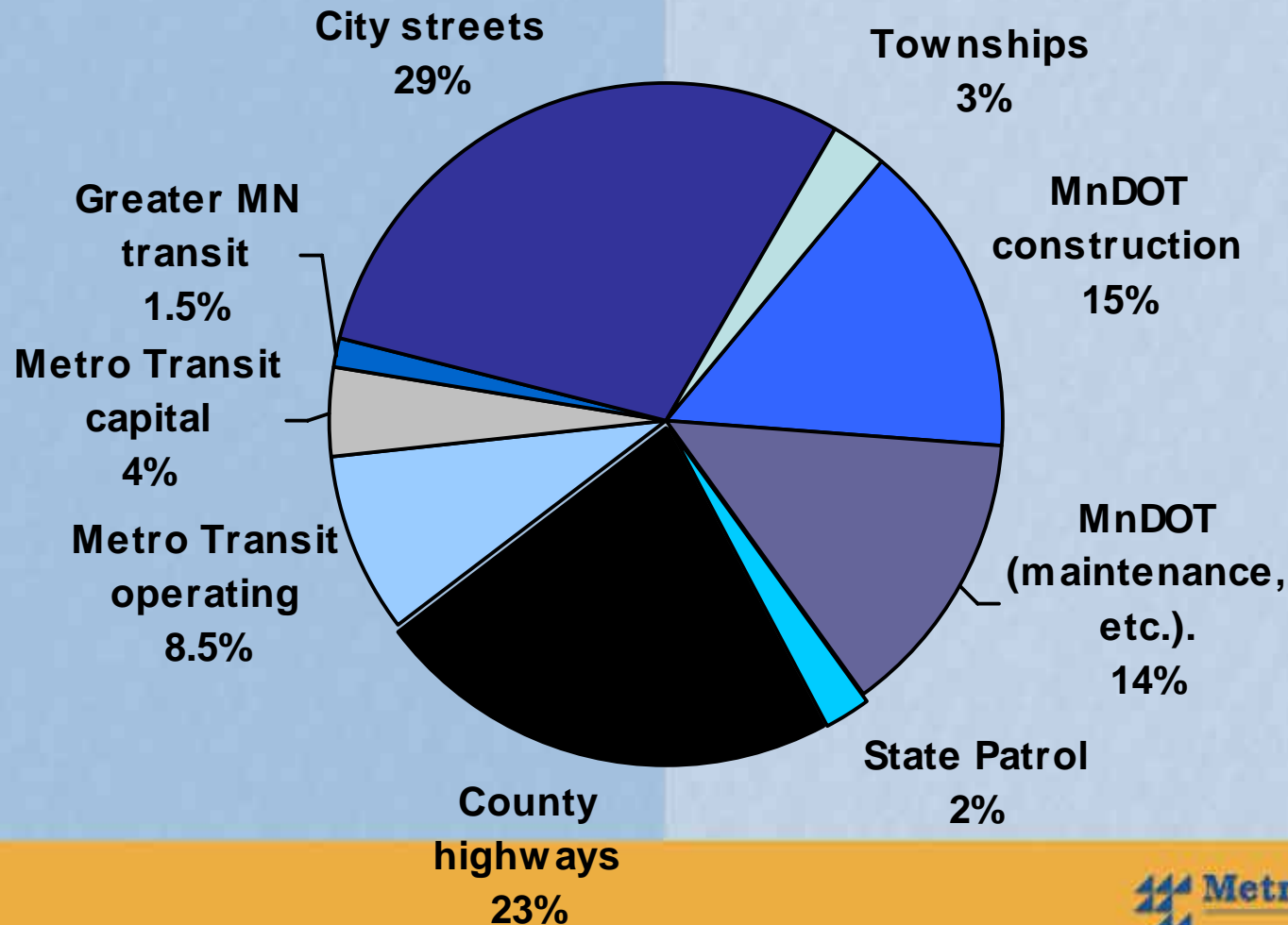
(Est. 2007)





Road and transit spending: \$3.8 billion

(Est. 2007)





Main funding sources: Highways

MnDOT construction:

Highway user taxes
and federal aid

MnDOT maintenance:

Highway user taxes

County highways,
city streets,
township roads:

Property taxes and
highway user taxes



Main funding sources: Transit

Metro Transit
operating

MVST, state general
fund and fares

Metro Transit
capital

Federal aid, property tax
and state bonds

Greater MN
transit operating

MVST, state general
fund and local

Greater MN
transit capital

Federal aid
and state bonds

State highway revenues





Motor fuel tax (Gas tax)

- \$651 M in FY 07 or \$32.4 m/penny
- Current rate is 20 cents per gallon (last changed in 1988)
- Revenues flat for past four years
- Constitutionally dedicated to highway purposes (must be deposited in HUTDF)



Motor fuel tax (Gas tax)

- MN's rate is below average nationally
- Other states allow for local option gas taxes
- Adjusted for inflation, rate is equivalent to 11.5 cents per gallon today



Vehicle registration tax (tab fees)

- \$477 M in FY 07
- Revenues flat for past five years
- Constitutionally dedicated to highway purposes (must be deposited in HUTDF)
- Passenger vehicles pay based on age and value



Vehicle registration tax (tab fees)

- Rates capped at \$189 in 2nd year, \$99 in 3rd year and on, minimum \$35 in year 11 and on
- Heavy trucks pay based on weight and age



Motor Vehicle Sales Tax (MVST)

- \$533 M in FY 2007
(\$165 M highways, \$122 M transit,
\$246 M general fund)
- Average growth of 10% per year
in FY 1993-2002
- FY 2002-2007 revenues decreased
3% per year

