

# Legislative Study of State Funding for Local Road Improvements



**January, 2002**

Prepared by the Minnesota Department of Transportation  
State Aid for Local Transportation Group

Minnesota Laws of 2001, 1<sup>st</sup> Special Session, Chapter 8, Art 1, Sec 2, Sub 6(c) requires the Commissioner of the Minnesota Department of Transportation to prepare this study of alternative methods to establish a local road improvement program for distributing appropriations made for local road improvements.

The total cost to prepare this report was \$35,500.

January 3, 2002

Elwyn Tinklenberg, Commissioner  
Minnesota Department of Transportation  
395 John Ireland Blvd, MS 100  
St. Paul, MN 55155

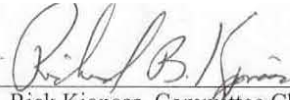
Dear Commissioner Tinklenberg:


We, the undersigned, as members of the Local Road Study Advisory Committee, representing city and county governments, Mn/DOT, and users of the local road system, have studied the need for a Local Road Improvement Program as directed by the state Legislature.

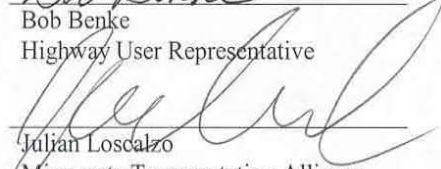
In the performance of this study, we have brought together a wide spectrum of those interested in local road funding, including county engineers and county board members; city engineers, administrators and elected officials from cities with a population over 5000; city administrators from cities with a population under 5000; the Minnesota Association of Townships; the Minnesota Transportation Alliance; the League of Minnesota Cities; the Association of Minnesota Counties; the Metropolitan Inter-County Association; the Minnesota Association of Small Cities; the Minnesota Rural County Caucus; the Association of Metropolitan Municipalities; and other special interest organizations and highway users.

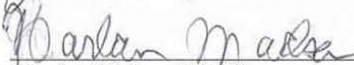
The Local Road Improvement Program will better equip local agencies to work alongside Mn/DOT in achieving a common vision of providing a coordinated transportation network that provides safe, user-friendly access and movement, and responds to the values of Minnesota's citizens.

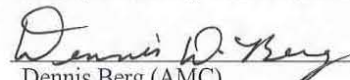
We are in consensus with the recommendations of this report, and hereby submit our study on the establishment of this program.

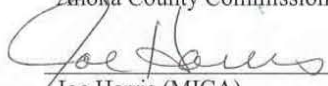
  
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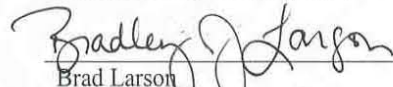
  
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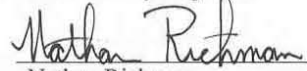
  
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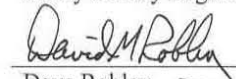
  
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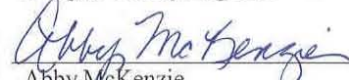
  
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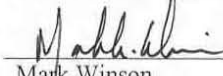
  
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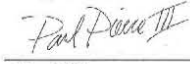
  
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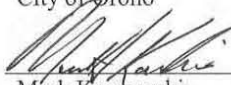
  
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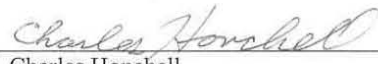
  
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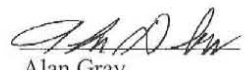
  
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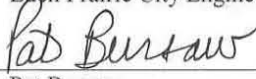
  
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## Executive Summary

The Local Road Improvement Program fills the gaps in existing state transportation assistance programs. This new program will serve the broad interests of local transportation providers all over the State of Minnesota, yet can focus on specific transportation system goals. We are pleased to endorse this exciting new transportation tool.

*The Local Road Advisory Committee*

### Section I. Introduction

The 2001 Legislature directed the Minnesota Commissioner of Transportation to conduct a study of alternative methods to establish a local road improvement program. The purpose of such a program would be to distribute appropriations made to the program by the legislature for local road improvements.

An advisory committee was formed to direct the course of the study and to provide input to the Commissioner of Transportation on the issues of funding local roads.

### Section II. Local Transportation Funding Background

The public road system in Minnesota is approximately 135,000 miles long. Of those, 123,000 miles are under the jurisdiction of the various local government agencies.

The primary source of state transportation funding, is the Highway User Tax Distribution Fund. Money is distributed by formula, 62% for state highways, 29% for county-state aid, and 9% for municipal state-aid. Costs of local transportation that are not covered by some form of aid must be paid from local sources of revenue, primarily property taxes.

Any one or combination of the following factors could create a situation where special state assistance beyond currently available state-aid is needed.

- The project is not eligible for state-aid,
- Items included in the project are not eligible for trunk highway or state-aid funds.
- The project is too large and unique to be accounted for by the state-aid formula.
- The project is driven by needs not encompassed in the state-aid needs formulas.
- The project is not driven by the needs of the transportation system.

The purpose of a Local Road Improvement Program should be **to provide funding assistance to local agencies for local road construction or reconstruction projects with statewide or regional significance that cannot reasonably be funded through other revenue sources.**

### Section III. Program Components

The Advisory Committee established nine program principles for this study. Each component was evaluated against these nine principles. Five keys for funding this program were identified.

1. The program must be able to function without a guarantee of continuous funding.
2. The program must select projects that can use bonds as a funding source.
3. The program must address needs that are currently not eligible for state funding, or that cannot be reasonably funded through existing state programs.
4. The program must not replace current local efforts.
5. The program cannot reduce funding available to existing transportation programs.

### Section IV. Selected Components

Several concepts from a list of 20 areas of need were accepted and combined into two program components to be carried forward for further study. Those two components were the Trunk Highway Corridor Projects Account and the Local Roads Account.

#### **Component 1 – Trunk Highway Corridor Projects Account**

The Trunk Highway Corridor Projects Account provides funds to local agencies to match or meet cost obligations required of the local agency by statute, or for work requested to be included in the contract by the local agency that is directly associated with a Mn/DOT ABC Bottleneck or Inter-Regional Corridor project or other trunk highway project. Examples include public utility relocations and locally requested work such as shares of signals, on-street parking, or other locally requested project additions. Funding would be specific to road construction items, not landscaping or other amenities.

#### **Component 2 - Local Roads Account for Projects of Regional Significance**

The Local Roads Account provides funds to local units of government for transportation projects that meet the eligibility criteria for regional significance. Examples of project categories that are regionally significant include:

- A. **Transportation projects supporting economic development** – includes regionally identified market arteries, 10-ton routes, and tourist routes.
- B. **Capacity/congestion relief** – includes off-system relievers to Inter-Regional Corridors, other trunk highways, or major county highways or city streets.
- C. **Local roads that provide connection** – includes roads to or between Inter-Regional Corridors, other trunk highways, or major county roads or city streets.
- D. **Hazard elimination projects** – includes site-specific or system-wide projects.



## Section V. Evaluation of Program Components

Local participation in Mn/DOT contracts has typically ranged up to \$5 million per year, but with the current expanded construction program due to the Interregional Corridors and Bottleneck funding, and the trend towards larger corridor projects, greater amounts will be needed for the future. Larger projects such as the I-494 Wakota Bridge, Trunk Highway 100, and Trunk Highway 52 in Rochester will increase the amount needed for the Trunk Highway Corridor Projects Account beyond the routine \$5 million per year.

Needs in the Local Roads Account component are substantial. A funding level of \$50-100 million would provide enough funds to justify local effort in developing project proposals and to allow an equitable geographic distribution of the funds.

