



Statewide
Multimodal
Transportation Plan

Appendix C

OVERVIEW OF TRANSPORTATION FUNDING IN MINNESOTA

A high-level summary of this information is included in **Chapter 2** of the SMTP.

TRANSPORTATION REVENUE VS. GENERAL REVENUE

Transportation revenue describes funding raised through the use of the transportation system or related activities. This includes taxes, fees and profits connected to transportation. Examples of transportation revenue are fuel taxes and money collected from passenger fares.

General revenue describes funding that is not directly tied to a transportation activity, such as property taxes.

All transportation modes are funded to some extent by both transportation revenue and general revenue.

INTRODUCTION

Many partners are involved in funding Minnesota's transportation system. The federal government, tribal governments, state government, counties, cities, townships and metropolitan planning organizations, and private corporations and non-profit organizations all provide transportation funding or help decide how money is spent. However, the specific role each partner plays is different. Some partners provide money through one or more funding sources. Others only provide direction for how money from certain sources should be spent. Most partners do both. For each mode of transportation, the mix of funding partners is different. For example, local units of government provide the largest portion of funding for Minnesota roadways. However, the state's rail system is primarily supported through funding from private corporations.

Funding sources can be grouped into two categories based on where the money comes from – transportation revenue or general revenue. Transportation revenue describes funding raised through the use of the transportation system or related activities. This includes taxes, fees and profits connected to transportation. Examples of transportation revenue are fuel taxes and money collected from passenger fares. Conversely, general revenue describes funding that is not directly tied to a transportation activity, such as property taxes. All transportation modes are funded to some extent by transportation revenue and general revenue.

Different rules guide how money is allowed to be spent. Generally speaking, funds from public sources are distributed to specific projects and activities through programs (**Figure C-1**). A funding source may contribute to only one program or many. Specific projects are often funded from more than one program. Putting it all together is a complex puzzle. Funding for any given project depends on a variety of factors such as the project purpose, transportation mode, scope, lead organization and timing.

Transportation projects can be grouped into different categories based on the type of activity. At a high level, the main types of activities are:

- Capital, which includes the construction of facilities and purchase of equipment. It can also include activities necessary to deliver capital projects such as planning, purchase of land, design, etc.
- Maintenance, which includes the rehabilitation of existing facilities and equipment, such as roadway repair.
- Operations, which includes activities that support the safe use of the system such as inspections, bus driving, plowing, traffic control, etc.

Figure C-1: Transportation funding process



In addition to funding, financing is also an important tool used to support Minnesota’s transportation system. Funding refers to money available at the time of a project, such as having \$20 in one’s wallet. Examples of funding sources are taxes and fees. Financing, on the other hand, is money provided with the expectation that it will be paid back, usually with interest. This is like charging something to a credit card or taking out a loan. The money eventually needs to be repaid from a funding source. An example of financing is bonding. Funding and financing are both useful but it is important to understand the difference between them.

How to Read This Document

The information in this document represents a snapshot in time. It reflects current funding conditions, which may change as new laws or guidance are developed or as the use of the system changes. This document is not an accounting of every dollar spent on transportation in Minnesota. Rather, it focuses on identifying the key funding sources and programs, and the relationships between them. It also focuses primarily on public sources of funding due to information availability.

How the funding and financing pieces come together to build, maintain and operate the system is different for each mode of transportation. The following sections identify the key funding sources and programs for each transportation system - air, ports and waterways, rail and surface transportation, which includes roadways, trails, transit and intercity bus service. Each section also includes a graphic that highlights the relationships between the different funding sources and programs. **Figure C-2** explains what is included in each graphic.

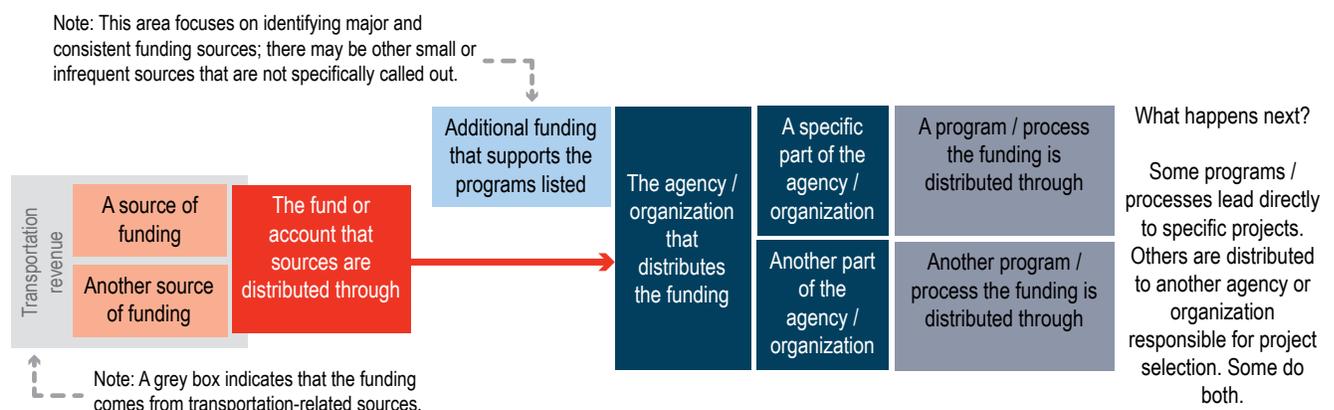
FUNDING VS. FINANCING

Funding refers to money available at the time of a project, such as having \$20 in one’s wallet. Examples of funding sources are taxes and fees.