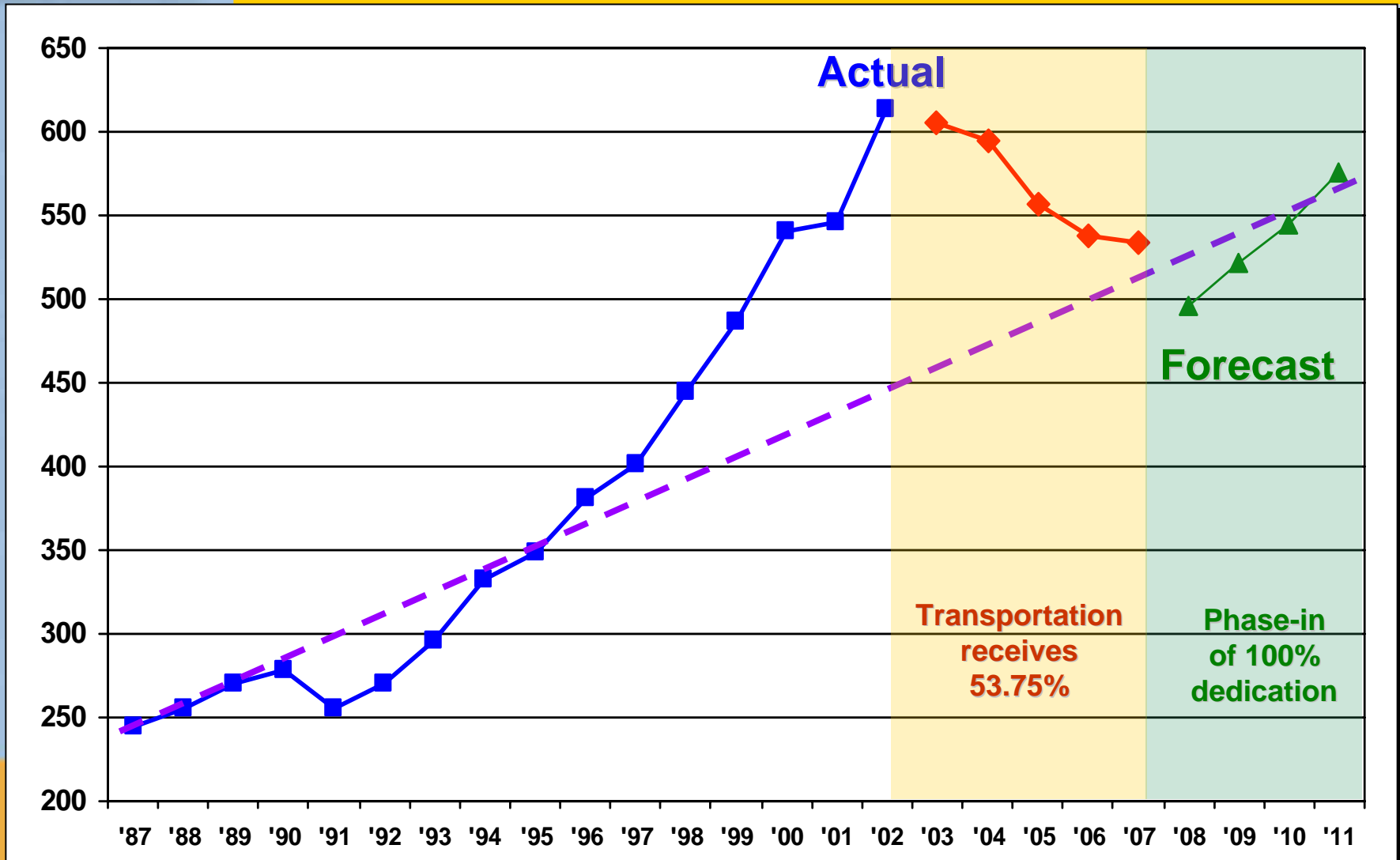


Motor Vehicle Sales Tax (MVST)

- FY 2002-2007 53.75% statutorily dedicated to transportation
- Revenues constitutionally dedicated to transportation beginning FY 2008, fully phased-in FY 2012
- 2007 legislature set final distribution at 60% highways, 40% transit