## Section VI. Conclusions and Recommendations

The study's principal conclusions are:

1. There is an unmet need for state funding for local road improvements, and the Legislature should establish a Local Road Improvement Program modeled after the Local Bridge Replacement Program as set forth in M.S. 174.50. Suggested statutory language is contained in Appendix D.
2. The Legislature should establish a Local Road Improvement Fund in the State Treasury. The fund should be divided into two accounts, the Trunk Highway Corridor Projects Account and the Local Roads Account for Projects of Regional Significance.
3. There is an annual need for assisting local governments with their share of Mn/DOT trunk highway projects. An initial, additional amount should be provided to cover local costs of the I-494 Wakota Bridge project and to retroactively assist communities with projects now in progress, such as the Trunk Highway 100 corridor.
4. The Local Roads Account should be funded with approximately \$50-100 million for the first biennium for assisting local governments with capital improvements to regionally significant local roads that are not capable of being funded by existing programs. An amount in this range will encourage local agencies to invest local effort in the development of projects. Higher amounts may be needed in future years as confidence in the program grows and more projects are developed for this funding source.
5. The program must be funded with new transportation dollars. Existing state assistance programs are currently not meeting the demands for which they were designed.
6. The Commissioner of Transportation should establish procedures for the administration of the program that include consideration for an agencies ability to pay as well as other appropriate criteria for determining eligibility and for ranking candidate projects.



## **I. Introduction**

In the state of Minnesota, there are more than 120,000 miles of local roads. While the state provides various forms of assistance for these roads, recent years have seen an increasing number of requests to the Legislature for special assistance with local roads.

During this past year, requests were made by the city of Newport for assistance with the local share of construction associated with the I-494 Wakota Bridge. The city of St. Paul requested assistance with the transportation share of a redevelopment proposal for the Phalen Boulevard corridor. The city of Osseo requested assistance with the impacts of traffic diverted to local streets from a congested Trunk Highway 169 corridor. Lake County requested assistance in completing Forest Highway 11 to provide better access to the Superior National Forest. Commodity haulers requested exemptions to spring load restrictions or higher weight limits on many rural local roads to aid businesses and improve the state's economy.

These requests suggest that the existing programs may not be designed with sufficient flexibility to meet all of the emerging local road needs. An examination of state assistance for local road construction is needed to determine what needs cannot be met through existing programs, whether or not the unmet needs are appropriately funded by the state, and to what level and in what manner assistance should be provided. This study is that examination, and addresses those types of projects that “fall through the cracks” between the existing programs.

### **Legislative Charge**

The 2001 Legislature requested the Commissioner of Transportation to conduct a study of alternative methods to establish a local road improvement program. The purpose of such a program would be to distribute appropriations made to the program by the Legislature for local road improvements.

The law requesting the study was included in the transportation appropriations bill enacted in the 2001 special session. (1st Special Session Chapter 8, Art 1, Sec 2, Sub 6(c)). It reads as follows:

*(1) The commissioner shall conduct a study of alternative methods of establishing a local road improvement program for distributing appropriations made for local road improvements.*

*(2) In conducting the study, the commissioner shall consider the feasibility and desirability of:*

- (i) distributing money by formula among counties and cities; and*
- (ii) distributing money to counties and cities on a competitive-grant basis.*

*(3) In conducting the study, the commissioner shall prepare and analyze alternative methods of distributing money that do not involve the existing program framework of the county state-aid highway system or municipal state-aid street system, although streets and highways on state-aid systems may be included in any alternative included in the study.*

*(4) As part of the study, the commissioner shall consult with representatives of local government, city and county highway engineers, and highway users. The commissioner shall report the results of the study to the governor and legislature by February 15, 2002.*

In addition, the Advisory Committee named in paragraph four above, advised that the study should address the following:

- The study must address the question of whether or not a local road program will be a “local aid” program or a “local transportation” program. Formulas tend to be used for aid programs and competitive grants for transportation programs.
- The program should concentrate on state or regional interests that cannot reasonably be funded through existing sources. The program should not replace current local effort.
- The program must be able to distribute a series of one-time allocations, and cannot create a system that relies upon a consistent, long-term source of funding.
- The report should note township concerns, even though they were not mentioned in the law.
- The report should evaluate a level of need for funds.
- The report should recommend a program that can be enacted.

### **Goals of the Study**

The goals of this study are to:

1. Categorize unmet local needs for transportation funding, as brought forth by the Advisory Committee, and select program components that will address those needs.
2. Evaluate program components for level of need for funding.
3. Develop a mechanism for distributing funds for each program component.
4. Recommend a combination of program components that will equitably distribute any appropriated funds and that can be enacted as a Local Road Program by the legislature in the 2002 session or thereafter.
5. Make recommendations for the administration of the program, including eligibility and prioritization criteria.

## **Study Methodology**

As directed by the law, an advisory committee was formed to direct the course of the study and to provide input to the commissioner on the issues of funding local roads. Membership of the Advisory Committee is listed in Appendix A. The Advisory Committee provided input in the following manner:

- Program principles were developed to guide the scope of the study. Principles are overarching points by which any program proposal should be developed and evaluated.
- Areas of need were identified on the county, city and township systems. As many areas of needs as possible were identified so that they could be considered for inclusion in the Local Road Program.
- Program components are sub-programs that address specific areas of need. Individual program components were grouped, modified or removed from consideration by the Advisory Committee.
- A program recommendation consisting of the favored program components was crafted and endorsed by the Advisory Committee.
- Recommendations for the further development of administrative procedures were recorded and included in the study for further action by subsequent users of this report.

## II. Local Transportation Funding Background

### Local Transportation System Size

The public road system in Minnesota is approximately 135,000 miles long. Of those, only about 12,000 miles are under the jurisdiction of the Minnesota Department of Transportation. Most of the remaining mileage is under the jurisdiction of the various local government agencies. Exhibit 1 summarizes the distribution of jurisdiction of roadway mileage in Minnesota.

<b>Exhibit 1</b>		
<b>STATEWIDE MILEAGE AND LANE MILES</b>		
by route system		
ROUTE-SYSTEM	MILES	LANE MILES
Interstate	914	3,945
U.S. Trunk Highways	3,225	8,450
Minnesota Trunk Highways	7,798	16,624
County State Aid Highways	30,384	61,712
Municipal State Aid Streets	2,794	6,290
County Roads	15,009	30,040
Township	55,220	110,440
Unorganized Township	1,234	2,468
Municipal Streets	15,731	31,520
National Forest Development	1,166	2,332
Indian Reservation	382	764
State Forest	1,188	2,375
State Park	166	332
Military	186	372
National Wildlife	5	10
State Game Preserve	0.7	1
Private Roads	25	63
<b>TOTALS</b>	<b>135,428</b>	<b>277,738</b>

Source: Transportation Information System, Minnesota Department of Transportation, October 16, 2001. The data is the most recent recorded in the TIS database, but may not reflect all system revisions made within the past two to three years.

## **Local Transportation Funding Sources**

The primary source of transportation funding provided by the state of Minnesota is the Highway User Tax Distribution Fund (HUTDF). This fund was established in the Minnesota Constitution, and distributes money between state highways, county state-aid highways, and municipal state-aid streets. The bulk of the money is distributed by formula, 62% for state highways, 29% for county-state aid, and 9% for municipal state-aid. Townships receive a percentage of the remaining portion.

The County State-Aid system was established in 1956, and consists of approximately 30,000 miles of county highways that form an integrated, coordinated network of highways, that connect towns, communities, shipping points and markets within a county or in adjacent counties, and provide access to schools, churches, community meeting halls, industrial areas, state institutions and recreational areas. The state-aid formula distributes funding assistance to this system for construction and maintenance.

The Municipal State-Aid system was also established in 1956, and consists of approximately 3000 miles of city streets, representing about 20% of all city street mileage. The municipal state-aid system forms an integrated network connecting points of major traffic interest within the city. Only cities with a population of more than 5000 are eligible to receive municipal state-aid funds. The state-aid formula provides funding assistance to this system for construction and maintenance.

All costs of local transportation that are not covered by some form of state-aid or federal-aid must be paid from local sources of revenue, primarily property taxes. According to the U.S. Department of Transportation's Local Highway Finance Report, about 79% of all road construction and maintenance receipts for Minnesota cities came from local revenue sources in 1999. For Minnesota townships, the amount is about 72%. For counties, where two-thirds of the total system is designated for state-aid, nearly half of the revenue, or 44%, is from local sources.

A summary of transportation funding sources is contained in Appendix B.