Financing is money provided with the expectation that it will be paid back, usually with interest. This is like charging something to a credit card or taking out a loan. The money eventually needs to be repaid from a funding source. An example of financing is bonding.

Funding and financing are both used to support transportation in Minnesota.

Figure C-2: How to read the transportation funding graphics



AIR TRANSPORTATION AT A GLANCE

Size: There are 388 airports in Minnesota:

- 135 are publicly owned and receive state funds.
- Nine have commercial airline service.
- Six are privately owned, with public use.
- 67 are privately owned, for private use.
- Other seaplane bases and heliports, including hospital heliports.

Use: Airports in Minnesota support general aviation activities (e.g. agricultural spraying, business travel, firefighting), air cargo and commercial airline service.

Responsibility: Local units of government are responsible for public airports in Minnesota.

AIR TRANSPORTATION

GENERAL AVIATION

Most of Minnesota's public airports are the responsibility of local units of government. They receive the majority of their capital funding from federal transportation revenue through the Airport and Airway Trust Fund. State and local sources also contribute to capital projects and are the primary resource for airport maintenance and operations activities. The State Airports Fund is the main state funding source and is made up of transportation revenue, specifically revenue from aviation activities. Local funding sources include a mix of transportation and general revenue. Additionally, airports can receive funding from private investment, including occasional public-private partnerships.

COMMERCIAL AIRLINE SERVICE

Commercial passenger service in Minnesota is primarily set up and funded by the airlines serving the state. Some federal transportation revenue is used to support commercial service as part of the Essential Air Service program.



Federal Funding

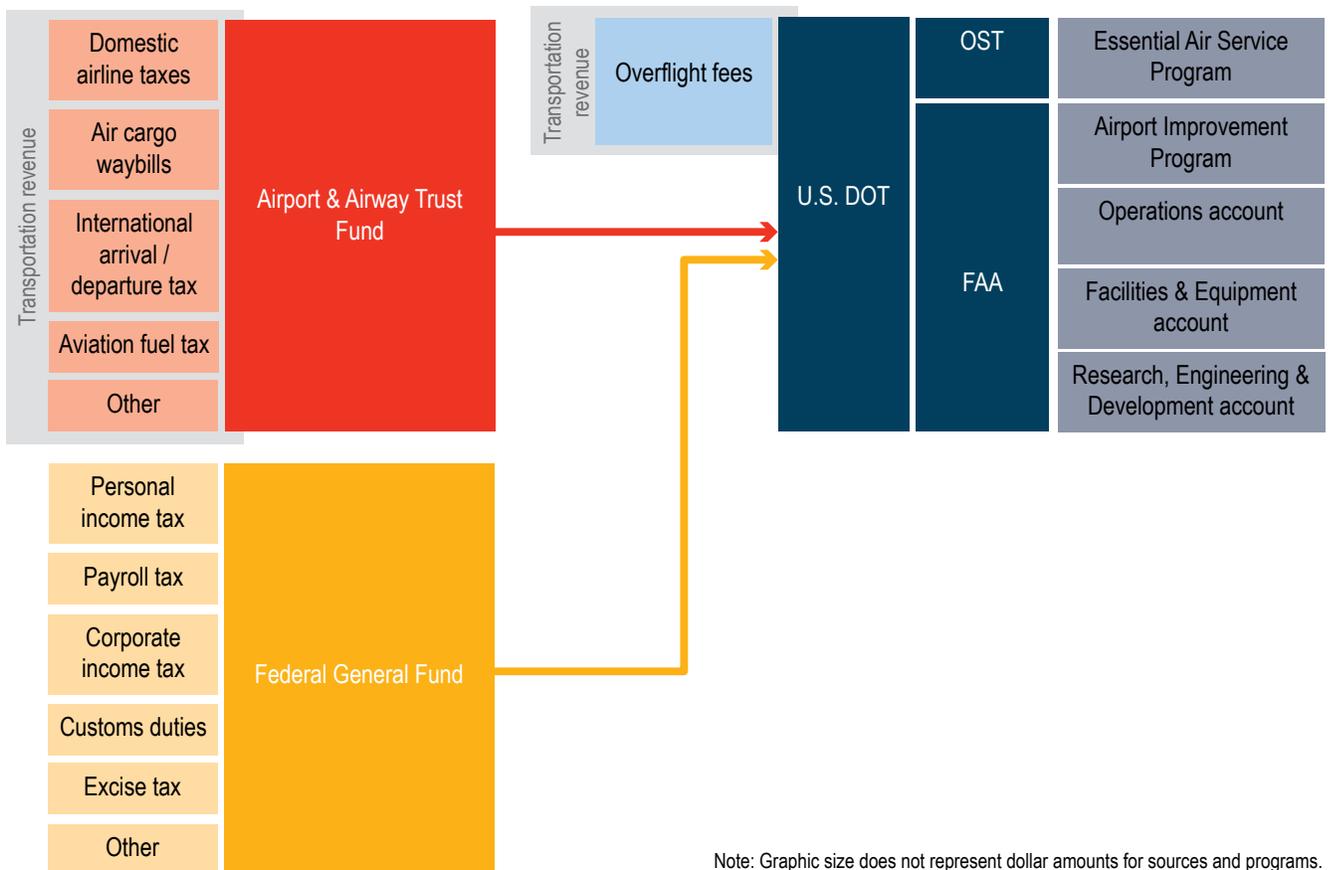
Federal funding for air transportation comes primarily from transportation sources. Federal sources mostly support general aviation activities.

