Transportation Funds Forecast

The purpose of this document is to serve as the official guide to the Minnesota Department of Transportation (MnDOT) forecast for the six transportation funds:

- Highway User Tax Distribution Fund
- Trunk Highway Fund
- County State Aid Highway Fund
- Municipal State Aid Street Fund
- Transit Assistance Fund
- State Airports Fund

The primary focus is on comparing the most current forecast with the prior forecast. Background information on the transportation funds and forecast process is also provided.

February 2012 Forecast Executive Summary

The February 2012 estimates for revenue for the four year period from the three principal highway user taxes have all changed since the November 2011 forecast by:

- Motor Fuel Excise Tax – 1% less
- Motor Vehicle Registration Tax – 3.1% greater
- Motor Vehicle Sales Tax – 3.4% greater

The percentage change for the combination of these three sources is an increase of 1.2% to the Highway User Tax Distribution (HUTD) Fund. Over the four years of the forecast period (Fiscal Years 2012 – 2015) the combined revenue from these three sources is estimated to be $83.7 million greater than was forecasted in November 2011. The revenues flow through to the Trunk Highway Fund, County State Aid Highway Fund, and Municipal State Aid Street Funds.

Forty percent of the motor vehicle sales tax is currently dedicated to the Transit Assistance Fund, and increased by the same 3.4% as the amounts dedicated to the HUTD Fund.

Estimates of investment income in all funds have decreased over the four year forecast period. The vast majority of the changes are for Fiscal Year 2015.

The estimated revenue in the State Airports Fund for Airflight Property Tax has increased by $200,000 in each of the four years forecasted.

Transportation Funds Forecast
February 2012

Your Destination...Our Priority

Introduction to Transportation Funds

The Department of Transportation, in consultation with the Department of Management and Budget, prepares fund statements for six transportation funds. These fund statements are prepared in November and February of each fiscal year. Additional updates are prepared each year at the end of the legislative session to incorporate law changes impacting the transportation funds.

MnDOT prepares fund statements for the following funds:

- Highway User Tax Distribution Fund
- Trunk Highway Fund
- County State Aid Highway Fund
- Municipal State Aid Street Fund
- Transit Assistance Fund
- State Airports Fund

These forecasts are prepared based on the same statutory requirements as the state's General Fund forecast, (Minnesota Statutes (M.S.) 16A.103).

The vast majority of state funding for highways in Minnesota is provided by funding from the Trunk Highway Fund (THF), the County State Aid Highway Fund (CSAH), and the Municipal State Aid Street Fund (MSAS). These three funds receive funding from the Highway User Tax Distribution Fund (HUTD). All four of these funds were created in Article XIV of the Minnesota Constitution.

Highway User Tax Distribution Fund

The Highway User Tax Distribution Fund (HUTD) receives revenues from sources dedicated to highways and transit by Article XIV of the Minnesota Constitution. These revenue sources are:

- Motor Fuel Excise Tax
- Motor Vehicle Registration Tax
- Motor Vehicle Sales Tax

With the exception of the 40 percent of the revenue from the Motor Vehicle Sales tax that is constitutionally dedicated to public transit, revenue from these three taxes are all constitutionally required to be deposited into the Highway User Tax Distribution Fund. From there they are subsequently transferred, in accordance with formulas in Article XIV of the Minnesota Constitution and in statute, to the Trunk Highway Fund, the County State Aid Highway Fund, and the Municipal State Aid Street Fund.

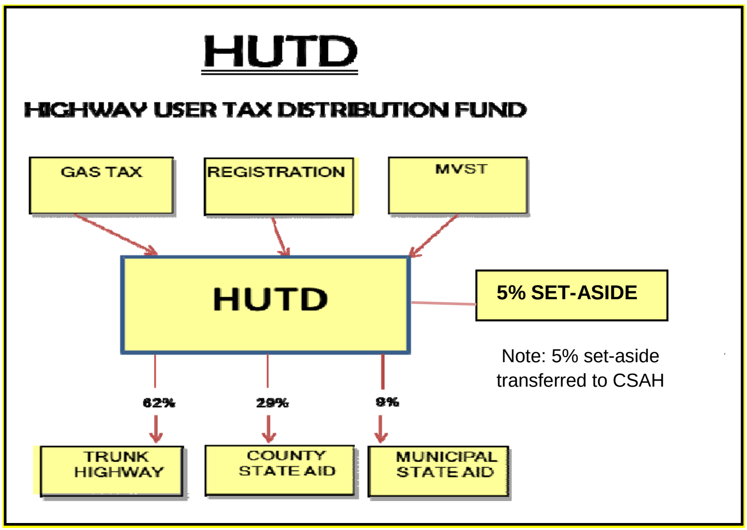
Of the total revenue to the HUTD, 95% is allocated by a formula in the constitution to:

- Trunk Highway Fund – 62%
- County State Aid Highway Fund – 29%

- Municipal State Aid Street Fund – 9%

The remaining five percent, referred to as the five percent set aside, is all allocated to the County State Aid Highway Fund in accordance with M.S. 161.081.