## **Local Transportation Funding Needs**

Although a part of the scope of this study is to identify areas of need for local transportation funding, two broad categories of need were the impetus for the authorization of this study. All agencies that have requested assistance from the Legislature for local projects fall into one of these two categories.

### Road Systems Receiving No State Aid.

There are two major roadway systems that receive no form of state funding assistance. These systems are the county road system and the local municipal street systems, which are supported entirely by local revenue sources, mainly in the form of property taxes, and to a limited extent, special assessments by municipalities.

The county road system consists of about 15,000 miles of roads under county jurisdiction that are not on the county state-aid system.

The municipal street system consists of all city streets in cities under 5000 population, and the 80 percent of city streets in cities over 5000 population that are not on the state-aid system. About 16,000 miles of city streets are not eligible for state-aid.

Township roads receive a small amount of state assistance through the town road account. Of the 724 municipalities with populations under 5000, 705 have county state-aid mileage within their corporate limits and share indirectly in the County State Aid Fund apportionment.

### Projects That Cannot Be Funded by Existing Sources

Many projects proposed by local agencies are eligible for state-aid participation or are proposed by agencies that do receive state-aid, yet, they request special state assistance. Since these agencies are already receiving state-aid, the questions become, “Why can these projects not be funded from the present state-aid account?” and “If the problem is a funding shortage, why can the problem not be solved by raising contributions to the HUTDF? Why create another program?”

The answer to the first question begins with an examination of the present level of funding in the state-aid account. In 2001, \$342 million were apportioned to the counties for construction and maintenance of the county state-aid system. While this amount appears considerable, a study conducted by the Minnesota County Engineer’s Association (see Appendix C) concluded that there exists a \$144 million annual shortfall to simply preserve the system in its present condition. The same study also concluded that there exists a \$64 million shortfall in county funds available to maintain the county road system. The study does not consider any funding needed to expand the system in length or capacity.

No similar studies have been performed for the municipal state-aid system, but the median state-aid allocation to a city is about \$500,000. This means that even a modest expansion or reconstruction project above and beyond the routine construction program would require several years of apportionment to complete.

Clearly, the state-aid accounts do not have sufficient funding to meet all of the preservation and expansion needs of the state-aid systems at existing funding levels. This leads to the second question; can raising appropriations to the existing program solve the problem?

At the present time, the state gas tax is 20 cents per gallon. While an increase in the gas tax would solve many funding problems, it is not practical to expect even an extraordinary increase to fulfill the array of unique needs that have become apparent.



As an example, in order to fund the preservation shortfall in the county state-aid account, the gas tax would need to be raised by about 18 cents per gallon (distributing the revenue by the current formula). The projects presented to the Legislature for special funding are needs above and beyond the preservation level and are unique to selected local agencies at specific times. Therefore, it is a presumption of this study that an increase in contributions to the HUTDF would be beneficial to the local road system. But there is no realistic increase that could resolve all of the special funding requests, and as such, the problem cannot be solved by an increase to the HUTDF alone.

Specifically, any one of or a combination of the following factors could create a situation where special state assistance beyond currently available state-aid is needed.

- The project is not eligible for state-aid, even though the agency receives state-aid. While all 87 counties and more than 120 cities receive state-aid, a large percentage of their roads and streets are not eligible.
- Items included in the project are not eligible for trunk highway or state-aid funds. Trunk highway and state-aid funds are limited by the constitution and law to certain routes and, in some cases, to certain items. Public utility relocations are often required by law to be paid by the local agency, and are generally not eligible for state-aid.
- The project is so large and so unique, that it is unreasonable to expect the state-aid formula to account for and distribute money for such a project. An example is the Trunk Highway 100 corridor projects. The cities in the corridor, although eligible for state-aid, would need to combine up to several years of their apportionments to pay their local share associated with a single Mn/DOT trunk highway project.
- The project is driven by needs not encompassed in the state-aid needs formulas. Money is distributed by the state-aid needs formula, which is based upon a set of minimum standards typical for local road construction. However, reality often requires construction in excess of those minimums, and the formula does not address those needs and may place an inequitable burden on the responsible local agency. An example of such a situation would be a 10-ton road system. While a 10-ton system is desired in many locations, the state-aid formula assumes a 9-ton design for the majority of traffic levels.
- The project is not driven by the needs of the transportation system. The state-aid needs formula contains factors that approximate the size, age, condition, and usage of the system, and distributes money accordingly. Projects driven by other needs, such as economic redevelopment, cannot reasonably be accounted for by the funding formula, and may place an inequitable burden on the responsible local agency.

Another source of state assistance is the Transportation Revolving Loan Fund (TRLF). The TRLF was established in 1997, and is intended to relieve pressure for local funds for transportation by providing low-cost loans that could be repaid when other local sources of revenue or anticipated federal-aid became available in the future.

In April of 2001, bond counsel for the Minnesota Public Facilities Authority (PFA), the agency that administers the TRLF, determined that the PFA could not sell revenue bonds (i.e. leverage funds) for projects being repaid with state-aid funds without authorizing legislation. This determination therefore reduces the amount of money that is available for loan. In addition, under the TRLF's evaluation criteria, projects that can be leveraged are scored higher than projects that cannot be leveraged. Consequently, local projects that use state-aid funds as a repayment source are not evaluated as high and are therefore less likely to be approved for loans.

Currently, no funds are available in the TRLF for loans. Repayments from the loans that have been made to date should begin to enable annual project solicitations beginning the fall of 2003. The PFA is currently determining the amounts likely to be available for these future solicitations. Legislation authorizing the PFA to sell revenue bonds for TRLF projects being repaid with state-aid funds would enable the PFA to make loans to more projects and would improve the chance of approval for projects using state-aid as a repayment source.

Increasing the assets in the TRLF would make it more useful for more local agencies. However, the extent to which local agencies can use the TRLF is dependent upon the availability of sufficient revenue streams to repay the loans. For example, the city of Newport needed a \$9 million loan for its local share of Mn/DOT's I-494 Wakota Bridge project, but it could only afford to repay a \$2.6 million loan. The TRLF is only one tool that local governments can use to meet their needs, but it cannot be relied upon to meet all of their long term needs.

### **Local Transportation Improvement Program Purpose**

Given this background, the purpose of a Local Road Improvement Program should be:

**To provide funding assistance to local agencies for local road construction or reconstruction projects with statewide or regional significance that cannot reasonably be funded through other revenue sources.**

### III. Program Components

#### Program Principles

The Advisory Committee established nine program principles, based upon the legislative charge, information from interested parties and program administration issues. These nine principles form the basis of this study, as each component proposed for this program was evaluated against these nine principles for possible inclusion in the program. The nine principles are:

1. Formula or Grant? The Advisory Committee preferred a competitive grant approach for the program so that dollars would be targeted to the areas of most need rather than spread across the system. Each program component proposed was reviewed for appropriateness to a grant system. A formula or combination distribution system was analyzed where a grant program was found to be not suitable for a particular component.

2. Funding and Funding Source. Although the program to be recommended should be flexible in terms of level of funding and funding sources, the Advisory Committee identified five key principles as being essential to the eventual recommendation.

- The program must be able to function without a guarantee of continuous funding.
- The program must select projects that are acceptable for using bonds as a funding source.
- The program must address needs that are not eligible for state funding currently, or that cannot be reasonably funded through existing state programs.
- The program must not replace current local effort.
- The program cannot reduce the funding available to existing state transportation programs.

Because of the constitutional limitations placed on funds in the HUTDF, it is recommended that general funds or bonds fund this program so that projects not on the state-aid system can be eligible.

3. Program Flexibility. The Advisory Committee expressed that the program needs to focus dollars on areas of need, while at the same time providing sufficient flexibility to address a wide variety of project proposals so that the program will minimize the number of local agency funding requests going directly to the Legislature. Each program component must balance these two perspectives.

4. Funding Flexibility. The Advisory Committee prefers a minimum of accounts within the program. Accounts should be established to limit competition to projects within a clearly distinct area of need. Within the accounts, flexibility should be maintained to direct available dollars to the areas of greatest need without artificial account boundaries. If distinct project categories emerge, the Legislature may choose to suballocate funds through the biennial appropriation act for the program.