Table C-1 identifies the federal funding sources and programs that support air transportation in Minnesota. **Figure C-3** shows the relationship between these sources and programs.

Table C-1: List of federal air transportation funding sources and programs

Sources / Funds	Programs / Processes
<ul style="list-style-type: none"> Airport & Airway Trust Fund: dedicated aviation revenue, including domestic airline taxes, air cargo waybills, international arrival / departure tax, aviation fuel tax, etc. Federal General Fund: non-dedicated federal revenue, including personal income tax, payroll tax, corporate income tax, customs duties, excise tax, etc. Overflight fees on foreign aircraft 	<ul style="list-style-type: none"> Essential Air Service Program, administered by U.S. DOT - Office of the Secretary (OST) Airport Improvement Program, administered by U.S. DOT - Federal Aviation Administration (FAA) FAA Operations Account FAA Facilities & Equipment Account FAA Research, Engineering & Development Account

Figure C-3: Relationships between federal air transportation funding sources and programs



Note: Graphic size does not represent dollar amounts for sources and programs.

State Funding

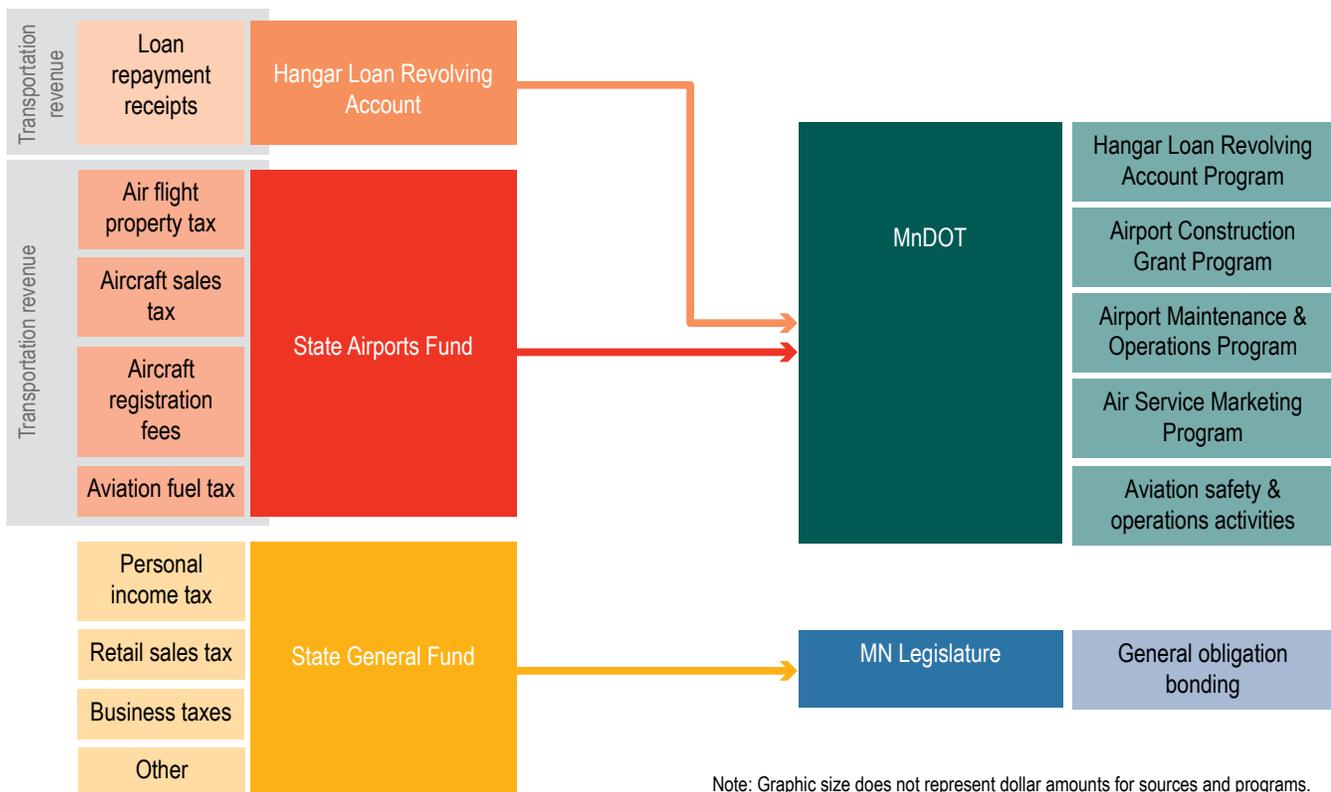
State funding for air transportation comes primarily from transportation sources. State sources mostly support general aviation activities. **Table C-2** identifies the state funding sources and programs that support air transportation.