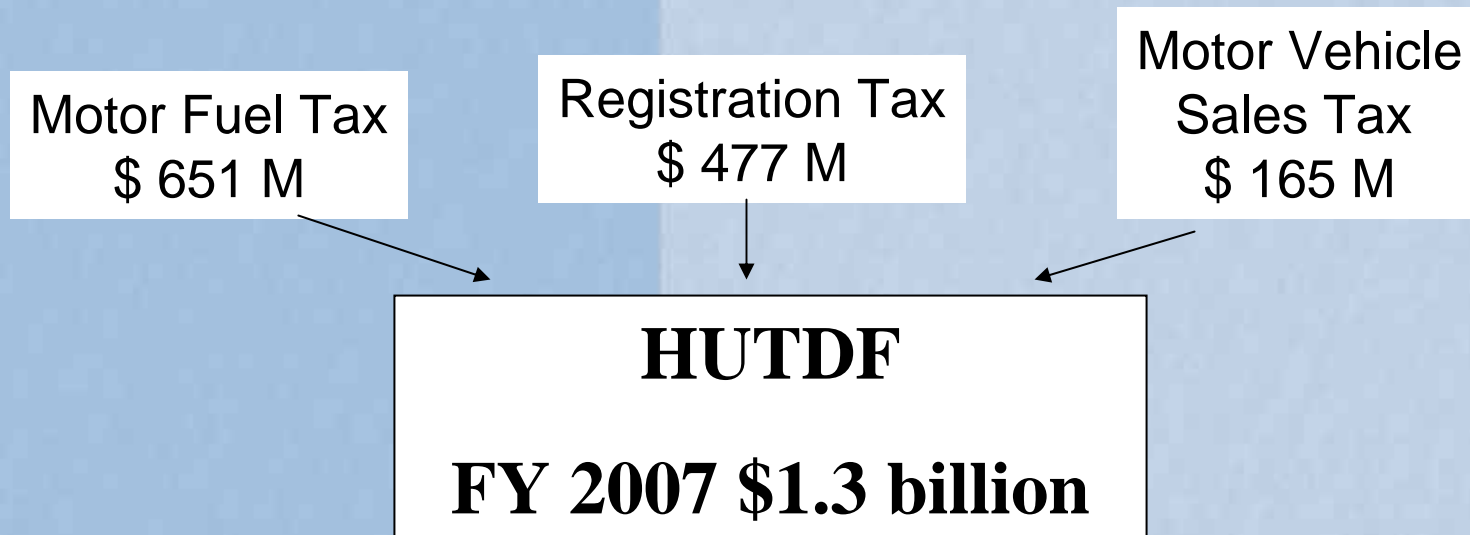
MVST actual receipts and forecast





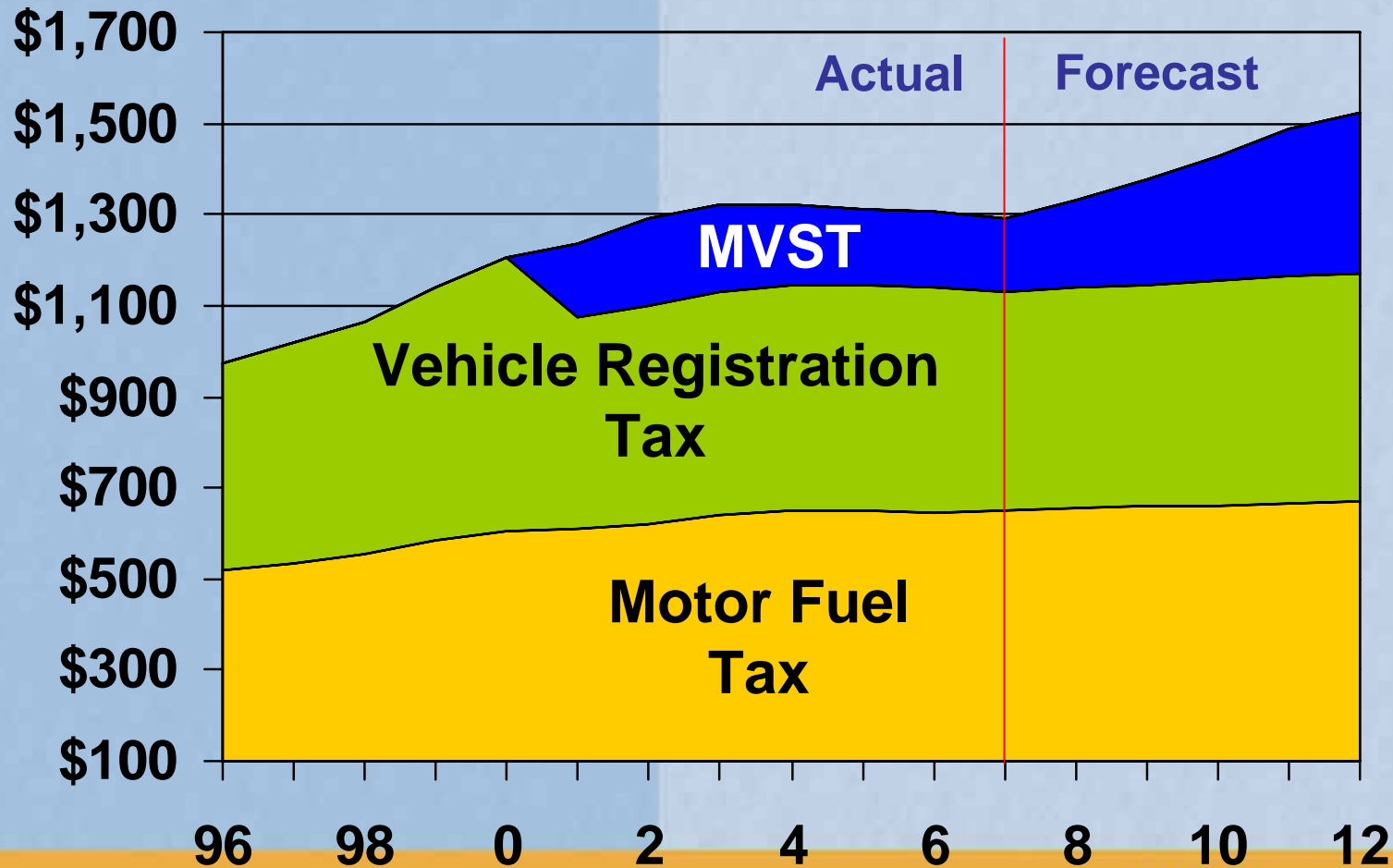
Highway User Tax Distribution Fund (HUTDF)

- Receives constitutionally dedicated state funds for highway purposes (gas tax, registration tax, MVST)
- Used only for highway purposes





Highway user tax revenues





State revenue summary

- State highway taxes rose steadily until about 2003
- Weak outlook for gas tax, registration tax, MVST
- Dedication of MVST restores some growth to HUTDF