5. Oversight. The Advisory Committee requested a streamlined oversight structure. Oversight of the program should be delegated to the Commissioner of Transportation through the office that administers the state-aid program. The State Aid Engineer should appoint technical advisory panels as needed to direct the program. Accountability will be to the Legislature through the biennial capital budget process.

6. Deliverability. For the program to be effective, projects must be deliverable within a reasonably short timeframe following appropriation of the funds. Project staging and selection processes should insure that once selected, the project is deliverable within two-three years.

7. Program Focus. In consideration of deliverability, the Advisory Committee favored limiting the program to construction costs. Pavement maintenance or preservation projects are not eligible. Structural bituminous overlays that upgrade the pavement strength may be acceptable. Engineering and right-of-way costs should be excluded, at least for the initial year of the program. Because the program will focus on projects that cannot be funded through existing sources, participation in this program should not reduce an agency's ability to participate in other state assistance programs.

8. Eligibility/Ranking Criteria. Eligibility and ranking criteria need to be flexible so that, as project categories change in the future, the commissioner may adjust the criteria in response. Multiple sets of criteria need to be developed because of the dissimilar nature of the anticipated project categories. Therefore, the statute establishing the program should contain broad guidelines on eligibility and ranking criteria modeled after those used for the bridge replacement program. The commissioner should develop specific parameters, with the assistance of technical advisory panels as needed.

9. Matching Funds. The Advisory Committee favored some amount of local financial match as being a critical indicator of local commitment to a project. Local matches must be considered along with ability to pay.

## **Program Components**

The Advisory Committee created and considered the following list of areas of need for local transportation funding assistance.

1. Trunk Highway Corridor Projects – Local Street Improvements
2. Trunk Highway Corridor Projects – City Utility Relocations
3. Construction of Routes of Regional Significance
4. Capital Improvement Projects on any System
5. Matching Funds Source for Federal-Aid Projects
6. Reconstruction of Rural Market Arteries and Farm-to-Market Connections
7. Reconstruction of Local Roads and Streets to Add Capacity
8. Construction or Reconstruction of Regionally Significant Roads.
9. Construction of Regional Trails in Highway Corridors

10. State-Aid Eligible Mega-Projects
11. Assistance to Projects that are a Part of an Economic Development Effort
12. Construction or Reconstruction of Tourism Routes in National Forests
13. Safety Improvement Projects
14. 10-Ton Route System
15. Small cities in major regional corridors (i.e. Osseo)
16. Continuity of MSAS routes through non-state aid cities
17. Construction and Maintenance Assistance to Cities Under 5000
18. Emergency Relief – Storms, Natural Disasters, Catastrophic Failures
19. Assistance to Promote Local Funding of Trunk Highway Noise Walls
20. Local advancement of Mn/DOT projects (i.e. interchanges)

The Advisory Committee conducted a preliminary screening of these 20 needs against the criteria of the nine program principles.

While all areas of need were recognized as important and in need of funding, several of the areas listed were dropped from further consideration for this study because they were considered beyond the scope of this program. Those areas that were not combined into one of the two program components and the rationale are given below.

4. Capital Improvement Projects on any System. The funding shortage in the state-aid account and in local revenues for even preservation of the system means that dollars for capital improvements are scarce. While this is a serious need, this category is too broad to establish a state interest in all cases, or it could be largely solved by an increase to the HUTDF.

5. Matching Funds Source for Federal-Aid Projects. Projects in this category are typically funded with 80 percent federal funds and a 20 percent local match. The program is not intended to replace local effort, and the Advisory Committee concluded that this program should not be used to automatically pay the local match on a federal-aid project. Projects that exceed the recommended 20 percent local match, may be eligible through the criteria for projects of regional significance.

9. Construction of Regional Trails in Highway Corridors. While trails are worthy of state funding, they have other existing sources of funding, and the charge from the Legislature limited the program to roads.

15. Small Cities In Major Regional Corridors. This category was aimed at cities like Osseo, where a major corridor runs through the city and causes impacts on parallel and connecting local roads. The Advisory Committee judged that this was a needed area of assistance, but that assistance should come in the form of grants for projects that meet the criteria for construction and reconstruction and not through a distribution formula for unspecified maintenance and preservation of those local routes. Ranking criteria should give higher priority to cities like Osseo that have no other source of state assistance.

17. Construction and Maintenance Assistance to Cities Under 5000. Counties, large cities, and townships all receive at least a small amount of state assistance for maintenance and construction. Small cities receive no such direct assistance. While this is an area needing funding, this category did not meet the study parameters that the projects must be of regional significance, and the program cannot create an ongoing dependence on state funding.

18. Emergency Relief – Storms, Natural Disasters, Catastrophic Failures. Because of the variability possible in this category, a standing program would be impractical to create. When state assistance is needed, the distribution program will need to be created in response to the specific event.

19. Assistance to Promote Local Funding of Trunk Highway Noise Walls. Projects in this category were eliminated because they are already eligible for trunk highway dollars, and because Mn/DOT already has a program to construct noise walls where there is a state responsibility. If more noise walls are deemed necessary, directing more funds to the Mn/DOT program could solve the problem.

20. Local Advancement of Mn/DOT Projects. Occasionally, local agencies wish to advance a Mn/DOT project using local funds due to local priorities. This category was eliminated from consideration, because the reason Mn/DOT does not do those projects is because there is insufficient funding available, and if such projects should be funded, directing additional funds to the Trunk Highway Account could finance them. Also, the program scope is limited to the funding of local road projects.

## IV. Selected Program Components

Several concepts from the list of 20 were accepted and combined into two program components to be carried forward for further study. Those two components were the Trunk Highway Corridor Projects Account and the Local Roads Account.

### LOCAL ROAD IMPROVEMENT PROGRAM

#### Component 1 – Trunk Highway Corridor Projects Account

The Trunk Highway Corridor Projects Account provides funds to local agencies to match or meet cost obligations required of the local agency by statute, or for work requested to be included in the contract by the local agency that is directly associated with a Mn/DOT ABC Bottleneck or Inter-Regional Corridor project or other trunk highway project.

Examples include public utility relocations and locally requested work such as shares of signals, on-street parking, or other locally requested project additions. Funding would be specific to road construction items, not landscaping or other amenities.

#### Component 2 - Local Roads Account for Projects of Regional Significance

The Local Roads Account provides funds to local units of government for transportation projects that meet the eligibility criteria for regional significance. Examples of project categories that are regionally significant include:

- A. **Transportation projects supporting economic development** – includes regionally identified market arteries, 10-ton routes, and/or tourist routes.
- B. **Capacity/congestion relief** – includes off-system relievers to Inter-Regional Corridors, other trunk highways, or major county highways or city streets.
- C. **Local roads that provide connections** includes roads to or between Inter-Regional Corridors, other trunk highways, or major county roads or city streets.
- D. **Hazard elimination projects** – includes site-specific or system-wide projects.

## V. Evaluation of Program Components

For the evaluation phase of this study, subcommittees of the Advisory Committee analyzed the proposed components against the 9 overarching program principles. Where appropriate, recommendations were made on the development of selection or prioritization criteria that would be necessary to implement in order to accomplish the intended purpose of the program component.

### **Component 1 – Trunk Highway Corridor Projects Account**

Formula or Grant? This account exists to relieve local agencies of a large burden of local costs associated with a trunk highway improvement project. Administration of this account cannot be most effectively done by a purely competitive grant system. In order for trunk highway improvement projects to proceed in a timely manner, impacted local agencies must have some reasonable level of assurance that they can receive assistance from the account.

A combination of competitive eligibility criteria based upon a formula to determine ability-to-pay would be most effective (see discussion of ability-to-pay beginning on page 26). Local agencies would become eligible for a grant or loan from the account for up to 100 percent of the eligible local cost resulting from the application of the Mn/DOT Policy and Procedures for Cooperative Construction Projects with Local Units of Government based upon the results of the ability-to-pay formula.

