Minnesota County Engineers Association (MCEA)

AMC District Meetings
Today’s Presentation

• Background information
  • History of CSAH formula
• County Roads vs CSAH Roads
• What is the need for highways?
  • Transportation Finance Advisory Council (TFAC) Report
  • County State Aid Needs
• Discussion & Questions
Gas Tax $934.8 M
License Fees $810.2 M
Motor Vehicle Sales Tax $478.9 M
Interest/Other $97.4 M

Highway User Tax Distribution Fund $2.321 B

Collections, DNR, Public Safety, etc $37.2 M
5% Distribution $123.6 M
Regular Distribution $2.158 B

Trunk Highway (62%) $1.338 B
County State Aid (29%) $615.6 M
Municipal State Aid (9%) $192.5 M

Town Bridges $18.2 M
Town Roads $34.65 M
Flex Highway $59.9 M

*Other includes sales tax on auto parts

Source: Minnesota Department of Transportation
29% of the Pie – How do we slice it?

• How should the 29% be divided amongst the 87 Counties?
  • Discussion in 1950’s
  • Divide equal to all counties?
  • Lane Miles?
  • Number of vehicles?
  • Based on roadway needs?

• How much should go to maintenance?
• How much should go to building new?
What was decided...

• Original CSAH Formula – 1958
  ○ 10% equalization
  ○ 10% motor vehicle registration
  ○ 30% lane miles
  ○ 50% “needs”

• “Needs” determined by Screening Board
  ○ Nine (9) Mn/DOT districts plus 6 urban counties
  ○ Cost to construct CSAH system over 25 years

• CSAH distribution to counties:
  ○ 60% for construction
  ○ 40% for maintenance
Result = Massive Success & Growth

1960’s
• 1963 – Gas Tax to $0.06 per gallon
• 1965 – “Turnback Account” included in HUTDF
• 1967 – Gas Tax to $0.07 per gallon

1970’s
• Minnesota considered one of the best highway systems in the Nation
• 1975 – Gas Tax to $0.09 per gallon

1980’s
• 1984 – Gas tax to $0.17 per gallon
• 1988 – Gas Tax to $0.20 per gallon
Early 2000’s – the 1958 Formula shows it’s age

• Trends in Minnesota
  • In Metro:
    • Population of Metro rapidly increases
    • State shifts from agriculture to industry/business
    • Roads in Yellow and Red Zones
  • In Outstate
    • Population generally decreasing
    • Regional centers form
    • Farms consolidating
    • Roads conditions trending downward
2004 AMC Transportation Working Group

• Commissioners from each AMC district
• Goal was to find agreement – so a Transportation Bill could be supported
• Worked for 2 years - Agreement Reached
  • No county should get less money

**OUTCOME**
• A “new” formula created to purposefully direct funding to Urbanizing Counties

New Formula called - Excess Sum
What Money went to Excess Sum?

Original CSAH Formula
Apportionment Sum
• 10% equalization
• 10% motor vehicle registration
• 30% lane miles
• 50% “needs”

New Formula
Excess Sum
• 40% motor vehicle registration
• 60% needs

• Agreement that new transportation funding would be divided up using the Excess Sum
• Agreement that No County should receive less money
2008 Legislative Session
New Transportation Funding

• 8.5¢ gas tax / surcharge
• Motor vehicle registration changes
• Motor Vehicle Sales Tax (MVST) 60/40 split and constitutionally dedicated
• **Excess Sum** Formula created in MN Statute 162.07
  o Gas tax > 20¢
  o Motor Vehicle Registrations > 2008 adjusted for CPI
  o Motor Vehicle Sales Tax > 2007
New Formula outcomes

• How did it work?
• Excess Sum shifts money toward
  • Metro Counties
  • Counties with Regional Centers
  • Collar Counties

• By 2013 – Rural Counties are falling behind.

• Construction Cost Index - 71.4% increase

• Needs have increased
  • Metro County needs: 68% increase
  • Rural County needs: 35% increase

• Funding has not kept pace
  • Metro County Apportionment increase: 65%
  • Rural County Apportionment increase: 20%
    • Rural struggling with maintenance
2013 – Now we have a Tale of Two Formulas...