Approximately 50% of revenue comes from motor fuel excise taxes, approximately 33% comes from motor vehicle registration taxes, approximately 16% comes from the motor vehicle sales tax, and less than 1% comes from other sources, such as investment income.



This chart depicts the flow of the three major revenue sources in the HUTD Fund and how they are distributed, as previously described above.

Motor Fuel Excise Tax

According to article XIV of the Minnesota Constitution, "…The legislature may levy an excise tax on any means or substance used for propelling vehicles on the public highways of this state…" This tax is commonly referred to as "gas tax." This tax is levied on gasoline, diesel, compressed natural gas, and a variety of other special fuels.

The current gas tax rate in Minnesota is 25 cents per gallon plus a 3 cent per gallon debt service surcharge. This surcharge is intended to cover the debt obligations for capital projects on the trunk highway system as authorized in the Laws of 2008, Chapter 152. The final debt service surcharge increase of a half cent will be implemented July 1, 2012.

The table on the next page provides information about how Minnesota's motor fuel tax rates compare with those in the surrounding states and with federal tax rates.

Comparison of January 2012 Motor Fuel Tax Rates (per gallon)

Cents per gallon	Federal	MN	WI	SD	IA	ND
Gasoline	18.4	**28.0**	30.9	22.0	21.0	23.0
Diesel	24.4	**28.0**	30.9	22.0	22.5	23.0
Gasohol (10% blend)	18.4	**28.0**	30.9	20.0	19.0	23.0

The following table shows historical motor fuel tax rates:

Year	Historical Motor Fuel Excise Rates in Minnesota
1975	Increased from 7 to 9 cents per gallon
1980	9 to 11 cents
1981	11 to 13 cents
1983	13 to 16 cents (for eight months) and then to 17 cents beginning January 1, 1984
1988	17 to 20 cents
1994	Phased out 2-cent gasohol credit over 4 years
2008	Chapter 152 authorized a number of changes to the fuel tax rates from 2008 to 2012; including a general rate increase of 5 cents phased in by October 1, 2008, and a debt service surcharge that increases to 3.5 cents by 2012.
2008 Apr 1	20 cents to 22.0 cents (2 cent general increase)
2008 Aug 1	22.0 cents to 22.5 cents (debt service surcharge)
2008 Oct 1	22.5 cents to 25.5 cents (3 cent general increase)
2009 Jul 1	25.5 cents to 27.1 cents (debt service surcharge)
2010 Jul 1	27.1 cents to 27.5 cents (debt service surcharge)
2011 Jul 1	27.5 cents to 28 cents (debt service surcharge)
2012 Jul 1	28.0 cents to 28.5 cents (debt service surcharge)

Motor Vehicle Registration Tax
According to article XIV of the Minnesota Constitution, "…The legislature may by law tax motor vehicles using the public streets and highways on a more onerous basis than other personal property…" These taxes are commonly referred to as "tab fees."

Motor Vehicle Sales Tax
According to article XIV of the Minnesota Constitution,"…revenue from a tax imposed by the state on the sale of a new or used motor vehicle…must be allocated for the following transportation purposes: not more than 60% must be deposited in the highway user tax distribution fund, and not less than 40% must be deposited in a fund dedicated solely to public transit…" Current statutes provide that 60% of this revenue is deposited in the HUTD fund and 40% is deposited in the Transit Assistance Fund.

HUTD Revenue Forecast Detail

Motor Fuel Excise Tax Forecast
The outlook for fuel consumption is affected by:

- the economy and world oil prices
- long-term policy (CAFE standards - corporate average fuel economy standard)
- consumer trends toward more fuel efficient vehicles
- utilization of other transportation options

To forecast the motor fuel excise tax, MnDOT consults the U.S. gasoline consumption macroeconomic forecasts produced by Global Insight (GII). Global Insight is the same macroeconomic consultant that the state uses to assist with forecasting the General Fund. MnDOT also reviews regional forecast information from the Energy Information Administration (EIA). Finally, a comparison is made of actual local consumption versus previous forecast information provided by GII and EIA.

The most current forecasts from both EIA and GII are for lower consumption of motor fuels over the forecast period. The specific forecasts are shown in the tables below. MnDOT uses an average of the consumption forecasted by EIA and GII as its consumption forecast. These amounts are then multiplied by the motor fuel tax rate, resulting in the estimated revenue. Revenues are approximately 1% less than the November 2011 forecast for the four year forecast period.

Energy Information Administration (EIA) Changes, Feb 12 vs. Nov 11

	Feb 12 Forecast Annual Energy Outlook 2012		Nov 11 Forecast Annual Energy Outlook 2011		
Year	Delivered Motor Gasoline Consumption, All Sectors (quadrillion BTU)	Growth (Year over Year)	Delivered Motor Gasoline Consumption, All Sectors (quadrillion BTU)	Growth (Year over Year)	Change
2008	1.30		1.30		
2009	1.29	-0.5%	1.30	0.0%	-0.5%
2010	1.30	0.5%	1.30	0.0%	0.5%
2011	1.27	-2.6%	1.30	0.0%	-2.6%
2012	1.27	0.2%	1.30	0.0%	0.2%
2013	1.26	-1.0%	1.30	0.0%	-1.0%
2014	1.24	-1.0%	1.30	0.0%	-1.0%
2015	1.23	-0.7%	1.29	-0.8%	0.1%