Funding and Funding Source. The account was analyzed for compatibility with the key principles.

1. The account can operate without continuous funding. However, without some reasonable assurance that funding will be available from year to year, local agencies may be encouraged to delay projects in years with no funding in hopes that funding may become available in a future year.
2. Projects selected for this account would be compatible with general obligation bonds as a funding source.
3. The Advisory Committee agreed that costs determined to be local by the Mn/DOT Cost Participation Policy are, in fact, local costs, and cannot and should not be paid from the Trunk Highway Fund. Depending upon the agency, type of roadway, nature of the local cost share, etc, the local costs may or may not be eligible for other sources of state funding, such as state-aid. In some cases, even if the local agency is eligible for other state funding, the size of the local obligation is too large to be reasonably funded through existing state programs, or it may force the delay of other needed local projects to meet the Mn/DOT project schedule.
4. Ability to pay provisions in this account program will ensure that current local effort is not replaced. The account will only give grants for amounts that are beyond current local effort.



Program Flexibility. This account is focused on a specific need associated with the improvement of high priority state corridors. Program flexibility is not an issue.

Funding Flexibility. The establishment of this account as a separate account is warranted due to the high priority nature of the Inter-Regional Corridor and other trunk highway projects that will be enabled by the assistance provided for the local share.

Oversight. The commissioner should provide access to funds and/or oversight of the account administration. In the event of a dispute over the amount deemed eligible for assistance, an appeal panel of local agency representatives would review the applications and judge the validity of claims for local costs due to the corridor improvement.

Deliverability. Projects would be limited to construction costs associated with major corridor projects being delivered by Mn/DOT. Deliverability of these projects is controlled by the Mn/DOT project schedule, not local agencies.

Program Focus. The program would focus on construction costs associated with major corridor projects being delivered by Mn/DOT. Costs for relocating public utilities would also be eligible

Eligibility/Ranking Criteria. Eligibility will be determined by ability-to-pay. When requests exceed available funds, an equitable system to divide the funds between eligible agencies will need to be developed.

Matching Funds. The amount within an agency's ability to pay is considered the local match.

## **Component 2 - Local Roads Account for Projects of Regional Significance**

Formula or Grant? This account exists to provide funding for local road projects that have significance on a statewide or regional basis. This account is open to a broad array of projects, and is ideally suited to a competitive grant system that will compare candidate projects and direct the money to areas of the most need. A formula system would not assure that money was distributed to projects of statewide or regional significance.

Funding and Funding Source. The account was analyzed for compatibility with the key principles.

1. The account can operate without continuous funding. However, because of the lead times required for major projects, some relative assurance that the program will exist from year to year would significantly aid in the development of future projects.
2. Projects selected for this account would be compatible with general obligation bonds as a funding source. Eligibility criteria would be designed to exclude maintenance and non-structural bituminous overlay projects.

3. Prioritization factors for this account would favor the selection of projects that lack other sources of state funding, or that are of a magnitude or nature that present funding mechanisms make it impractical to fund from those sources.
4. Ability to pay provisions in this account program will ensure that current local effort is not replaced. The account will only fund amounts that are beyond current local effort. Eligibility and prioritization criteria will favor larger projects that most likely will far exceed potential local effort.

Program Flexibility. This account is intentionally broad based, so as not to eliminate worthy projects from competition. The account will be focused on projects of statewide or regional significance by the eligibility and prioritization criteria.

Funding Flexibility. This account is applicable to a wide variety of projects so that funding to the account can be flexibly spread to the most worthy projects regardless of the category in which it is submitted.

Oversight. The commissioner should provide oversight of this program. The Commissioner may choose to appoint a technical panel to assist in the development of eligibility and ranking criteria.

Deliverability. Projects would be limited those that are sufficiently developed so that funds would be utilized within two-three years of selection.

Program Focus. The program should focus on construction contract costs in the initial year. Other construction costs, such as engineering and right-of-way, may be added later as a successful track record is established. The initial year may also need to focus on one or more subcategories of regionally significant projects, until the program is better established. Landscaping or other amenities should not be eligible.

Eligibility/Ranking Criteria. Eligibility and ranking criteria will be developed and maintained by the Commissioner with the advice of a technical panel as needed. The panel may develop different sets of criteria for subcategories of the program.

Matching Funds. Matching funds should be a minimum of 20 percent of the construction costs as an indication of local commitment to the project. Higher priority should be given to projects that show a higher level of local commitment, but the ranking criteria must consider the local agencies ability to pay along with the amount of the match.

### **Ability to Pay**

Both the Trunk Highway Corridor Projects Account and the Local Roads Account use the concept of the ability of a local agency to pay. Because of the importance of this concept, the Advisory Committee created a third subcommittee to recommend a definition.

As envisioned by the Advisory Committee, the definition of ability to pay would be used for the Trunk Highway Corridor Projects Account as a threshold for eligibility. Local costs above the threshold could be paid by a grant from the account. Costs below the threshold would be ineligible or may be eligible for a loan from the account.

For the Local Roads Account, the ability to pay could be used to evaluate the level of local effort being contributed to a project, but not as an eligibility measure. Level of local effort is one suggested criterion for ranking eligible Local Roads Account projects.

An existing model for ability to pay was evaluated. The model establishes ability to pay as 3% of the city or county's net tax capacity plus 10% of their state-aid allocation. Exhibit Two summarizes how this formula applies to Minnesota cities. Not all cities are on trunk highways, and so would not be eligible for the Trunk Highway Corridor Projects Account.

<b>Exhibit 2</b>	
<b>CITY ABILITY-TO-PAY THRESHOLDS</b>	
for eligibility and prioritization of projects	
ABILITY TO PAY RANGE	NUMBER OF CITIES
Less than \$10,000	498
\$10,000 - \$100,000	230
\$100,000 - \$250,000	53
\$250,000 - \$500,000	35
\$500,000 - \$750,000	20
\$750,000 - \$1,000,000	9
\$1,000,000 - \$2,500,000	15
Greater than \$2,500,000	8

The Advisory Committee endorsed this model for use with cities and townships. However, net tax capacity for some counties is an extremely large number, and the model provides a threshold that is too high for those counties to be able to participate. Because there is more money in the county state-aid account than in the municipal state-aid account, and because the fund is less dilute, ten percent of the state-aid allocation represents a far more significant dollar commitment for counties than it does for cities. Therefore, the Advisory Committee felt that for counties, 10% of the state-aid allocation alone was a better measure of ability to pay. This percentage is consistent with criteria for access to the county state-aid disaster account. Exhibit three summarizes and compares county ability to pay based on both definitions.

**Exhibit 3**

**COUNTY ABILITY-TO-PAY THRESHOLDS**

for eligibility and prioritization of projects

Ability to Pay Range	City Formula Number of Counties	10% of State Aid Number of Counties
Less than \$10,000	0	0
\$10,000 - \$100,000	0	0
\$100,000 - \$250,000	0	22
\$250,000 - \$500,000	23	52
\$500,000 - \$750,000	19	8
\$750,000 - \$1,000,000	17	2
\$1,000,000 - \$2,500,000	18	3
Greater than \$2,500,000	10	0

The figures used in this report represent 2001 net tax capacities as supplied by the Department of Revenue and the 2001 state-aid total allocations. Both figures would be updated for use annually, and the ability to pay revised.

Program administrative procedures will need to address multi-year and multi-phase projects. The Advisory Committee considered the equity implications and recommended that a project is one project regardless of how many years it takes or phases it has. The local share of the project cost should be compared to the one-year ability-to-pay to determine eligibility or ranking.

**Level of Need**

Trunk Highway Corridor Projects Account

History shows that local participation in Mn/DOT contracts ranges up to \$5 million per year. This amount likely does not consider all local costs, only those included by cooperative agreement in Mn/DOT contracts. With the current expanded construction program due to the Interregional Corridors and Bottleneck funding, and the trend towards larger corridor projects, \$5 million per year may not be sufficient for the future. There is also a backlog of projects currently in some stage of development or negotiation that will require funding in the initial year of the program.