Figure C-4 shows the relationship between these sources and programs.

Table C-2: List of state air transportation funding sources and programs

Sources / Funds	Programs / Processes
<ul style="list-style-type: none"> Hangar Loan Revolving Account: loan repayment receipts from previous loans State Airports Fund: dedicated aviation state revenue, including airflight property tax, aircraft sales tax, aircraft registration fees & aviation fuel tax State General Fund: non-dedicated state revenue, including personal income tax, retail sales tax, business taxes, etc. 	<ul style="list-style-type: none"> Hangar Loan Revolving Account Program, administered by MnDOT Airport Construction Grant Program, administered by MnDOT Airport Maintenance & Operations Program, administered by MnDOT Air Service Marketing Program, administered by MnDOT Other aviation safety & operations activities, administered by MnDOT State legislative general obligation bonding

Figure C-4: Relationships between state air transportation funding sources and programs



Local Funding

Local funding plays an important role in supporting Minnesota's aviation system. Airports are typically the responsibility of local units of government and require significant local investment to maintain and operate. Also, many federal and state funding sources require matching funds, which often come from local sources. The primary local funding sources are airport generated revenues (e.g. fuel systems, hangar rental, vending machines, land rental and landing fees), passenger facility charges at the nine airports with scheduled airline service, and municipal and airport authority revenues (e.g. local taxes). Local sources include transportation revenue and general revenue.

Other Funding

Minnesota's publicly-funded aviation system receives revenue each year from the airlines that operate in the state. Private businesses occasionally provide funding assistance for improvements at public airports in Minnesota related to their needs.

Finally, Minnesota's aviation system consists of many privately owned facilities. The most common example in the state are hospital heliports, privately owned and operated airports and seaplane bases. These facilities are primarily funded through private sources.

PORTS & WATERWAY TRANSPORTATION

PORTS & WATERWAY TRANSPORTATION AT A GLANCE

Size: Two waterway systems (Mississippi River and Great Lakes-St. Lawrence Seaway), 219 navigable river miles, eight ports and 10 active locks and dams.

Use: Ports and waterways are primarily used to move bulk freight but also support recreational activities.

Responsibility: The majority of port terminals are privately owned. The federal government is responsible for all locks and dams.

PORTS

Most port terminals in Minnesota are privately owned and funded entirely through private sources. Public port authorities often lease port land to private companies to operate port terminals. Additional funding for public port authorities comes from state general revenue and is available for capital projects as part of the Port Development Assistance Program. Operations and maintenance activities are funded almost exclusively through revenue received from use of the ports.

WATERWAYS

Minnesota's navigational channels and locks and dams also require investment to stay operational. This funding comes through the U.S. Army Corps of Engineers and includes federal transportation and general revenue.