Global Insight (GII) Changes, Feb 12 vs. Nov 11			
	Feb 12 Forecast	Nov 11 Forecast	
Year	GII Highway Consumption of Fuel Year over Year Growth	GII Highway Consumption of Fuel Year over Year Growth	Change
2008	-0.97%	-0.97%	0.00%
2009	-2.98%	-2.98%	0.00%
2010	0.66%	0.66%	0.00%
2011	-0.86%	-0.86%	0.00%
2012	-2.03%	0.52%	-2.55%
2013	0.71%	1.57%	-0.86%
2014	0.35%	0.38%	-0.04%
2015	-0.34%	-0.22%	-0.12%

The estimated revenue included in the February 2012 forecast from the motor fuel excise tax is shown below, in millions of dollars:

State Fiscal Year	Feb '12 Fcst	Nov '11 Fcst	$ Change	% Change
2012	866	866	0	0.0%
2013	880	889	-9	-1.0%
2014	878	892	-13	-1.5%
2015	874	887	-14	-1.5%

Motor Vehicle Registration Tax Forecast

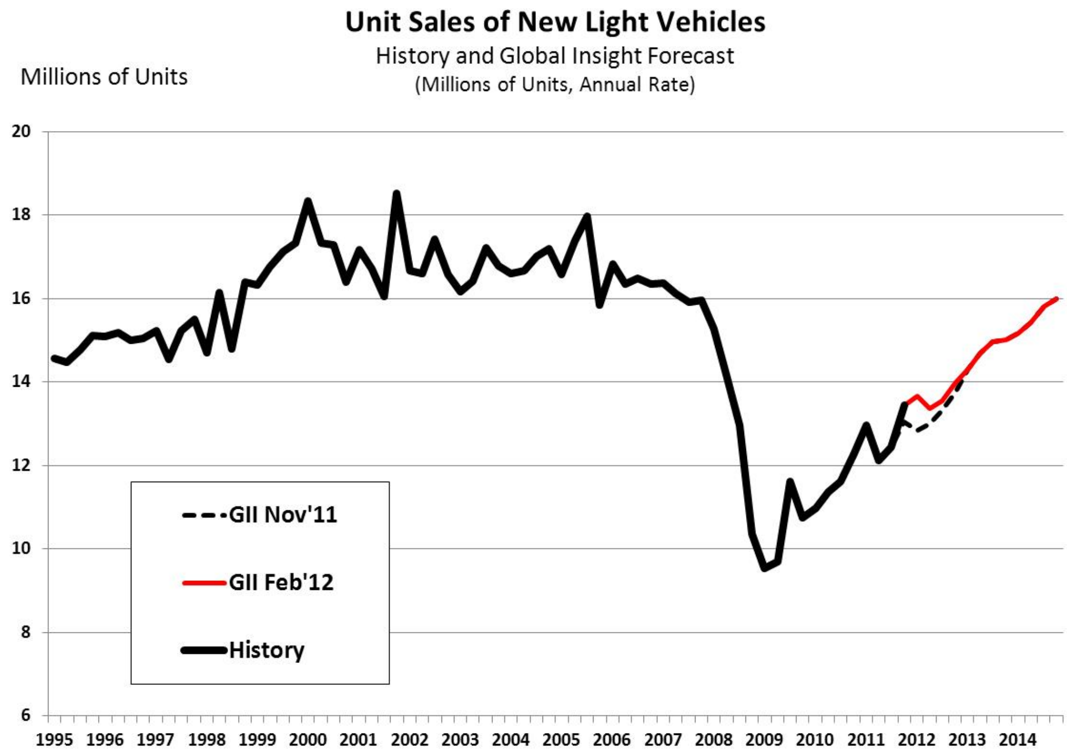
Revenue from the taxes on passenger motor vehicles, the policy for which is described in M.S. 168.013, subdivision 1a, comprise about 80% of the total revenue from motor vehicle registration taxes. Vehicles are taxed based on $10 plus 1.25% of the vehicle's value, depreciated over time until the 10th year of registration, after which the tax is $35. This policy was instituted in 2008, and included a provision that the tax on any passenger vehicle when calculated using the new policy would not be greater than paid previously; this provision resulted in a phase-in of the full impact of this policy change.

MnDOT has a model to forecast revenue from passenger vehicles that is largely based on forecasts of the purchase of new passenger vehicles. Forecasts of the sales of new vehicles are provided by GII. The current forecasts of new vehicle sales suggest that sales will be greater in the forecast period than was assumed in the November 2011 forecast, resulting in estimated revenue that is 3.1% greater than was assumed in November 2011 for all four years. MnDOT assumes that an additional $105 million per year of motor vehicle registration tax revenue is received from taxes on various other types of vehicles, primarily on heavy trucks. This assumption is unchanged from the November 2011 forecast.