Highway Allocation

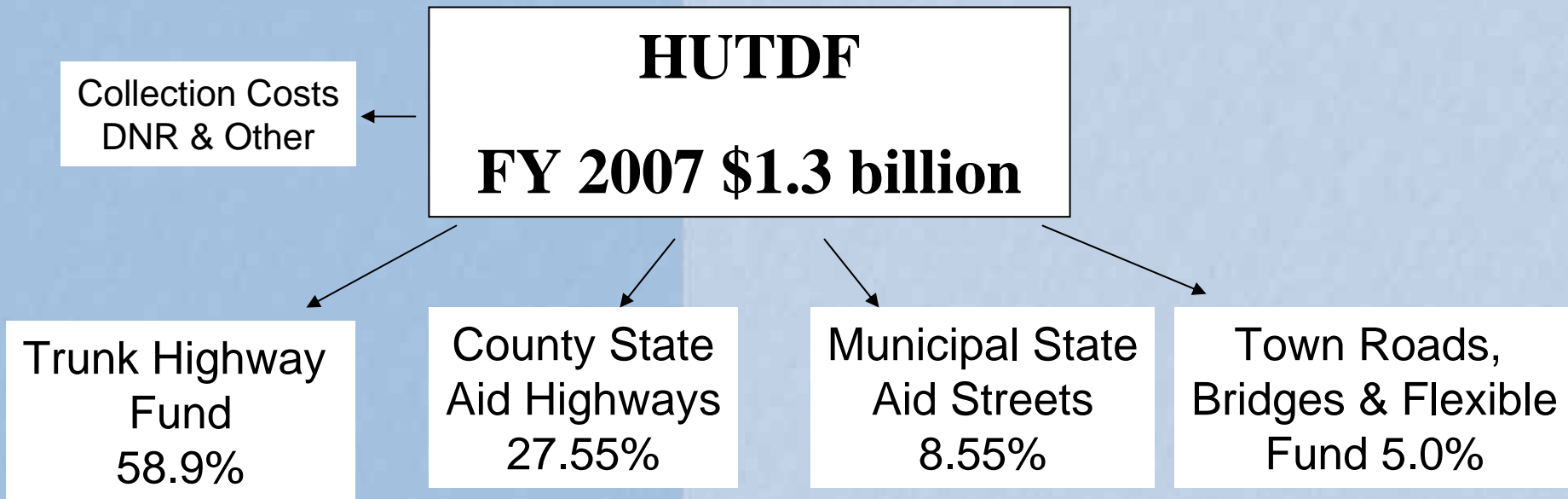


Formulas and
expenditures



Highway User Tax Distribution Fund

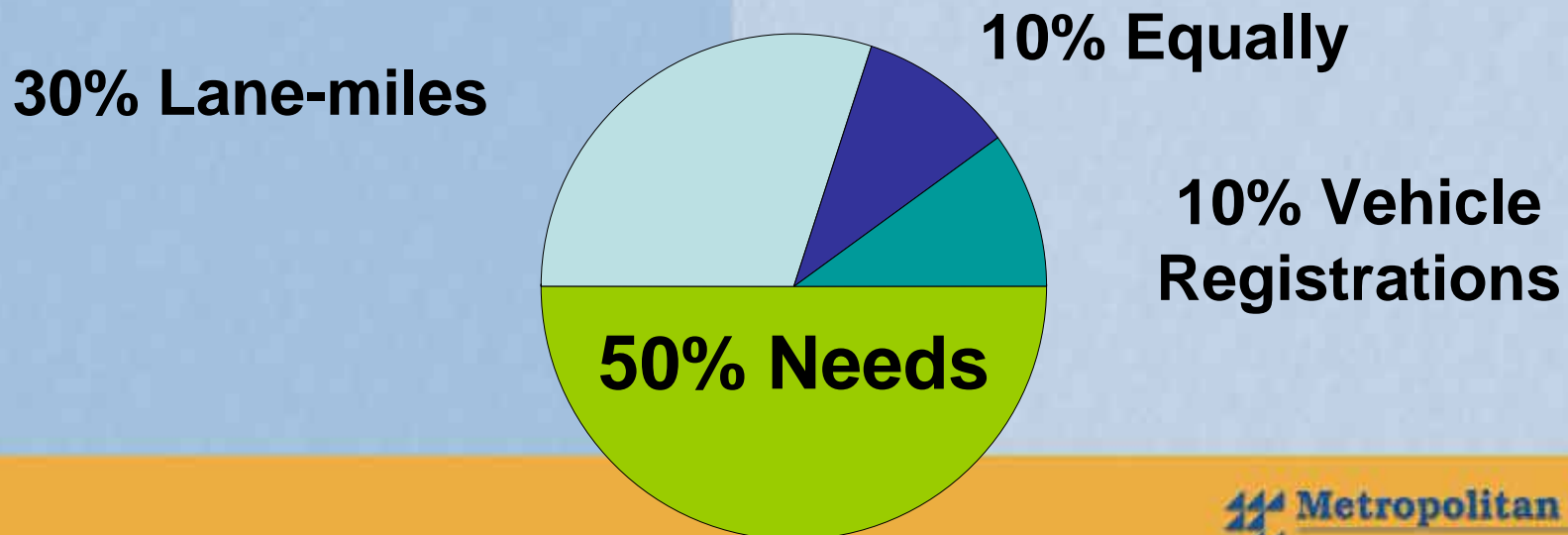
- Constitution requires revenues to be distributed:
 - 5% legislatively determined to highways
 - 95% remainder allocated 62% to TH, 29% CSAH, 9% MSA





County State-Aid Highways

- 30,400 mile CSAH system
- FY 07 revenues \$430 M
- All 87 counties participate, distribution formula:

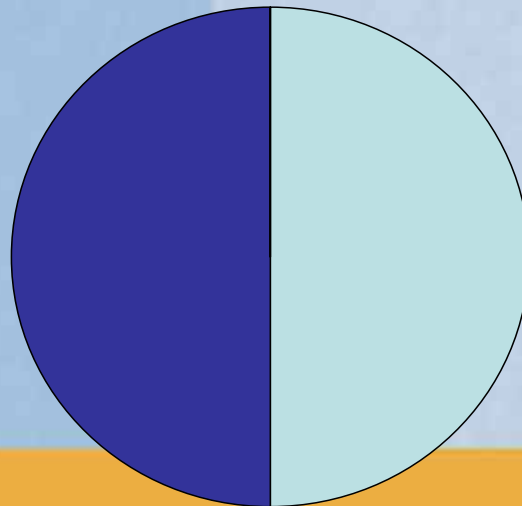




Municipal state-aid streets

- Only cities with 5,000 & over population receive municipal state-aid
- 2,800 mile MSA system
- FY 07 revenues \$110 M, distribution formula:

50%
Population



50%
Needs

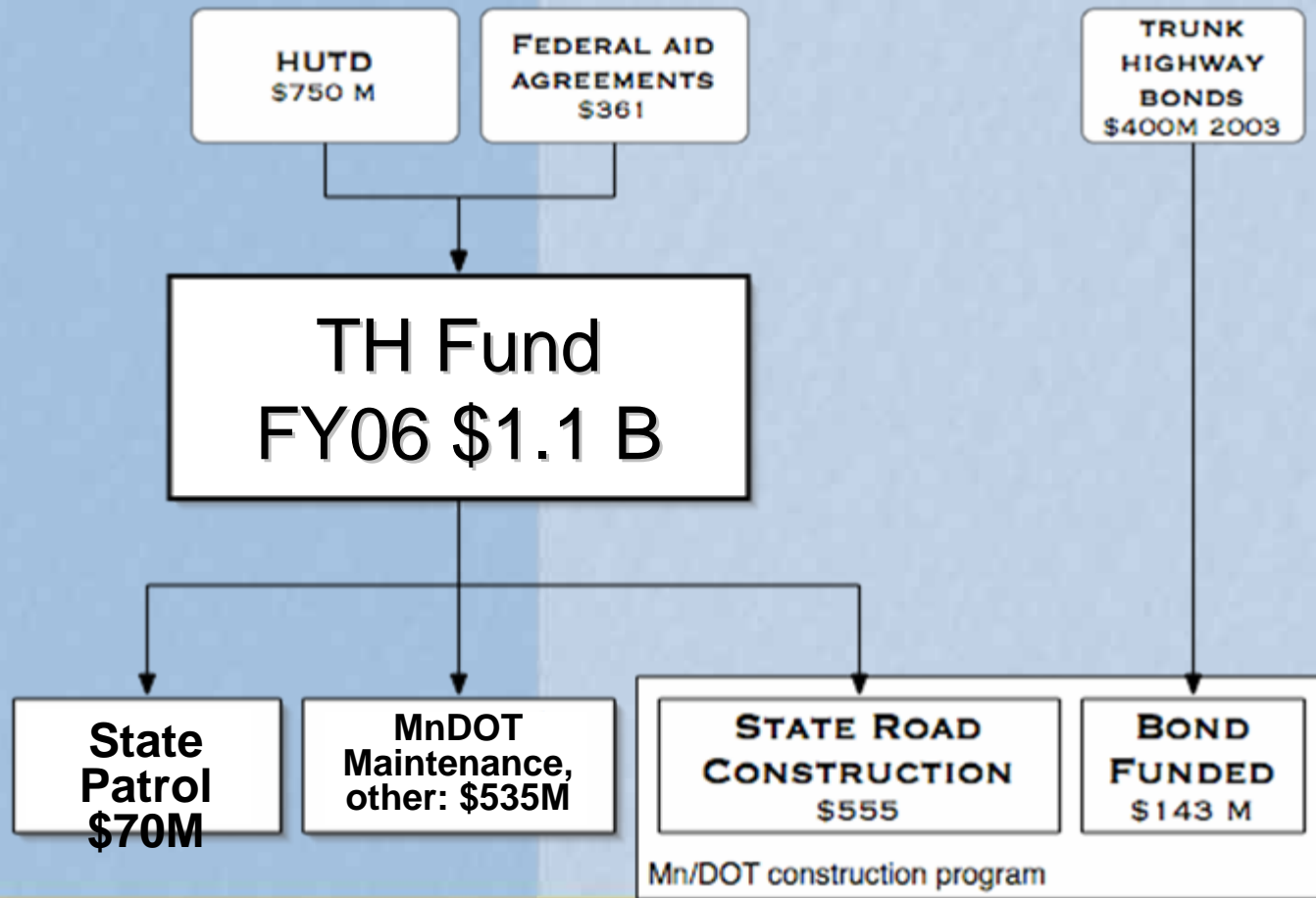


Trunk Highway Fund (THF)

- 11,933 mile TH system owned by MnDOT (constitutionally limited to 12,200 miles)
- Total FY 2006 THF expenditures: \$1.1 billion
- Appropriated 96% to MnDOT and 4% to State Patrol



Trunk Highway Fund



Transit Revenues and Expenditures





Greater Minnesota transit systems

73 of 80 counties have some form of transit service

- 6 urbanized systems (Duluth, St. Cloud, etc.)
- 16 small urban systems
- 43 rural systems
- 5 systems for elderly and disabled
- Total ridership: 9.9 million riders (2006)

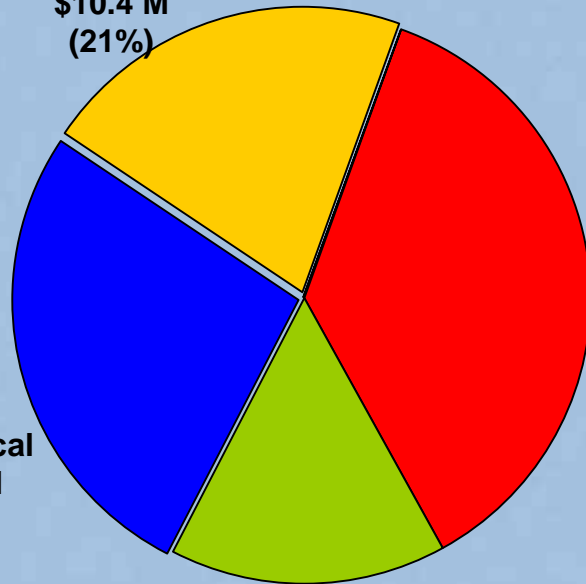


Greater MN transit 2007 operating budget

Revenues

\$48.8 M

Federal
\$10.4 M
(21%)



Fares/Local
\$13.1 M
(27%)

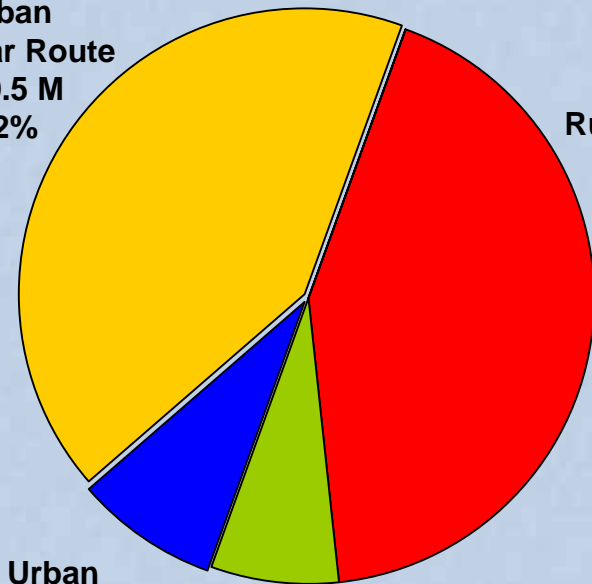
MVST
\$7.6 M*
(16%)