Examples of some of the larger projects currently or recently being negotiated that should be considered for eligibility include the I-494 Wakota Bridge project, with about \$12 million in local costs. The Trunk Highway 100 corridor projects in the cities of Robbinsdale, Golden Valley, Crystal and Brooklyn Center, with a total local share of over \$6 million. Near future projects that will have substantial costs, but are yet to be estimated include the Trunk Highway 52 corridor in Rochester and a new interchange in Scott County. These projects are above and beyond the routine \$5 million per year.

In the past five years, 15-35 projects per year from all parts of the state have had local cost shares that may have qualified for participation in this program.

#### Local Road Account for Projects of Regional Significance

Needs in the Local Roads Account component are substantial, and vary depending upon which of the subcomponents are used and how eligibility criteria are defined. Legitimate estimates ranging into the billions of dollars could be easily generated. Therefore, it is more useful to estimate the level of need for this account in terms of what can be realistically administered and delivered, particularly in the initial biennium of the program.

With a reasonable one-three year window in which to deliver projects, a funding level of \$50-100 million would provide enough funds to justify local effort in developing project proposals and to allow an equitable geographic distribution of the funds.

Much less than \$50 million may be perceived as too small a source of funds for fair competition. The Phalen Boulevard corridor project in St. Paul, for example, requested \$12 million for that project alone. Local project developers need to have some sense that a well-conceived project will have a fair chance at being funded. If the fund is too small, fewer projects can be selected, and geographic equity will be more difficult to achieve.

## **VI. Conclusions and Recommendations**

An examination of state assistance for local road construction is important and appropriate because there is a large and growing need for transportation system improvements and the existing funding mechanisms are not designed to handle all of the situations and types of projects that are of importance to the state of Minnesota. This study completed that examination and addressed those types of projects that “fall through the cracks” between the existing programs.

In 1976, the Legislature created the Minnesota State Transportation Fund to fund the local bridge replacement program, among others. The words of Minnesota Statute 174.50 are as applicable today as they were in 1976.

State assistance is needed to supplement local effort and the highway user tax distribution fund in financing capital improvements to preserve and develop a balanced transportation system throughout the state. Such a system is a proper function and concern of state government and necessary to protect the safety and personal and economic welfare of all citizens.

The study’s principal conclusions are:

1. There is an unmet need for state funding for local road improvements, and the Legislature should establish a Local Road Improvement Program modeled after the Local Bridge Replacement Program as set forth in M.S. 174.50. Suggested statutory language is contained in Appendix D.
2. The Legislature should establish a Local Road Improvement Fund in the State Treasury. The fund should be divided into two accounts, the Trunk Highway Corridor Projects Account and the Local Roads Account for Projects of Regional Significance.
3. There is an annual need for assisting local governments with their share of Mn/DOT trunk highway projects. An initial, additional amount should be provided to cover local costs of the Wakota Bridge project and to retroactively assist communities with projects now in progress, such as the Trunk Highway 100 corridor.
4. The Local Roads Account should be funded with approximately \$50-100 million for the first biennium for assisting local governments with capital improvements to regionally significant local roads that are not capable of being funded by existing programs. An amount in this range will encourage local agencies to invest local effort in the development of projects. Higher amounts may be needed in future years as confidence in the program grows and more projects are developed for this funding source.

5. The program must be funded with new transportation dollars. Existing state assistance programs are already unable to meet the demands for which they were designed.
  
6. The Commissioner of Transportation should establish procedures for the administration of the program that include consideration for an agencies ability to pay as well as other appropriate criteria for determining eligibility and for ranking candidate projects. Suggestions for administrative procedures are contained in Appendix E.

## Appendix A – Committee Membership

<b>Local Road Study Advisory Committee</b>	
<b>Committee Members</b>	
Rick Kjonaas, Committee Chair	Mn/DOT Assistant State Aid Engineer
Bob Benke	Highway User Representative
Julian Loscalzo	Minnesota Transportation Alliance
Harlan Madsen (AMC)	Kandiyohi County Commissioner
Dennis Berg (AMC)	Anoka County Commissioner
Joe Harris (MICA)	Dakota County Commissioner
Brad Larson	Scott County Engineer
Nathan Richman	Sibley County Engineer
Dave Robley	Douglas County Engineer
Richard Heilman	Isanti County Engineer
Mark Winson	City of Duluth
Marcia Marcoux	City of Rochester
Paul Pierce	City of Anoka
Greg Gappa	City of Orono
Mark Karnowski	City of Lindstrom
Dave Callister	City of Osseo
Charles Honchell	Bloomington City Engineer
Alan Gray	Eden Prairie City Engineer
Abby McKenzie	Mn/DOT Economic Analysis Section
Pat Bursaw	Mn/DOT Metro Division
<b>Staff</b>	
Mark Gieseke	Mn/DOT State Aid Program Delivery
Elisa Bottos	Mn/DOT State Aid Program Delivery
<b>Interested Parties</b>	
Carol Lovro	Association of Minnesota Counties
Anne Finn	League of Minnesota Cities
Bob Vanasek	Metropolitan Inter-County Assoc.
Nancy Larson	Minnesota Association of Small Cities
Roger Peterson	Assoc. of Metropolitan Municipalities
Dave Fricke	Township Association
Dan Larson	Minnesota Rural County Caucus
Fred Corrigan	Minnesota Transportation Alliance
Amy Vennewitz	Senate Research
John Williams	House Research
Erik Rudeen	House Transportation Committee
Tim Worke/Betsy Parker/Harold Lasley	Mn/DOT Government Relations
Julie Skallman	Mn/DOT State Aid Engineer
Mark Krebsbach	Mn/DOT Pre-Letting Engineer
Maryanne Kelly-Sonnek	Mn/DOT Municipal Agreements Eng



**APPENDIX B – Local Transportation Funding**

<b>Summary of Local Road Funding 2001</b>				
<b>Funding Source</b>	<b>Receiving Agencies</b>	<b>Construction (\$ Million)</b>	<b>Maintenance (\$ Million)</b>	<b>System Miles</b>
<b>State and Federal Sources</b>				
Federal Aid	Mainly Counties and Cities over 5000	\$ 59	--	--
County State Aid Highway Fund Regular Account	Counties	\$ 187	\$ 126	28,808 miles
County State Aid Highway Fund Municipal Account	Counties for county state-aid roads within cities <5000	\$ 12	\$ 17	1576 miles
Municipal State Aid Street Fund	Cities with population over 5000	\$ 85	\$ 24	2794 miles
Town Road Account	Townships	\$ 18		56,434 miles
Park Road Account	Any local road accessing state parks	\$ 2.6 Million	--	--
<b>Local Sources*</b>				
Local Revenue Sources (County)	Counties	\$ 155	\$ 106	15,009 miles
Local Revenue Sources (City)	Cities	\$ 470	\$ 263	15,731 miles
Local Revenue Sources (Township)	Townships	\$ 21	\$ 52	56,434 miles
<b>State Bridge Funds</b>				
State Bridge Funds	Local bridges	\$ 19 **	--	--
Town Bridge Account	Township bridges	\$ 9.5	--	--

\* Local dollars available for construction and maintenance of roads and streets is approximated based upon the percentage of local dollar receipts of the total receipts multiplied by disbursements for construction and maintenance items. Data taken from the U.S. Department of Transportation Local Highway Finance Report for calendar year 1999, dated 4/9/2001. Information in the report is prepared from city, county, and township records compiled by the Office of the State Auditor.

\*\* One half of the appropriation for the 2000-2001 biennium.

