



Municipal State-Aid Street System

June 2020

Several cities receive state assistance for construction and maintenance of streets that are part of a municipal state-aid street system. Funding comes from transportation-related taxes and is distributed following a statutory formula. Direct aid in calendar year 2020 totals \$210.2 million.

System Overview

The municipal state-aid street (MSAS) system is a collection of higher volume and key streets located in 148 Minnesota cities, of which 84 are in the Twin Cities metropolitan area. The roughly 3,700 miles of state-aid streets constitute around 16 percent of centerline miles of all city streets. [Minn. Stat. § 162.09](#).

Constitutional Framework for Aid

The Minnesota Constitution lays out a basic framework for state highway finance. Among its features, the constitution dedicates specific transportation-related taxes to transportation purposes; allocates tax revenues by formula; and creates a MSAS fund for financial assistance to cities. [Minn. Const. art. XIV](#).

Eligibility Based on Population

The constitution requires a population over 5,000 for a city to qualify for MSAS aid. [Minn. Const. art. XIV, § 8](#). Population is determined by the last federal decennial census or most recent estimate. However, some provisions allow cities whose populations drop below 5,000 to receive aid, including:

- an exception for Chisholm, which was grandfathered in following the 2000 census; and
- transition periods that continue aid to a city that had been receiving assistance but whose population drops below the cutoff in a decennial census. [Minn. Stat. § 162.09](#), subd. 4 (f); [Laws 2001, 1st spec. sess., ch. 8](#), art. 2, § 6; [Laws 2002, ch. 364](#), § 29.

Other Assistance to Ineligible Cities

While cities having a population under 5,000 are not generally eligible for MSAS funds, the legislature established a Small Cities Assistance program. [Minn. Stat. § 162.145](#). It was most recently funded at \$8.0 million in each of fiscal years 2018 and 2019 (with no funding for 2020 and after). Smaller cities are also indirectly supported through state aid to counties: a share of state funds for the county state-aid highway system must be allocated to a municipal account for use on portions of county state-aid highways located within smaller cities. [Minn. Stat. § 162.08](#), subd. 1.

Program Administration

The Minnesota Department of Transportation (MnDOT) administers the state-aid program. MnDOT determines distributions annually based on a combination of tax receipts and future estimates. Aid is distributed on a calendar-year basis. Because of this timing, revenue impacts due to the COVID-19 coronavirus pandemic will not be observed until aid distribution in 2021.

MnDOT has also adopted administrative rules governing the program, which cover topics such as minimum roadway design and engineering standards, design variance procedures, apportionment between construction and maintenance, and contract and bidding requirements. [Minn. Rules, ch. 8820](#). While the department oversees aid distribution and provides technical assistance, prioritization and development of road projects are under the purview of each city.

Allocation and Use of Funds

Following state statutes, MSAS funds are used to provide aid and for related activities (such as program administration). Total funding for calendar year 2020 is \$216.1 million. Allocations consist of:

- \$210.2 million apportioned to cities as direct aid;
- \$4.3 million for MnDOT agency expenses;
- \$533,400 to a disaster account; and
- \$962,300 to a research account. [Minn. Stat. §§ 162.12, 162.13](#).

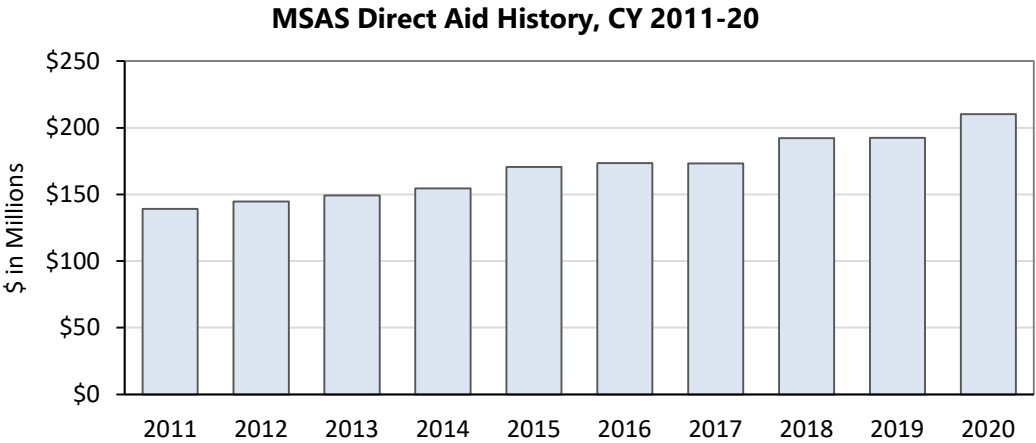
Direct aid. MnDOT apportions the direct aid to cities following a formula in state statute, so that:

- 50 percent is divided proportionally based on the population of each city (compared to the total for all municipal state-aid cities); and
- 50 percent is proportional based on city construction needs. [Minn. Stat. § 162.13](#).

The “needs” calculation under the aid formula is structured to enable comparison across the cities (and does not identify total costs to bring municipal state-aid streets up to state standards). Calculations submitted by cities are reviewed by a screening board composed of city engineers.

Aid Distribution

The chart below identifies direct aid in recent years.



Calendar year 2020 direct aid to each city ranges from around \$212,000 to \$19 million (or \$37.23 to \$95.93 on a per capita basis). Average aid per city is about \$1.4 million (\$52.5 per capita). Thirty-eight cities receive \$500,000 or less, and 24 cities receive \$2 million or more.