State
General
Fund
\$17.8 M
(36%)

Expenses

\$48.8 M

Urban
Regular Route
\$20.5 M
42%



Rural Systems
\$20.9 M
(43%)

Small Urban
\$3.9 M
(8%)

Elderly/Disabled
\$3.5 M
(7%)



Metropolitan Transit System Overview

- Metro Transit
- Suburban transit providers
- Metro Mobility
- Contracted regular routes
- Community programs



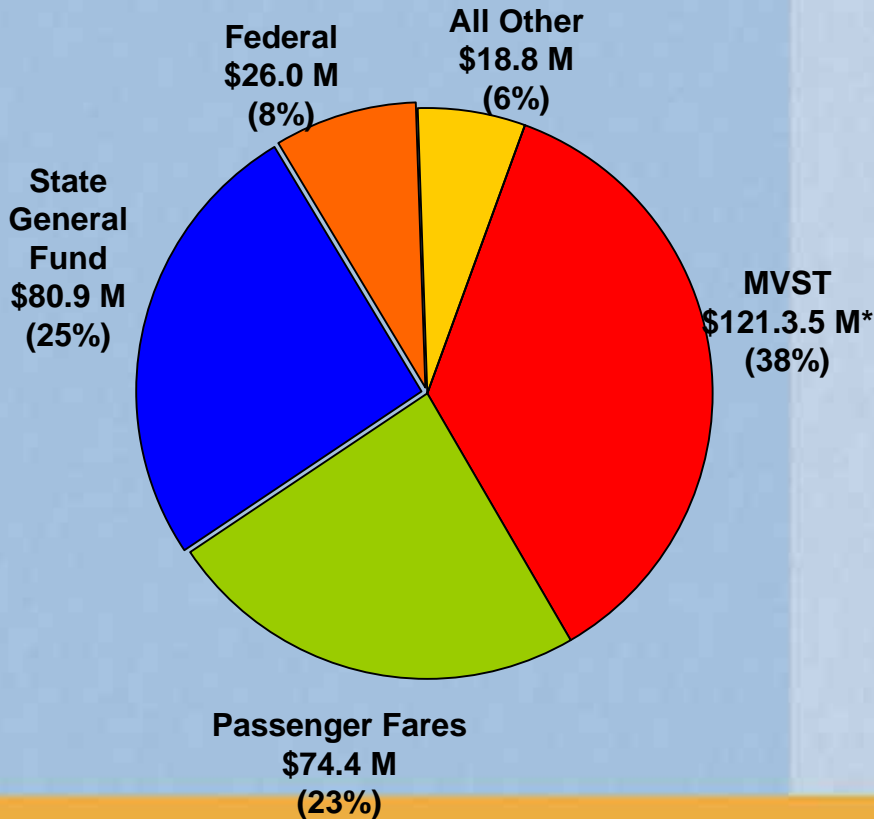
Metropolitan Transit System Overview

- 2006 estimated system ridership: 82 million rides
- 1580 buses, 24 light rail vehicles
- 206 routes
- 25% of system privately contracted
- Transportation Policy Plan goals: 50% ridership growth by 2020, build and operate Tier One Transitways

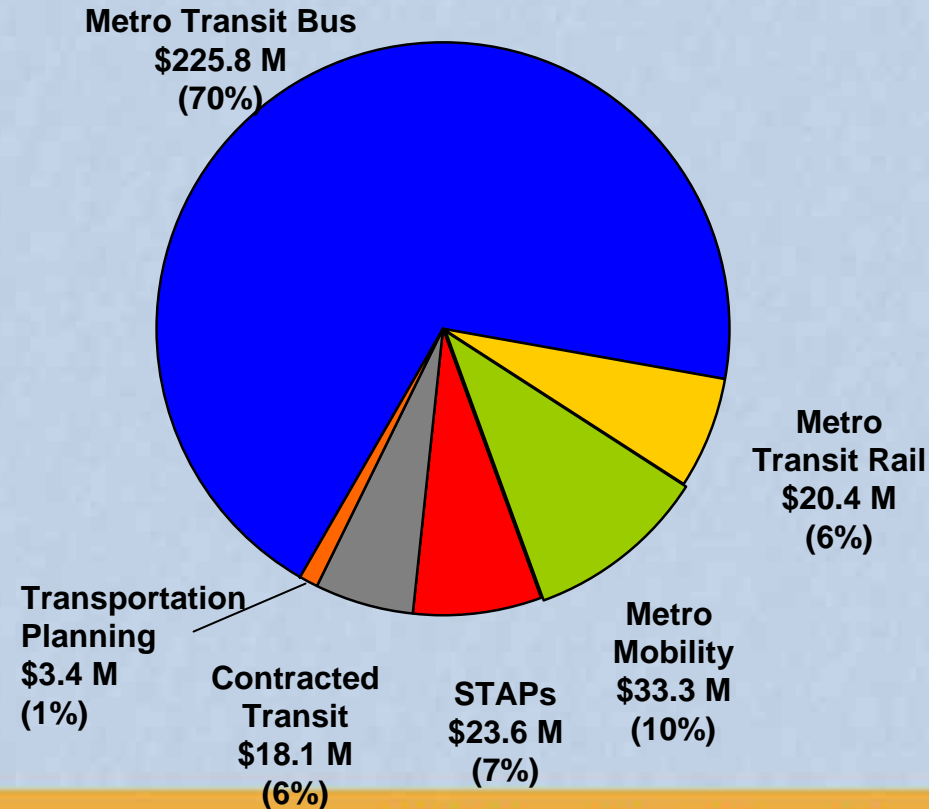


Metro area transit 2007 operating budget

Revenues \$321.4 M



Expenses \$324.6 M





Transit capital funding

- Capital spending in a “typical” year: about \$160 M
- “Typical” year would not include major transitway expenditures
- Funding primarily for fleet replacement and expansion, park and rides, garages



Funding sources

- **State bonds:** Primarily for transitways and bus facilities
- **Federal funds:** Formula funds and other
- **Regional Transit Capital Bonds:**
 - Property-tax supported bonds levied within transit taxing district
 - About \$33 M annually, plus 1% per year