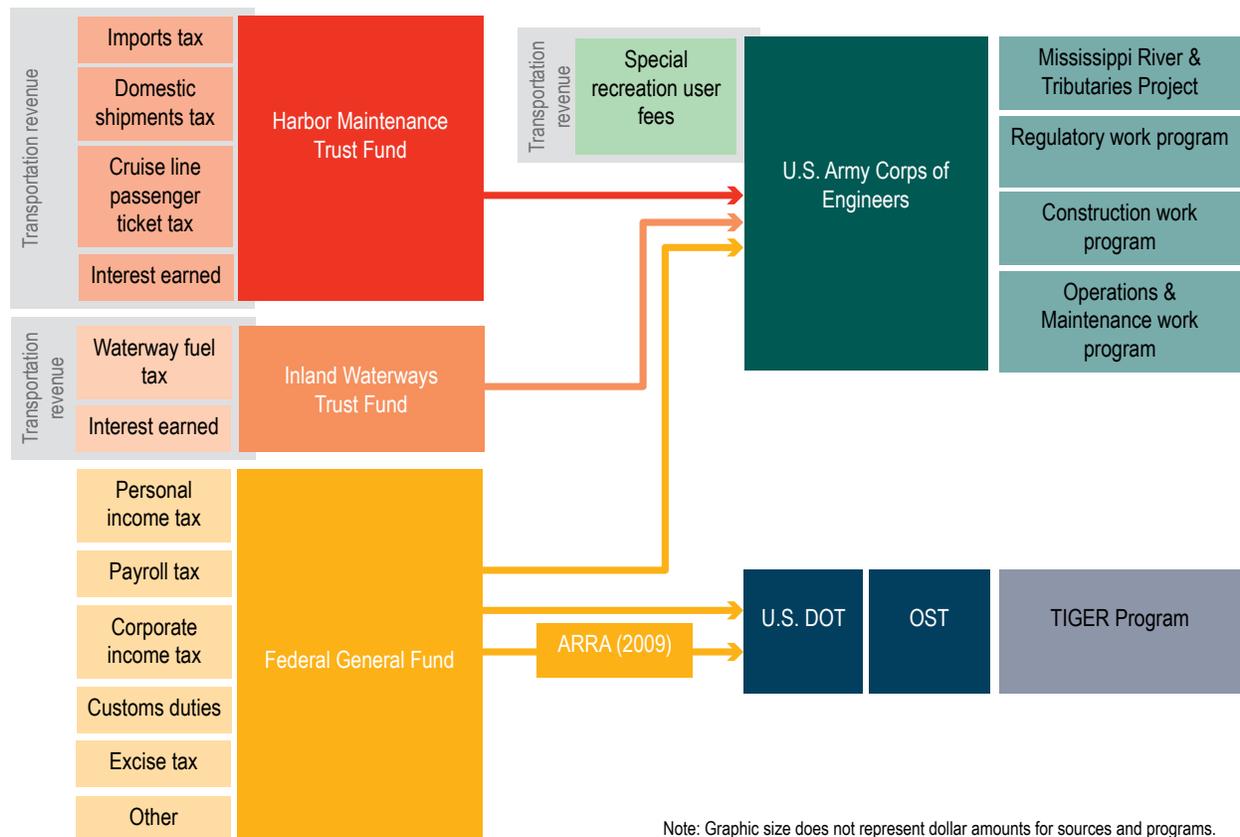
Federal Funding

Federal funding for ports and waterway transportation comes primarily from transportation sources. Federal sources mostly support waterway capital, operations and maintenance activities. **Table C-3** identifies the federal funding sources and programs that support ports and waterway transportation in Minnesota. **Figure C-5** shows the relationship between these sources and programs.

Table C-3: List of federal ports and waterway transportation funding sources and programs

Sources / Funds	Programs / Processes
<ul style="list-style-type: none"> Harbor Maintenance Trust Fund: dedicated harbor federal revenue, including imports tax, domestic shipments tax, cruise line passenger tickets tax and interest earned Inland Waterways Trust Fund: dedicated waterway federal revenue, including waterway fuel tax and interest earned Federal General Fund: non-dedicated federal revenue, including personal income tax, payroll tax, corporate income tax, customs duties, excise tax, etc. <ul style="list-style-type: none"> American Recovery and Reinvestment Act (ARRA): 2009 stimulus package Special recreation user fees 	<ul style="list-style-type: none"> Mississippi River & Tributaries Program, administered by U.S. Army Corps of Engineers U.S. Army Corps Regulatory work program U.S. Army Corps Construction work program U.S. Army Corps Operations & Maintenance work program Transportation Investment Generating Economic Recovery (TIGER) Program, administered by U.S. DOT - Office of the Secretary (OST)

Figure C-5: Relationships between federal ports and waterway transportation funding sources and programs



Note: Graphic size does not represent dollar amounts for sources and programs.

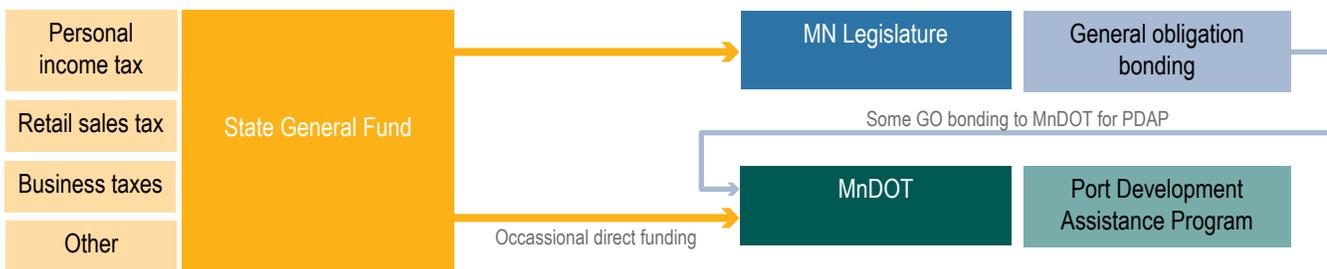
State Funding

State funding for ports and waterway transportation comes from general sources. State sources fund capital activities at Minnesota ports. **Table C-4** identifies the state funding sources and programs that support ports and waterway transportation. **Figure C-6** shows the relationship between these sources and programs.