The estimated revenue for both passenger vehicles and non-passenger vehicles included in the February 2012 forecast from the motor vehicle registration taxes is shown below, in millions of dollars:

State Fiscal Year	Feb '12 Fcst	Nov '11 Fcst	$ Change	% Change
2012	580	565	15	2.7%
2013	593	578	14	2.5%
2014	607	588	19	3.2%
2015	621	598	23	3.8%

The following chart depicts the unit sales rate for new light vehicles, from 1995 through the forecast period. All data are provided by GII and reflect national levels. The solid red line reflects the current forecast, which has increased since the November 2011 forecast (the dashed black line).



Motor Vehicle Sales Tax Forecast
As mentioned previously, the HUTD Fund receives 60% of the revenue from the motor vehicle sales tax. This is a 6.5% tax on the sale of new and used motor vehicles. The Department of Management and Budget (MMB) prepares the official forecast of this revenue, which is largely based on input provided by GII. Similar to

the forecast for passenger motor vehicles, this forecast is largely based on estimates of sales of passenger vehicles, so the trend is similar to that described previously for motor vehicle registration tax revenue.

Compared with the November 2011 forecast, estimated revenue in the February 2012 forecast is 3.4% greater for all four years of the forecast period. The estimated revenue included in the February 2012 forecast that will be received by the HUTD Fund from the motor vehicle sales tax is shown below, in millions of dollars:

State Fiscal Year	Feb '12 Fcst	Nov '11 Fcst	$ Change	% Change
2012	336	316	20	6.3%
2013	355	343	12	3.4%
2014	373	365	8	2.2%
2015	398	389	9	2.3%

Total HUTD Revenue

When the three revenue sources described above are combined, plus taking into account other revenue sources that provide much smaller amounts of revenue, revenue to this fund is estimated to be 1.2% greater than was forecasted in November 2011. The total estimated revenue for the HUTD Fund is shown below, in millions of dollars:

State Fiscal Year	Feb '12 Fcst	Nov '11 Fcst	$ Change	% Change
2012	1,786	1,751	35	2.0%
2013	1,831	1,814	17	1.0%
2014	1,862	1,848	14	0.7%
2015	1,897	1,878	18	1.0%

Trunk Highway Fund

The Trunk Highway Fund receives revenue from various sources. Approximately 62% of this revenue comes from transfers from the Highway User Tax Distribution Fund, approximately 34% comes from federal aid agreements, and approximately 4% comes from other sources, such as investment income.

The Trunk Highway Fund has a unique authority in state accounting (see Article XIV, section 11 of the Minnesota Constitution) – to receive authorizations to sell trunk highway bonds, with the debt service on these bonds (payment of principal and interest) specified as a first charge on money coming into the fund. In recent years the amount of debt service expenditures (transfers to the state Debt Service Fund) has been substantial and is forecasted to become even greater in the future. The debt service transfer in fiscal year 2012 was approximately $73 million and is forecasted to grow to nearly $180 million by fiscal year 2015, or approximately 16% of revenues to the fund, not counting federal aid. Compared with the November 2011 forecast, forecasted debt service has changed only slightly – a decrease of $0.4 million over the four years.

MnDOT's Trunk Highway Fund is governed by four financial policies. The two most relevant to this particular forecast are the debt service and fund balance policies. Both policies are included in the Appendices at the end of this document.

There were four significant changes incorporated into the February 2012 forecast, compared with November 2011 forecast for the Trunk Highway Fund. First, revenue received by this fund via transfer from the HUTD Fund is estimated to be 1.2% greater than was forecasted in November 2011 for the same reasons as described earlier for the HUTD Fund. This is an increase of approximately $53 million over the four year period.

Secondly, the Other Income category was reduced by approximately $21 million in each of the four years of the forecast period. This was primarily due to lowering the estimate of revenue expected to be received from local governments to pay for portions of MnDOT construction projects that are added to contracts to accommodate local government requests. Since these additional features added to the contract are not for work on the trunk highway system, local governments are required to pay for this additional work. This revenue is classified as "dedicated receipts," which means that the money is appropriated to MnDOT when received. Thus, expenditures on the fund statement were also reduced by the same amount.

Third, the February 2012 expenditures were increased by $18.5 million. This was due to a shift in federal funds from 2012 to 2011, but overall expenditures in 2012 were reduced by this same amount incorrectly in the November 2011 fund statement. The overall spending in 2012 is based on the total spending authority in law and statute.

Finally, the estimates for investment income have been reduced compared with November 2011. Estimates of this revenue are primarily based on interest rate projections made by MMB. The projections in November 2011 assumed rates would begin to increase by Fiscal Year 2015. The current forecast is that higher interest rates will not begin until after Fiscal Year 2015. This resulted in reductions in the estimated investment income for the entire forecast period, but especially for Fiscal Year 2015, when the forecast was reduced by approximately $7 million, a 56% reduction for that year. This same pattern of reduced investment income is incorporated into the forecasts for the HUTD Fund, the CSAH Fund, the MSAS Fund, and the State Airports Fund.