Old Money

- Gas Tax < 20 ¢
- MV Reg. pre 2008
- MVST pre 2007

Apportionment Sum

STAGNANT:
GROWTH IS LIMITED

New Money

- Gas Tax > 20 ¢
- MV Reg. post 2008
- MVST post 2007

Excess Sum

GROWING:
ACCESS TO FUTURE GROWTH
2013 / 2014 AMC CSAH Task Force

- Comprised of:
  - Four (4) County Commissioners and AMC staff
  - MCEA Executive Committee plus nine (9) Mn/DOT districts
  - Four (4) meetings

- Review 2004 AMC recommendations and 2008 Legislation

- Review CSAH data and funding

- Develop problem statement

- Develop recommendations for consideration by AMC
Breakthrough – Divide by percentage

ALL MONEY
- Gas Tax
- MV Registrations
- MVST
- ANY NEW FUNDING SOURCES

Old Money

Apportionment Sum

New Money

Excess Sum

68% Divide by percentage

32%

Both with
GROWTH POTENTIAL
CSAH vs. County Roads

• The County Road system is about 46% the size of CSAH system
  • 30,618 CSAH miles
  • 13,934 CR miles
• CSAH system eligible for HUTDF revenue
• County Road system funded with local revenues
  • levy, wheelage, local option sales tax, etc.
• **NO HUTDF**
CSAH vs. County Road

- HUTDF/CSAH revenues not enough
- Local revenues funding CSAH routes
- County Road system continues to fall behind without:
  - Increased local options (levy, wheelage, etc.)
  - Local Road Improvement Program (LRIP)
  - Local bridge replacement program
What is the need?

• How do we quantify what the need is for the entire county highway system in Minnesota?
• We looked at this two different ways
  • Transportation Finance Advisory Council (TFAC) Report
  • County State Aid Needs System
    o 10% equalization
    o 10% motor vehicle registration
    o 30% lane miles
    o 50% “needs”
Using the Transportation Finance Advisory Council (TFAC) Report

Transportation Finance Advisory Committee

Minnesota Moving Ahead: Transportation Funding and Financing For the Next 20 Years
Local Needs – TFAC Report

20-Year Funding Needs to Achieve Desired Outcome ($billions)

<table>
<thead>
<tr>
<th>System/Mode</th>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
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</thead>
<tbody>
<tr>
<td>(Includes funding for bikes and pedestrian needs associated with highway projects)</td>
<td>Anticipated transportation revenue for the next 20 years: Baseline</td>
<td>Increment added to baseline to maintain current performance for the next 20 years</td>
<td>Increment added to baseline to become economically competitive/world class system for the next 20 years</td>
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</tbody>
</table>

- $18 billion over 20 years
- $900 million each year
  - $450 Million for CSAH
  - $450 for County Roads
Using State Aid Needs System (with assumption for County Road System)

- Considers what is needed on CSAH system for 25 Years
  - $18.569 billion over 25 years
  - ~$743 million per year
- ASSUMPTION – County Road system about 46% of CSAH system
  - $8.541 billion over 25 years
  - ~$342 million per year
- Total $27.11 Billion over 25 years
- $1.1 Billion per year
Needs of Other Systems - FYI

From TFAC (20 year needs)

• State Highway System
  • Additional $5 billion to maintain
  • $10 - $12 billion to compete

• Municipal State Aid System (MSAS) (only in cities over 5,000)
  • Additional $1 billion to maintain
  • $2 billion to compete
Needs of Other Systems - FYI

From TFAC (20 year needs)

• City Streets (Non MSAS and cities under 5,000) (Non-HUTDF)
  • Additional $5 billion to maintain
  • $8 billion to compete

• Township
  • Additional $300 million to maintain
  • $500 million to compete
Overall HUTDF Funding Gap

- Includes State Highways, CSAH system, MSAS (Cities>5000) and Township Roads
- Does NOT include county road or municipal streets (cities<5000 and non-MSA routes in cities>5000)
- 20 Year Gap: Range of $21.5 to $23.5 billion for economically competitive system
- Annual Funding Gap: Range of $1.075 to 1.175 billion
- CSAH portion of the gap = $450 million annually
Questions & Discussion