Table C-4: List of state port & waterway transportation funding sources and programs

Sources / Funds	Programs / Processes
<ul style="list-style-type: none"> State General Fund: non-dedicated state revenue, including personal income tax, retail sales tax, business taxes, etc. 	<ul style="list-style-type: none"> State legislative general obligation bonding Port Development Assistance Program, administered by MnDOT

Figure C-6: Relationships between state port & waterway transportation funding sources and programs



Note: Graphic size does not represent dollar amounts for sources and programs.

Local Funding

Local funding for public port authority operations generally comes from the revenues received from leases with port tenants.

Other Funding

Most terminals along Minnesota's waterways are privately owned and are on private land. They operate for private benefit and are supported by substantial private investment.

Public-private partnerships can be a funding option for ports and waterway transportation. However, they are not commonly used and there are no recent examples in Minnesota.

RAIL TRANSPORTATION

FREIGHT RAIL

Private funding from the 21 freight railroad companies operating in Minnesota is the main source for capital, maintenance and operations activities on the state's rail system. Publicly-owned railways rely on federal, state and local sources of funding in addition to public-private partnerships. Typically, public funding for the rail system comes from general revenue.

PASSENGER RAIL

Passenger rail operations for Amtrak's Empire Builder are largely funded through Amtrak revenue, such as ticket sales and advertising, and federal general revenue. Capital and maintenance activities related to train equipment are also funded through these same sources. Capital and maintenance activities related to rail tracks are mostly funded through the private railroad companies, occasionally in partnership with states. Planning and development of future passenger rail service is primarily supported by state general revenue.

COMMUTER RAIL

Northstar commuter rail capital, maintenance and operations are funded as part of Metro Transit's budget. In addition to money from passenger fares, funding also comes from state transportation revenue through the Metropolitan and Greater Minnesota Transit Accounts.

Light rail and streetcar services are considered transit and included in the Surface Transportation section of this document.

RAIL TRANSPORTATION AT A GLANCE

Size: Minnesota's rail system is made up of 4,485 total route miles, including 381 miles of passenger rail service and 40 miles of commuter rail service.

Use: The rail system primarily supports 21 freight railroad companies, one passenger rail line (Amtrak's Empire Builder) and one commuter rail line (Metro Transit's Northstar).

Responsibility: Minnesota's rail system is mostly owned by private railroad companies. Passenger and commuter rail services have rights / agreements with the railroads for the use of the tracks.



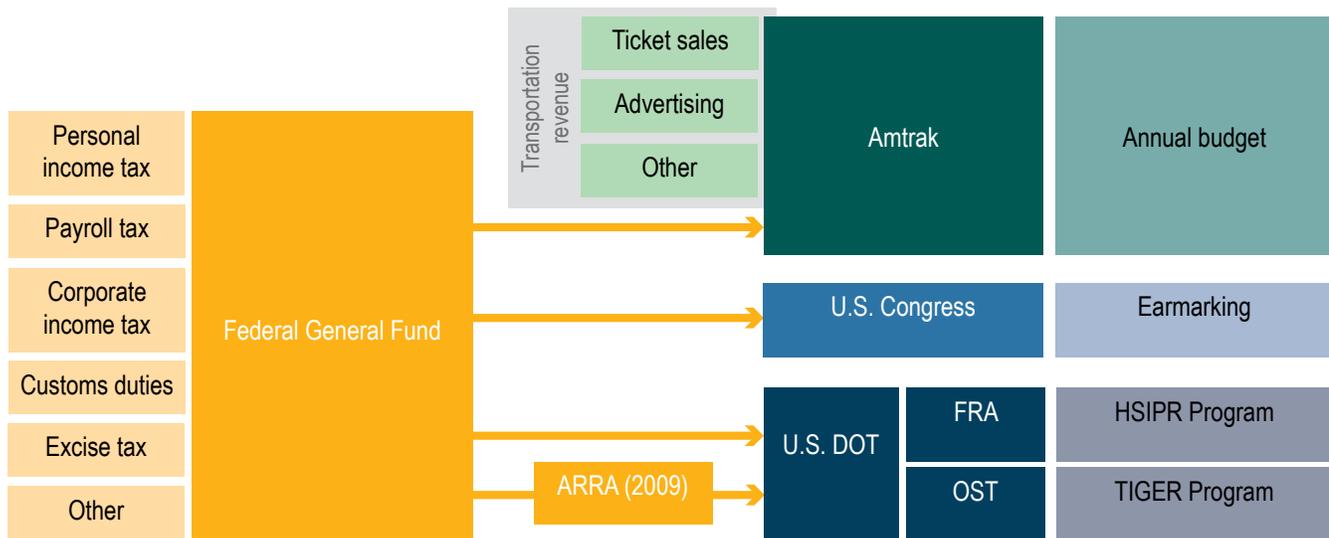
Federal Funding

Federal funding for rail transportation comes primarily from general revenue. Federal sources mostly support passenger rail activities. **Table C-5** identifies the federal funding sources and programs that support rail transportation in Minnesota. **Figure C-7** shows the relationship between these sources and programs.