The changes to the Trunk Highway Fund compared to the prior forecast are detailed on the next page:

Trunk Highway Fund Balance Changes
2012 Feb vs. 2011 Nov
($ in millions)

	FY12	FY13	FY14-15
State Revenues (HUTD)	21.4	11.0	20.7
Interest Income	0.3	0.2	(8.2)
Shared Construction Receipts (Other Income)	(21.0)	(21.0)	(41.9)
Total Revenue Impact	**0.7**	**(9.7)**	**(29.5)**
Shared Construction Expenditure Reduction	(21.0)	(21.0)	(41.9)
Transportation Spending Adjustment (Increase)	18.5	0.0	0.0
Debt Service Transfer	0.0	(1.2)	0.8
Total Expenditure and Transfer Impact	**(2.4)**	**(22.2)**	**(41.1)**
Fund Balance Change	**3.2**	**12.5**	**11.6**
Total Cumulative Change	**3.2**	**15.6**	**27.3**

As mentioned above, MnDOT's Trunk Highway Fund is governed by four financial policies. The two most relevant to this particular forecast are the debt service and fund balance policy guidelines. The debt policy guideline states that debt service should not exceed 20 percent of annual state revenues to the Trunk Highway Fund. The debt service percentage and comparison to 20 percent debt service is shown below for the forecast period. The percentage is expected to increase in subsequent years.

Debt Management Policy
($ in Millions)

Year	Current % (1)	Variance from 20% Policy Limit (2)
2012	7.9%	131.8
2013	12.6%	82.9
2014	15.1%	55.4
2015	16.8%	37.2

(1) *In future years, this percentage is expected to increase*

(2) *Represents amount of additional debt service to reach 20% limit*

County State Aid Highway (CSAH) Fund & Municipal State Aid Street (MSAS) Fund

Both the County State Aid Highway Fund and the Municipal State Aid Street Fund receive almost all of their revenue through transfers from the HUTD Fund. The CSAH Fund also receives a share of revenue from the sales tax on motor vehicle leases (see below). In addition both funds receive investment income. This revenue is distributed annually through the Commissioner's Order process, as governed by M.S. Chapter 162.

The forecasted revenue in February 2012 estimated to be received from the HUTD Fund is 1.3% greater than was estimated in November 2011, for the same reasons as was described previously. This is an increase of approximately $29 million over the four year forecast period for the CSAH Fund and nearly $8 million for the MSAS Fund for the same period.

The forecasts for investment income for these two funds is lower than in the November 2011 forecast, especially in Fiscal Year 2015, for the same reason as described previously. For the CSAH Fund, the forecast for investment income was reduced by approximately $6 million for the entire four year period. For the MSAS Fund, the forecast for investment income was reduced by about $1.9 million over the four year period. For both funds, Fiscal Year 2015 accounts for almost all of the changes.

In 2008 the legislature statutorily dedicated a new source of revenue to transportation – revenue from the sales tax on motor vehicles leases. One-half of this revenue greater than $32 million in Fiscal Year 2013 and beyond ($31.1 million in Fiscal Year 2012) is allocated to the CSAH Fund, and one-half is allocated to the greater Minnesota transit account in the Transit Assistance Fund. The February 2012 forecast for motor vehicle lease sales tax revenue estimated to be received by the CSAH Fund was increased nearly $500,000, compared with the November 2011 forecast, over the four year period, which is a 1.9% increase.

Transit Assistance Fund

The Transit Assistance Fund was created (M.S. 16A.88) to provide a fund to receive the transit portion of the constitutionally dedicated revenue (currently 40%) from the motor vehicle sales tax. By statute (M.S. 297B.09), 36% of this revenue is allocated to the metropolitan area transit account (administered by the Metropolitan Council) and 4% is allocated to the greater Minnesota transit account (administered by MnDOT).

The forecast for this fund was affected by two factors. First, the increase in the forecast for revenue from the motor vehicle sales tax already discussed resulted in a revenue increase compared with November 2011 of more than $32 million for the four years of the forecast period, an increase of approximately 3%.

Secondly, the forecast for revenue anticipated to be received by this fund from the sales tax on motor vehicle leases was increased by nearly $500,000 for the four year period, which is about a 1.9% increase. Revenue from this source is all deposited in the greater Minnesota transit account. Current law provides that the actual receipt of this revenue does not occur until after the close of a specific fiscal year. Because of this, all of the estimated revenue from this source is assigned as a balance forward to the subsequent fiscal year on the fund statement.

The overall effect of these two factors is an increase in revenue of $32.45 million for the four year forecast period. The total estimated revenue for the Greater Minnesota portion of the Transit Assistance Fund is shown below, in millions of dollars:

State Fiscal Year	Feb '12 Fcst	Nov '11 Fcst	$ Change	% Change
2012	28	27	1.4	5.2%
2013	29	28	0.9	3.1%
2014	31	30	0.8	2.6%
2015	36	35	0.7	1.9%

State Airports Fund

The State Airports Fund was statutorily created (M.S. 360.017) to carry out statutory aviation functions, primarily outside the seven county metropolitan area. This includes paying for the MnDOT salaries and expenses related to aeronautic planning, administration, and operation. The State Airports Fund receives most of its revenue from three primary sources: airflight property tax (44%), aircraft registration tax (33%), and aviation fuel tax (20%). For the aviation fuel tax forecast MnDOT relies on forecasts made by the Federal Aviation Administration. The current guidance is for an increase of 3% per year in consumption, which was also the assumption used for the November 2011 forecast.