## Appendix C – County Highway Study

	<b>TOTAL</b>	<b>CSAH</b>	<b>CO. ROAD</b>
	<b>ANNUAL</b>	<b>ANNUAL</b>	<b>ANNUAL</b>
	<b>SHORTFALL</b>	<b>SHORTFALL</b>	<b>SHORTFALL</b>
<b>DIST. 1</b>			
CARLTON	\$3,976,448	\$1,970,459	\$2,005,989
COOK	\$949,195	\$252,580	\$696,615
ITASCA	\$7,490,375	\$3,894,995	\$3,595,380
KOOCHICHING	\$1,085,620	\$362,573	\$723,047
LAKE	\$366,918	\$366,918	\$0
PINE	\$3,261,884	\$1,735,329	\$1,526,555
ST. LOUIS	\$16,818,400	\$5,519,152	\$11,299,248
<b>DISTRICT 1 TOTALS</b>	<b>\$33,948,840</b>	<b>\$14,102,006</b>	<b>\$19,846,834</b>
<b>DIST. 2</b>			
BELTRAMI	\$2,596,828	\$2,111,561	\$485,267
CLEARWATER	\$815,250	\$611,430	\$203,820
HUBBARD	\$1,624,127	\$1,251,227	\$372,900
KITTSOON	\$1,187,800	\$950,240	\$237,560
LAKE OF THE WOODS	\$507,229	\$391,825	\$115,404
MARSHALL	\$1,105,280	\$891,884	\$213,396
NORMAN	\$1,237,125	\$641,252	\$595,873
PENNINGTON	\$1,500,000	\$1,000,000	\$500,000
POLK	\$1,485,073	\$1,245,073	\$240,000
RED LAKE	\$500,632	\$350,442	\$150,190
ROSEAU	\$914,116	\$815,391	\$98,725
<b>DISTRICT 2 TOTALS</b>	<b>\$13,473,460</b>	<b>\$10,260,325</b>	<b>\$3,213,135</b>
<b>DIST. 3</b>			
AITKIN	\$592,857	\$145,299	\$447,558
BENTON	\$798,200	\$287,118	\$511,082
CASS	\$2,785,528	\$2,548,646	\$236,882
CROW WING	\$977,362	\$656,388	\$320,974
ISANTI	\$1,152,589	\$726,131	\$426,458
KANABEC	\$1,144,597	\$713,137	\$431,460
MILLE LACS	\$3,139,164	\$2,043,102	\$1,096,062
MORRISON	\$1,481,860	\$913,640	\$568,220
SHERBURNE	\$7,937	\$357,220	-\$349,283
STEARNS	\$6,902,193	\$3,610,439	\$3,291,754
TODD	\$3,494,719	\$1,690,830	\$1,803,889
WADENA	\$1,311,390	\$878,631	\$432,759
WRIGHT	\$4,064,991	\$3,130,043	\$934,948
<b>DISTRICT 3 TOTALS</b>	<b>\$27,853,387</b>	<b>\$17,700,624</b>	<b>\$10,152,763</b>

<b>TOTAL</b>	<b>CSAH</b>	<b>CO. ROAD</b>
<b>ANNUAL SHORTFALL</b>	<b>ANNUAL SHORTFALL</b>	<b>ANNUAL SHORTFALL</b>

**DIST 4**

BECKER	\$1,521,850	\$1,346,837	\$175,013
BIGSTONE	\$1,488,374	\$773,954	\$714,420
CLAY	\$1,113,407	\$661,674	\$451,733
DOUGLAS	\$2,604,000	\$1,823,000	\$781,000
GRANT	\$1,195,853	\$717,512	\$478,341
MAHNOMEN	\$441,244	\$47,738	\$393,506
OTTER TAIL	\$6,125,530	\$4,900,650	\$1,224,880
POPE	\$1,041,160	\$842,574	\$198,586
STEVENS	\$593,833	\$138,430	\$455,403
SWIFT	\$341,288	\$293,588	\$47,700
TRAVERSE	\$777,687	-\$173,944	\$951,631
WILKIN	\$913,185	\$841,185	\$72,000

WILKIN CR

**DISTRICT 4 TOTALS**

<b>\$18,157,411</b>	<b>\$12,213,198</b>	<b>\$5,944,213</b>
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**METRO**

ANOKA	\$6,500,000	\$4,417,628	\$2,082,372
CARVER	\$3,758,000	\$2,554,000	\$1,204,000
HENNEPIN	\$15,043,187	\$14,219,955	\$823,232
CHISAGO	\$2,936,013	\$1,371,291	\$1,564,722
DAKOTA	\$24,000,000	\$19,200,000	\$4,800,000
RAMSEY	\$5,690,182	\$4,256,548	\$1,433,634
SCOTT	\$204,042	\$15,040	\$189,002
WASHINGTON	\$3,480,577	\$2,026,932	\$1,453,645

METRO TOTALS

<b>\$61,612,001</b>	<b>\$48,061,394</b>	<b>\$13,550,607</b>
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**DIST. 6**

DODGE	\$1,655,579	\$1,307,907	\$347,672
FILLMORE	\$2,622,474	\$2,360,227	\$262,247
FREEBORN	\$2,928,096	\$2,746,554	\$181,542
GOODHUE	\$1,937,577	\$1,574,149	\$363,428
HOUSTON	\$1,583,223	\$1,499,895	\$83,328
MOWER	\$1,901,037	\$1,627,394	\$273,643
OLMSTED	\$3,833,123	\$2,299,874	\$1,533,249
RICE	\$2,980,000	\$1,700,000	\$1,280,000
STEELE	\$1,698,000	\$1,575,000	\$123,000
WABASHA	\$1,389,420	\$977,900	\$411,520
WINONA	\$2,068,633	\$1,696,279	\$372,354

**DISTRICT 6 TOTALS**

<b>\$24,597,162</b>	<b>\$19,365,179</b>	<b>\$5,231,983</b>
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<b>TOTAL</b>	<b>CSAH</b>	<b>CO. ROAD</b>
<b>ANNUAL SHORTFALL</b>	<b>ANNUAL SHORTFALL</b>	<b>ANNUAL SHORTFALL</b>

**DIST. 7**

BLUE EARTH	\$2,019,000	\$1,301,000	\$718,000
BROWN	\$1,847,752	\$1,753,985	\$93,767
COTTONWOOD	\$1,166,600	\$811,200	\$355,400
FARIBAULT	\$757,220	\$552,669	\$204,551
JACKSON	\$1,227,933	\$942,570	\$285,363
LE SUEUR	\$1,366,078	\$1,381,335	-\$15,257
MARTIN	\$1,710,585	\$1,445,955	\$264,630
NICOLLET	\$2,932,663	\$2,832,565	\$100,098
NOBLES	\$3,070,000	\$2,720,000	\$350,000
ROCK	\$1,267,096	\$1,055,932	\$211,164
SIBLEY	\$417,960	\$326,215	\$91,745
WASECA	\$1,255,639	\$671,956	\$583,683
WATONWAN	\$1,069,569	\$879,636	\$189,933
<b>DISTRICT 7 TOTALS</b>	<b>\$20,108,095</b>	<b>\$16,675,018</b>	<b>\$3,433,077</b>

**DIST. 8**

CHIPPEWA	\$719,197	\$555,891	\$163,306
KANDIYOHI	\$1,044,063	\$689,082	\$354,981
LAC QUI PARLE	\$831,759	\$590,549	\$241,210
LINCOLN	\$215,869	\$114,253	\$101,616
LYON	\$1,013,619	\$557,695	\$455,924
MC LEOD	\$1,562,582	\$1,088,058	\$474,524
MEEKER	\$879,408	\$879,408	\$0
MURRAY	\$615,925	\$398,325	\$217,600
PIPESTONE	\$634,965	\$99,620	\$535,345
REDWOOD	-\$145,722	-\$185,422	\$39,700
RENVILLE	\$1,885,596	\$1,304,056	\$581,540
YELLOW MEDICINE	-\$373,386	-\$255,334	-\$118,052
<b>DISTRICT 8 TOTALS</b>	<b>\$8,883,875</b>	<b>\$5,836,181</b>	<b>\$3,047,694</b>

<b>-----STATE WIDE GRAND TOTALS-----</b>		
<b>\$208,634,231</b>	<b>\$144,213,925</b>	<b>\$64,420,306</b>

Source: An unpublished 2001 study performed by the Minnesota County Engineers Association.

1 **Appendix D – Recommended Statute Revisions**

2 A bill for an act  
3 relating to transportation; creating a local road improvement fund; specifying  
4 criteria for expenditures from the fund; proposing coding for new law in Minnesota  
5 Statutes, chapter 174.