Table C-5: List of federal rail transportation funding sources and programs

Sources / Funds	Programs / Processes
<ul style="list-style-type: none"> Federal General Fund: non-dedicated federal revenue, including personal income tax, payroll tax, corporate income tax, customs duties, excise tax, etc. American Recovery and Reinvestment Act (ARRA): 2009 stimulus package Amtrak revenue: ticket sales, advertising, etc. 	<ul style="list-style-type: none"> Transportation Investment Generating Economic Recovery (TIGER) Program, administered by U.S. DOT - Office of the Secretary (OST) High-Speed Intericty Passenger Rail (HSIPR) Program, administered by U.S. DOT - Federal Railroad Administration (FRA) Congressional earmarking for passenger rail projects National Railroad Passenger Corporation (Amtrak) annual budget

Figure C-7: Relationships between federal rail transportation funding sources and programs



Note: Graphic size does not represent dollar amounts for sources and programs.

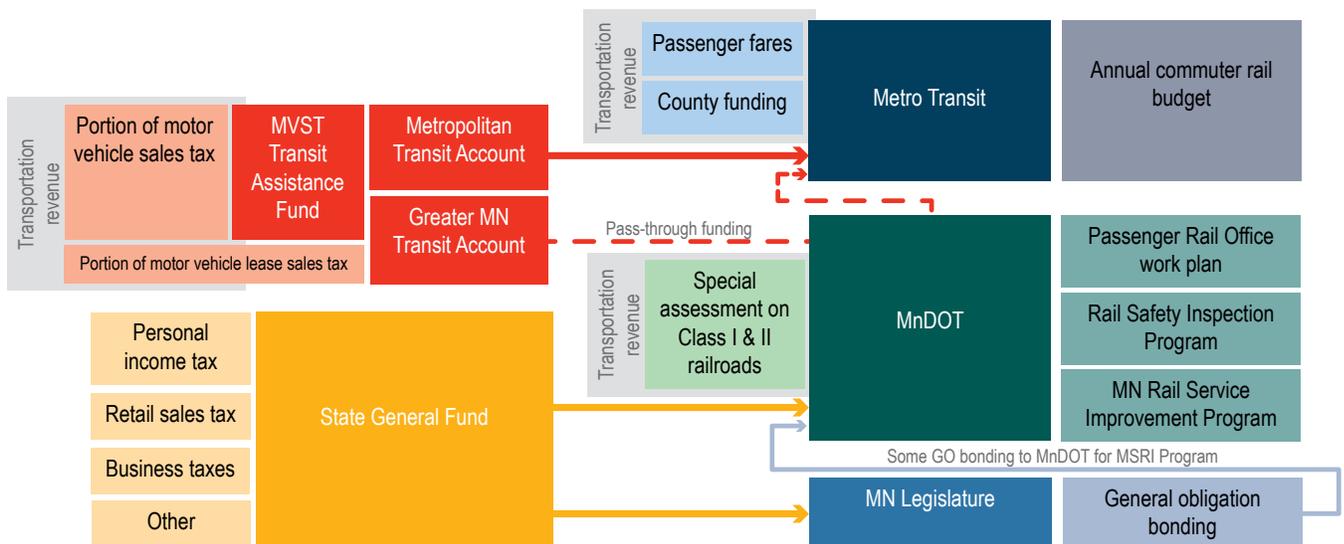
State Funding

State funding for rail comes from transportation and general revenue. State sources support freight, passenger and commuter rail activities. **Table C-6** identifies the state funding sources and programs that support rail transportation. **Figure C-8** shows the relationship between these sources and programs.

Table C-6: List of state rail transportation funding sources and programs

Sources / Funds	Programs / Processes
<ul style="list-style-type: none"> Motor Vehicle Sales Tax (MVST) Transit Assistance Fund: 40 percent of revenue collected from the motor vehicle sales tax Metropolitan Transit Account: 90 percent of Transit Assistance Fund revenue Greater Minnesota Transit Account: 10 percent of Transit Assistance Fund revenue, plus 50 percent of motor vehicle lease sales tax revenue after the first \$32 million collected State General Fund: non-dedicated state revenue, including personal income tax, retail sales tax, business taxes, etc. Special assessment on Class I and Class II railroads, collected by MnDOT 	<ul style="list-style-type: none"> Metro Transit annual commuter rail budget MnDOT Passenger Rail Office work plan Rail Safety Inspection Program, administered by MnDOT Minnesota Rail Service Improvement Program, administered by MnDOT State legislative general obligation bonding

Figure C-8: Relationships between state rail transportation funding sources and programs



Note: Graphic size does not represent dollar amounts for sources and programs.