Two factors contributed to changes in the fund statement for this fund. First, the investment income forecast was changed for reasons that have already been discussed. Secondly, MnDOT submitted a certification just prior to December 31, 2011, as is required by M.S. 270.075, to the Department of Revenue. This law requires MnDOT to determine the property tax portion of revenue for the State Airports Fund, which is defined as the difference between the "…total fund appropriation and the estimated total fund revenues from other sources for the state fiscal year in which the tax is payable…" MnDOT's certification indicated a need to increase the amount of currently estimated airflight property tax revenue by $200,000 for fiscal year 2012. This higher amount then becomes the base amount upon which airflight property tax revenue for fiscal years 2013 through 2015 is based. The total estimated revenue for the State Airports Fund is shown below, in millions of dollars:

State Fiscal Year	Feb '12 Fcst	Nov '11 Fcst	$ Change	% Change
2012	19	18	0.2	1.2%
2013	23	23	0.2	1.0%
2014	19	19	0.2	1.0%
2015	19	19	0.0	0.3%

Appendices

Appendix 1: Highway User Distribution Fund Statement

Appendix 2: Trunk Highway Fund Statement

Appendix 3: Transit Assistance Fund Statement

Appendix 4: Airport Fund Statement

Appendix 5: Debt Service Policy Guidelines

Appendix 6: Fund Balance Policy Guidelines

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Appendix 1

($ in thousands)

February 2012 Forecast-Transportation

Highway User Tax Distribution Fund

February 2012 forecast

Comparison to November 2011

	February 2012 forecast					Change from November 2011			
	Closing	Budget	Budget	Planning	Planning	Budget	Budget	Planning	Planning
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2012	FY 2013	FY 2014	FY 2015
Balance Forward from prior year	$706	$1,848	$0	$0	$0	0	0	0	0
REVENUE									
Gasoline and Special Fuel Taxes	846,008	866,092	880,143	878,453	873,817	-310	-8,676	-13,412	-13,640
Motor Vehicle License Tax	557,175	580,314	592,635	606,748	620,909	15,157	14,207	18,936	22,932
Motor Vehicle Sales Tax	276,093	336,168	354,600	372,702	397,836	19,968	11,580	8,022	8,976
Other	3,319	3,776	3,797	3,797	3,997	185	198	124	-106
Total Revenue	1,682,595	1,786,350	1,831,176	1,861,701	1,896,558	35,000	17,309	13,670	18,162
ACTUAL & ESTIMATED USES									
Appropriations to MnDOT, Revenue, DPS	10,722	11,457	11,457	11,457	11,457	-2,042	-2,042	-2,042	-2,042
Transfers--DNR	21,432	21,696	22,522	22,695	22,595	-24	-119	-286	-349
Transfers--5% Set-Aside	82,399	87,686	89,794	91,311	93,059	1,817	938	764	992
Transfers--County State-Aid Highway	454,017	483,150	494,762	503,125	512,755	10,014	5,167	4,210	5,465
Transfers--Municipal State-Aid Highway	140,902	149,943	153,547	156,142	159,131	3,108	1,603	1,307	1,696
Transfers--Trunk Highway	970,656	1,032,941	1,057,768	1,075,645	1,096,236	21,410	11,046	9,001	11,684
Other	1,326	1,326	1,326	1,326	1,326	716	716	716	716
Total Uses	1,681,453	1,788,198	1,831,176	1,861,701	1,896,558	35,000	17,309	13,670	18,162
Ending Balance	**$1,848**	**$0**	**$0**	**$0**	**$0**	**0**	**0**	**0**	**0**

Appendix 2

($ in thousands) ***February 2012 Forecast-Transportation***

Trunk Highway Fund

February 2012 forecast

Comparison to November 2011

($ in thousands)	February 2012 forecast					Change from November 2011			
	Closing	Budget	Budget	Planning	Planning	Budget	Budget	Planning	Planning
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2012	FY 2013	FY 2014	FY 2015
Balance Forward from prior year	$132,384	$199,967	$191,546	$219,192	$236,698	$0	$3,185	$15,648	$23,448
Prior year adjustments	$35,023	$0	$0	$0	$0	$0	$0	$0	$0
Adjusted Balance Forward	$167,407	$199,967	$191,546	$219,192	$236,698	$0	$3,185	$15,648	$23,448
REVENUE AND TRANSFERS									
Transfer from HUTD	$970,656	$1,032,941	$1,057,768	$1,075,645	$1,096,236	$21,410	$11,046	$9,001	$11,684
Federal aid agreements	$525,549	$532,136	$305,480	$392,480	$373,480	$0	$0	$0	$0
Other income	$60,248	$59,241	$57,563	$57,563	$59,669	-$20,660	-$20,745	-$22,165	-$27,974
Total Revenue and Transfers	$1,556,453	$1,624,317	$1,420,811	$1,525,689	$1,529,384	$750	-$9,699	-$13,164	-$16,291
ACTUAL & ESTIMATED USES									
Mn/DOT	$1,387,193	$1,471,721	$1,178,536	$1,262,536	$1,251,536	-$2,435	-$20,964	-$20,964	-$20,964
DPS and other	$91,476	$88,416	$88,416	$88,416	$88,416	$0	$0	$0	$0
Debt service	$45,225	$72,601	$126,213	$157,231	$179,996	$0	-$1,198	$0	$849
Total Uses	$1,523,894	$1,632,738	$1,393,165	$1,508,183	$1,519,948	-$2,435	-$22,162	-$20,964	-$20,115
Balance before reserves	$199,967	$191,546	$219,192	$236,698	$246,135	$3,185	$15,648	$23,448	$27,272
Reserved for approp. carried forward	$0	$0	$0	$0	$0	$0	$0	$0	$0
Ending Balance	**$199,967**	**$191,546**	**$219,192**	**$236,698**	**$246,135**	**$3,185**	**$15,648**	**$23,448**	**$27,272**