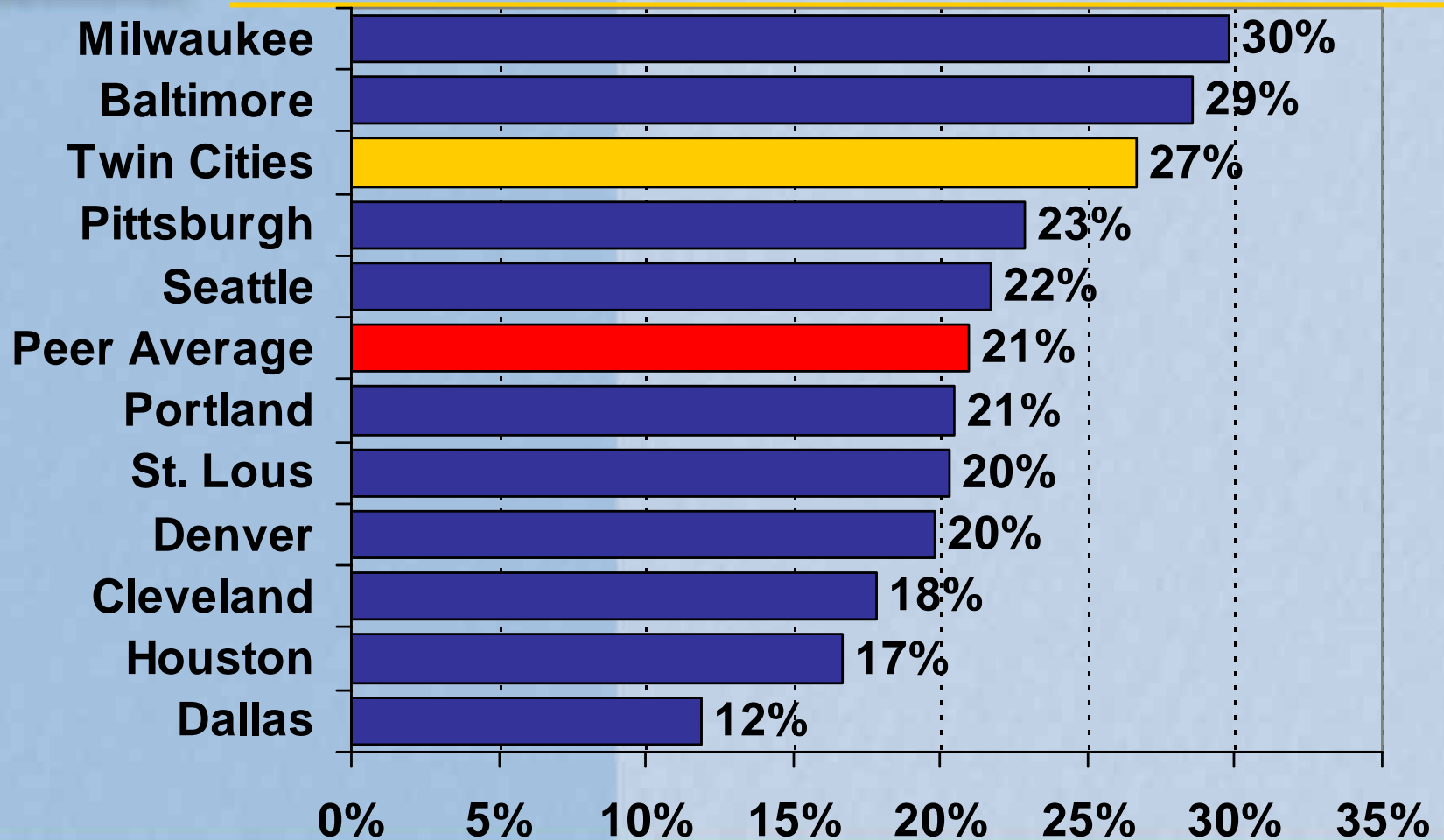


Metro area transit MVST forecast

State Forecast:	Feb 2004	Feb 2005	Feb 2006	Nov 2006	Feb 2007
SFY 2004	\$130.7	\$127.7			
SFY 2005	\$134.7	\$122.1	\$119.9		
SFY 2006	\$133.3	\$120.8	\$116.1	\$115.6	
SFY 2007	\$142.7	\$126.1	\$118.0	\$110.2	\$112.2
SFY 2008		\$123.0	\$133.6	\$121.1	\$119.1
SFY 2009		\$127.3	\$161.8	\$145.8	\$144.6