6 [174.52] [LOCAL IMPROVEMENT FUND.]

7 Subdivision 1. [LEGISLATIVE FINDINGS.] State assistance is needed to  
8 supplement local effort and the highway user tax distribution fund in financing  
9 capital improvements to preserve and develop a balanced transportation system  
10 throughout the state. Such a system is a proper function and concern of state  
11 government and necessary to protect the safety and personal and economic  
12 welfare of all citizens. Assistance is needed for local agencies participating in trunk  
13 highway corridor projects and for local road construction or reconstruction projects  
14 on routes of regional significance.

15 Subd. 2. [FUND CREATED.] A local road improvement fund is created in the state  
16 treasury. The fund consists of money transferred to the fund through  
17 appropriation, gift, or grant. Money in the fund is appropriated to the commissioner  
18 for expenditure as specified in this section.

19 Subd. 2. [TRUNK HIGHWAY CORRIDOR PROJECTS ACCOUNT.] A trunk  
20 highway corridor projects account is established in the local road improvement  
21 fund. Money in the account must be used as grants or loans to cities, towns, and  
22 counties to assist in paying the local share of trunk highway projects that have

1 local costs that are directly or partially related to the trunk highway improvement,  
2 and are not funded, or are only partially funded with other state and federal funds.

3 The Commissioner shall determine the amount of the local share of costs eligible  
4 for assistance.

5 Subd 3. [ADVISORY COMMITTEE.] The commissioner may appoint an advisory  
6 committee consisting of five members; one county commissioner, one county  
7 engineer, one city engineer, one city council representative or administrator from a  
8 city with a population over 5000, and one city council representative or  
9 administrator from a city with a population under 5000. The commissioner may  
10 seek the advice of the committee in determining the amount of assistance given  
11 from the trunk highway corridor projects account created in subdivision 2.

12 Subd. 4. [LOCAL ROAD ACCOUNT FOR ROUTES OF REGIONAL  
13 SIGNIFICANCE.] A local road account for routes of regional significance is  
14 established in the local road improvement fund. Money in the account must be  
15 used as grants or loans to cities and counties to assist in paying the costs of  
16 constructing or reconstructing city, county, or township roads with statewide or  
17 regional significance that cannot reasonably be funded through other state or  
18 federal sources.

19 Subd. 5 [CERTIFICATION AND DISBURAL FOR PROJECT]. Before  
20 disbursement of an appropriation made from the fund to the commissioner of

21

1 transportation for grants to subdivisions of the state, the commissioner shall certify:

2 (1) that the project conforms to the program authorized by the appropriation law

3 and rules adopted by the department of transportation consistent therewith; and

4 (2) that the financing of any estimated cost of the project in excess of the amount

5 of the grant is assured by the appropriation of the proceeds of bonds or other

6 funds of the subdivision, or by a grant from an agency of the federal government,

7 within the amount of funds then appropriated to that agency and allocated by it to

8 projects within the state, and by an irrevocable undertaking, in a resolution of the

9 governing body of the subdivision, to use all funds so made available exclusively

10 for the project, and to pay any additional amount by which the cost exceeds the

11 estimate through appropriation to the construction fund of additional funds or the

12 proceeds of additional bonds to be issued by the subdivision.

13 Subd. 6 [GRANT PROCEDURES]. Procedures for application for grants or loans

14 from the fund, conditions for their administration, and criteria for determining

15 priority, unless established in the laws authorizing the grants, shall be established

16 by the commissioner, consistent with those laws. The commissioner shall establish

17 these procedures only after meeting and holding discussions with committees

18 selected by the statewide associations of county commissioners, municipal

19 officials, and township officials. Criteria for determining priorities and amounts of

20 grants shall be based on consideration of:

21

- 1 (1) availability of other financing capability;
- 2 (2) regional significance of the route;
- 3 (3) effectiveness of the project in eliminating a deficiency in the transportation
- 4 system;
- 5 (4) economic feasibility;
- 6 (5) effect on land use and other concerns of state and regional planning;
- 7 (6) number of persons affected by the deficiency; and
- 8 (7) adequacy of provision for proper operation and maintenance after construction.

9 Subd. 7. [RULES FOR ADMINISTERING FUNDS AND GRANTS]. Projects  
10 receiving funds through this program shall conform to the applicable rules adopted  
11 by the Commissioner under 162.02 and 162.09. No new rules are required for the  
12 administration of this grant program.

13 Subd. 8. [ADMINISTRATIVE COSTS OF DEPARTMENT]. A sum of ¼ of one  
14 percent shall be deducted from the total amount available in the local road  
15 improvement fund, set aside in a separate account, and used for administrative  
16 costs incurred by the state transportation department in carrying out the provisions  
17 relating to the local road improvement program.



## **Appendix E Recommendations for Administrative Procedures**

To the extent possible, administration of the Local Road Program should match the administration of the Local Bridge Replacement Program. Although details of the process, and the eligibility and ranking criteria in particular, will be developed by a technical advisory panel, the Advisory Committee recommends that the administrative procedures include the following points.

1. A project list should be generated in a biennial solicitation. The list should be prioritized and published so that local agencies can have an indication of how many years they may have to wait for their project to reach the top of the list.
2. Specific eligibility and ranking criteria should be developed with the assistance of a technical panel prior to the initial solicitation, and then revised as needed thereafter.
3. The technical panel should define key terms, including “construction or reconstruction”. The Advisory Committee recommends that the program not be used to fund maintenance projects. They suggest that structural overlays be considered reconstruction, while seal coats, thin overlays, and other surface treatments be considered maintenance. The source of funding may influence the type of projects that can be selected, and so the definition may change with each appropriation.
4. For the Trunk Highway Corridor Projects Account, eligibility should be determined by the following:
  - The proposed project costs must be associated with a trunk highway project.
  - The dollar amount of the local share of the project must exceed the agencies ability to pay to receive a grant.
  - The dollar amount of the local share must exceed \$5000.
  - When associated with a multi-year or multi-phase projects, local cost shares will be determined for the entire project and compared against the one-year ability-to-pay for determination of eligibility.
  - There are no prioritization criteria – all eligible projects will be funded until funds are exhausted. Every attempt will be made to split the dollars proportionally between eligible projects in the event of a shortage.
  - Agencies will receive a grant for the amount of the local share that exceeds the calculated ability to pay. Costs less than the ability to pay may be eligible for a loan from the account. Costs for work done in coordination with a trunk highway project, but only partially related, may receive a loan from the account if the local agency can demonstrate the benefit to the public.
  - “Publicly owned utilities” when required to be moved by a trunk highway project are eligible, but “publicly owned” will need a clear definition. Only in-kind replacements are eligible. Costs for betterments are not eligible. Privately owned utilities in the public right-of-way by permit are excluded.

- The effective date for the Trunk Highway Corridor Projects Account should consider a retroactive effective date so that agencies now in negotiation with Mn/DOT will not delay project agreements to reach a future effective date.
5. For the Local Roads Account, eligibility criteria should include the following:
    - The project must be a route of regional significance. District State Aid Engineers could screen applications for regional significance in the same way that they now screen bridge applications for suitability for replacement.
    - A 20% local match and supported by board or council resolution.
    - Functional Classification
    - Minimum 10 year life expectancy
    - Minimum traffic volume (maybe different in different subcategories, may not be average annual daily traffic, such as a three month peak count)
  
  6. For the Local Roads Account, ranking criteria should be established that include the following. Criteria will likely be different in different subcategories, and may not include all criteria.
    - Ability to Pay
    - Current and historical road and bridge levies
    - Congestion
    - Traffic Volume and percent of regional traffic
    - Eligibility for other funding sources
    - Leverage for other funds/benefits (such as economic development)
    - Geometric deficiencies
    - Pavement strength
    - Safety record
  
  7. For both accounts, eligible construction items will follow the rules of eligibility used for state-aid projects.
  
  8. The Trunk Highway Corridor Projects Account should be established with a retroactive eligibility date to allow projects currently in the final stages of the process to proceed without risk of losing potential funding.