($ in thousands)

February 2012 Forecast-Transportation

Transit Assistance Fund

February 2012 forecast

Comparison to November 2011

	February 2012 forecast					Change from November 2011			
	Closing	Budget	Budget	Planning	Planning	Budget	Budget	Planning	Planning
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2012	FY 2013	FY 2014	FY 2015
Balance Forward from prior year	$7,289	$6,010	$5,775	$5,570	$6,310	0	2,770	5,570	6,310
REVENUE									
Metropolitan area transit account		201,701	212,760	223,621	238,702	11,981	6,948	4,813	5,386
Greater Minnesota transit account		22,411	23,640	24,847	26,522	1,331	772	535	598
Motor Vehicle Sales Tax	197,364	224,112	236,400	248,468	265,224	13,312	7,720	5,348	5,984
Leased Vehicle Sales Tax	5,206	5,775	5,570	6,310	9,000	70	120	245	55
Total Revenue	202,570	229,887	241,970	254,778	274,224	13,382	7,840	5,593	6,039
ACTUAL & ESTIMATED USES									
Metropolitan Council	177,178	201,701	212,760	223,621	238,702	11,981	6,948	4,813	5,386
Transportation Department	26,671	28,421	29,415	30,417	32,832	-1,369	-1,908	40	-2,037
Total Uses	203,849	230,122	242,175	254,038	271,534	10,612	5,040	4,853	3,349
Less Appropriation Carryforward	0	5,775	5,570	6,310	9,000	5,775	5,570	6,310	9,000
Budgetary Balance	6,010	0	0	0	0	-3,005	0	0	0

Appendix 4

($ in thousands)

February 2012 Forecast-Transportation

State Airports Fund

February 2012 forecast

Comparison to November 2011

	February 2012 forecast					Change from November 2011			
	Closing	Budget	Budget	Planning	Planning	Budget	Budget	Planning	Planning
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2012	FY 2013	FY 2014	FY 2015
Balance Forward from prior year	$5,001	$2,902	$937	$2,165	$1,048	$0	$225	$453	$646
Prior Year Adjustments	$965	$0	$0	$0	$0	$0	$0	$0	$0
Adjusted Balance Forward	$5,966	$2,902	$937	$2,165	$1,048	$0	$225	$453	$646
REVENUE									
Airline Flight Property Tax	$7,807	$8,000	$12,233	$8,000	$8,000	$200	$200	$200	$200
Aircraft Registration Tax	$5,920	$6,200	$6,517	$6,517	$6,517	$0	$0	$0	$0
Gasoline & Special Fuel Tax	$3,526	$3,632	$3,741	$3,853	$3,969	$0	$0	$0	$0
Departmental Earnings (1)	$536	$510	$510	$510	$510	$0	$0	$0	$0
Investment Income	$61	$74	$80	$80	$131	$25	$27	-$6	-$151
Other Income	$44	$90	$90	$90	$90	$0	$0	$0	$0
Total Revenue	$17,894	$18,506	$23,171	$19,050	$19,216	$225	$227	$194	$49
ACTUAL & ESTIMATED USES									
Transportation, Department of	$20,958	$20,470	$21,941	$20,166	$20,166	$0	$0	$0	$0
Department of Revenue	$0	$1	$1	$1	$1	$0	$0	$0	$0
Total Expenditures	$20,958	$20,471	$21,942	$20,167	$20,167	$0	$0	$0	$0
Ending Balance	**$2,902**	**$937**	**$2,165**	**$1,048**	**$98**	**$225**	**$453**	**$646**	**$695**

Mn/DOT POLICY

Date: July 1, 2010

Reference: Debt Management
Financial Administration
No. 2.6

Position Statement:

I. Debt service for the trunk highway fund should not exceed 20 percent of annual state revenues to the trunk highway fund.
II. Additional debt service should not reduce the adopted statewide transportation improvement program.
III. Use of trunk highway bonds will be in accordance with statewide policies as to limits and purpose, and shall also only be used for capitalizable assets with useful lives exceeding the term of the bonds.
IV. Actions:
   A. Mn/DOT shall not propose additional bonding that would exceed this debt service limit.
   B. If any forecast projects that this debt limit shall be exceeded within 10 years after the fiscal year of the forecast and:
      1. More than five years later, the commissioner shall formally notify Minnesota Management and Budget and advise the Legislature, providing options to bring the debt service into compliance with the policy;
      2. More than two years but five or fewer years later, the commissioner shall formally notify Minnesota Management and Budget, consider actions to bring the debt service into compliance with the policy, and advise the Legislature of actions taken or provide the reasons for not so doing;
      3. Two or fewer years, the commissioner shall propose or take actions to bring debt service into compliance by the end of the next legislative session.
      4. In all cases, Mn/DOT will restrict usage of the fund balance by an amount estimated for the future debt service funding shortfalls for years where debt service is projected to exceed 20 percent of annual state revenues.