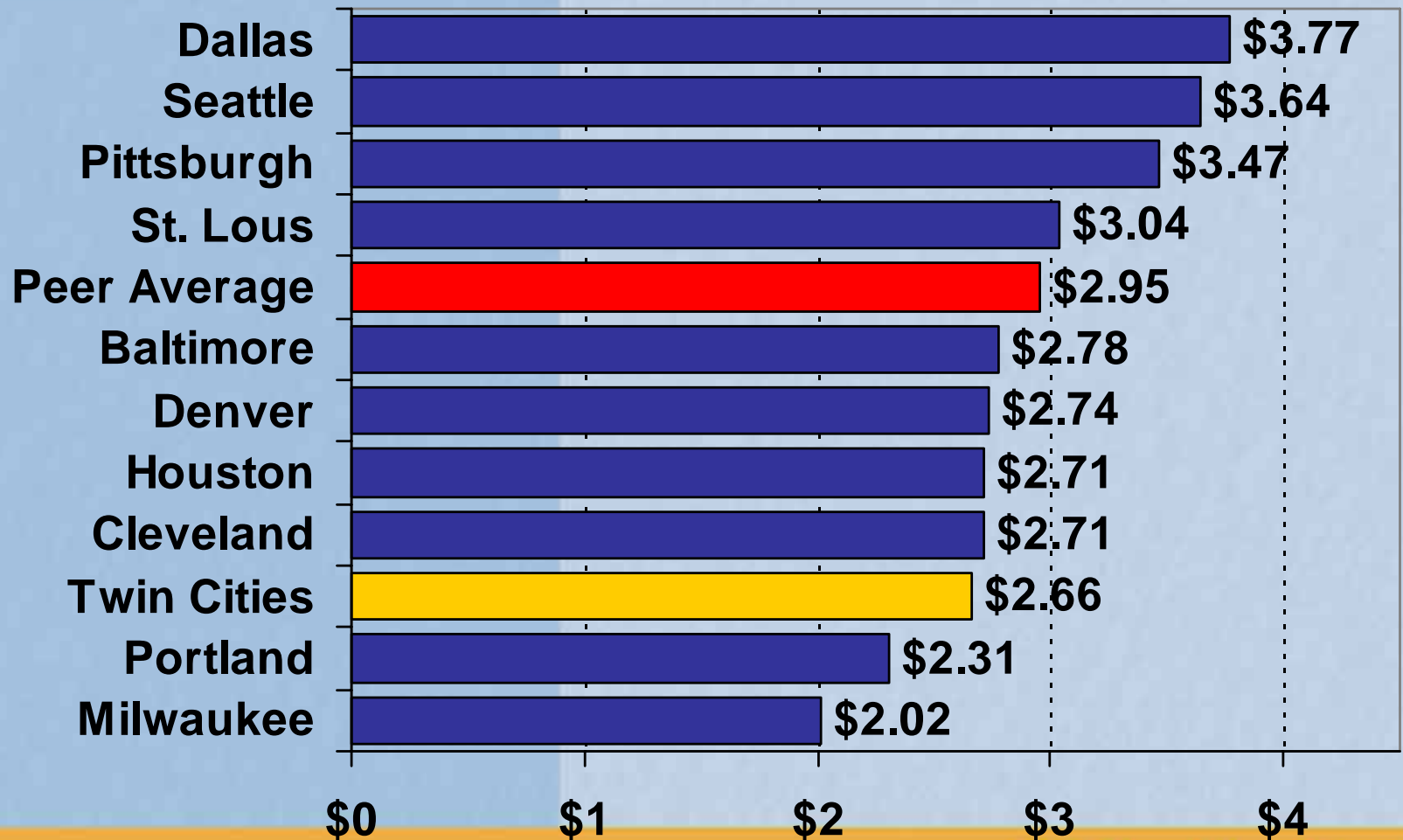


2005 fare recovery



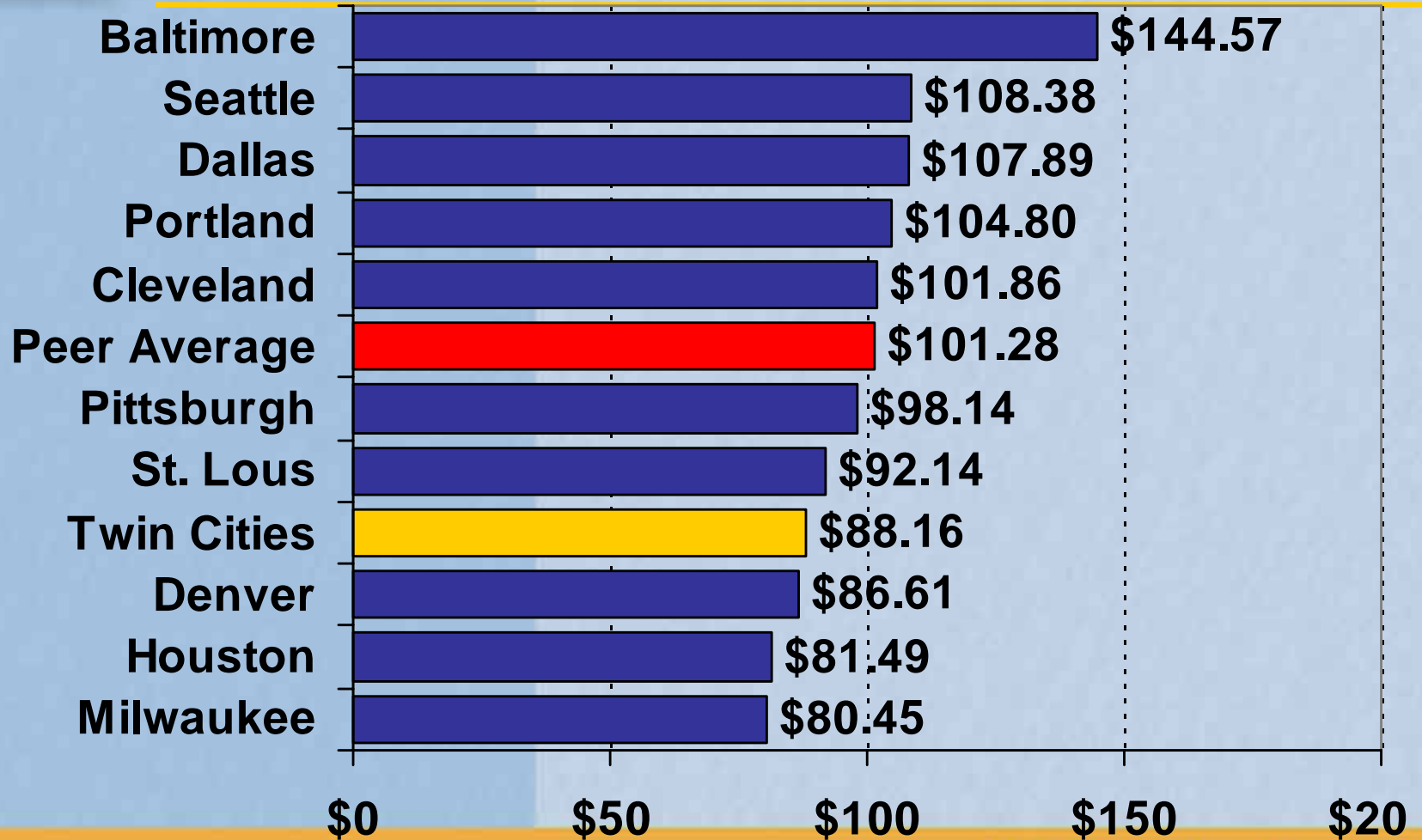


Subsidy per trip





Cost per revenue hour



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