Guideline:

Debt service and state revenue to the trunk highway fund shall be estimated with each state forecast in November and February, and after any legislative session that changes debt authorizations or revenue estimates. The time period for this estimate shall extend beyond the formal forecast period to a total of 10 years for purposes of this policy. Responsible party: chief financial officer.

Background:

The state of Minnesota is authorized to issue general obligation bonds for trunk highway purposes under Article XIV of the constitution. Mn/DOT is also authorized to enter into loan agreements using the transportation revolving loan fund under M.S. 161.04, and to enter into local advance agreements under M.S. 161.361. This policy sets limits on the overall obligations that these uses of debt financing should place on the state revenues into the trunk highway fund for the next 10-year period, but long-term planning should aim for debt service to not exceed 15 percent of state revenues. Mn/DOT is exploring financing mechanisms other than obligation bonds. Before using any new financing mechanism, Mn/DOT, in consultation with Minnesota Management and Budget, will evaluate its applicability to and impact on this and other state capital investment policy, as well as any amendments to these policies. All applicable related state and federal policies must also be followed, and guidelines set by Mn/DOT's fund balance and cash forecast policies must also be considered.

Statutory or Other References:

See Background section above.

Definitions:

Debt service – required annual payments of interest and principal to fully amortize the loan according to the loan agreement. Debt service includes future obligations for trunk highway bonds, borrowings from the transportation revolving loan fund, advances from local governments and any other similar obligations on the trunk highway fund.

Trunk highway bonds – bonds sold to investors to acquire funds for construction of trunk highway improvements. These general obligation bonds must be repaid from the trunk highway fund.

Trunk highway fund – constitutionally dedicated source of revenue that must be used for the trunk highway system.

State revenues – revenue into the trunk highway fund from sources created by Minnesota statute or constitution, such as motor fuel tax, motor vehicle registration tax and motor vehicle sales tax.

Khani Sahebjam, Deputy Commissioner
and Chief Engineer

Any questions regarding this policy should be directed to:

Chief Financial Officer, MS 120, Transportation Building
395 John Ireland Blvd., St Paul, MN 55155
651-366-4816

Mn/DOT POLICY

Date: July 1, 2010

Reference: Financial Administration
No. 2.3
Fund Balance

Position Statement:

I. The trunk highway fund should maintain an undesignated, unreserved fund balance of not less than the sum of:
   a. 6 percent of annual projected state revenues to the fund, plus
   b. 2 percent of authorized but unissued debt, plus
   c. An amount estimated for the future debt service funding shortfalls for years where debt service is projected to exceed 20 percent of annual state revenues.

II. If any forecast projects that the fund balance target shall not be met, Mn/DOT shall propose actions, including biennial budget submissions that achieve the target by the end of the next biennium, unless the commissioner finds that an emergency warrants a longer period of adjustment.

Guideline:

The trunk highway budgetary fund balance shall be estimated with each state forecast in November and February, and after any legislative session that materially changes fund balance components. The time period should cover each biennium included in the state forecast. Responsible party: chief financial officer.

Background:

The state's trunk highway fund is the principal operating fund for Mn/DOT. The trunk highway fund is a governmental fund that accounts for public monies used to construct, maintain, and operate most of the Minnesota trunk highway transportation infrastructure. It also accounts for transfers to pay trunk highway debt. In governmental funds, undesignated, unreserved fund balance is a reserve to allow for emergencies (natural and financial), and permit orderly adjustment to revenue fluctuations.

Maintaining an unreserved fund balance while planning for spending of funds creates a reserve that can be used to mitigate significant deviations from expected future events. Revenue forecasts and projected spending levels are all subject to significant uncertainty due to several economic, operating, and legal uncertainties concerning the future operating environment. The state of Minnesota (MS 16A.152) requires its general fund to maintain reserves for cash flow and budget reserves, and includes other fund balance guidelines.

Statutory or Other References:

See Background section above.

Definitions:

State revenue – Revenue into the trunk highway fund from sources created by Minnesota statute or constitution, such as motor fuel tax, motor vehicle registration tax and motor vehicle sales tax.

Fund balance – The amount of revenues less appropriations, reserves and other uses in the trunk highway fund at the end of a fiscal year and year end balances forecast in the trunk highway fund budgetary fund statement for future years.

Federal funds – Federal appropriations for transportation purposes received on a reimbursable basis through the Federal Highway Administration.

Khani Sahebjam, Deputy Commissioner
and Chief Engineer

Any questions regarding this policy should be directed to:

Chief Financial Officer, MS 120, Transportation Building,
395 John Ireland Blvd., St Paul, MN 55155
651-366-4816