Local Funding

Funding for freight rail projects at the local level varies from location to location. Some local governments have economic development or other types of programs to support freight rail. Others may choose to contribute matching funds to state or federal grants for freight rail projects. Generally speaking, at the local level rail transportation funding comes from general tax revenues.

When local investment in passenger rail occurs, it is primarily through the county Regional Railroad Authority revenues. County RRAs have taxing authority to levy for rail development purposes.

Local investment in commuter rail occurs primarily at the county level through general tax revenues. In the Twin Cities, a major source of commuter rail funding is the Counties Transit Improvement Board. CTIB is funded through a portion of sales tax revenue from its member counties.

Other Funding

The railroad companies operating in Minnesota make significant investments in rail infrastructure and freight rail service each year. Additionally, other private businesses may help support projects that increase their access to the freight rail system. Public-private partnerships offer a funding opportunity when there are quantifiable benefits to both public and private sectors. However, this type of funding is not commonly used for freight rail in Minnesota.

Public-private partnerships also offer an opportunity to support passenger rail development. However, at this time there are no examples of this type of investment in passenger rail in Minnesota.

Private investments and transit agency fare box recovery are also funding sources for commuter rail in Minnesota.

SURFACE TRANSPORTATION

ROADWAYS

The majority of roadways in Minnesota are the responsibility of local units of government – cities, counties, townships. Capital, maintenance and operations activities on these roadways are primarily funded by local general revenue, such as property taxes. State transportation revenue also supports some local roadways through the State Aid for Local Transportation program. Additionally, some federal programs target funding to local roadways.

The state highway system consists of interstates, U.S. highways and Minnesota highways. These roadways make up about 8 percent of the total roadway miles in Minnesota. For these roadways, state transportation revenue, specifically the state gas tax, is the largest funding source for capital, maintenance and operations activities. Federal programs are also a significant source of funding for the state system. They make up about a quarter of the funding for capital projects.

In addition to motor vehicles, bicyclists and pedestrians can also legally use Minnesota roadways, except where explicitly prohibited. Many roadways include specific bicycle and pedestrian elements to encourage safety for all users. Examples of these elements include bicycle lanes, sidewalk and widened or paved shoulders. Since these elements are often included as part of roadway projects, they are typically funded by many of the same sources that fund general roadway projects.

TRAILS

In addition to on-road bicycle and pedestrian facilities (described in the previous section), trails, or shared-use paths, also provide important connections for those bicycling and walking. In Minnesota, trails are funded through a variety of programs at the federal, state and local levels. There are consistent funding programs for these projects at all levels but the specific amount available from each source varies year by year. Funding levels are affected by things such as the amount of money set aside by Congress or the Legislature, bonding and how well the proposed projects compete in various program solicitations.

SURFACE TRANSPORTATION AT A GLANCE

Size:

- 142,914 roadway miles
- 1,133 miles of designated bicycle routes
- 620 miles of sidewalk along the State Trunk Highway system and many more along local roadways
- More than 4,000 miles of designated trails
- 212 regular bus routes, two light rail lines and two bus rapid transit routes and dial-a-ride service in the Twin Cities
- 42 Greater Minnesota public transit systems, plus four tribal systems
- Intercity bus connections to 87 destinations

Use:

- 59.1 billion vehicle miles traveled on Minnesota roadways
- Minnesota roadways also carry bicycle and pedestrian traffic, as do trails
- 98.8 million rides on Twin Cities transit
- 12.2 million rides on Greater Minnesota transit
- 49,801 rides on Minnesota intercity bus routes

Responsibility:

- The majority of roadways, including on-road bicycle and pedestrian facilities, are owned by cities, counties and townships
- Most shared-use paths are also owned by local units of government; state trails are the responsibility of the Minnesota Department of Natural Resources
- Transit service in the Twin Cities is primarily operated by the Metropolitan Council (other providers include Southwest Transit, Minnesota Valley Transit Authority, Maple Grove Transit, Plymouth Transit and the University of Minnesota)
- Transit services in Greater Minnesota are operated at the regional, county or city level.

TRANSIT

In the Twin Cities, transit includes regular and express bus service, dial-a-ride bus service, bus rapid transit, light rail transit and commuter rail. For the purposes of this summary, commuter rail funding is discussed in the rail section of this document since it operates on the same network as freight and passenger rail services. The other types of transit are considered surface transportation since they operate on the roadway network or within roadway right of way. For these modes, capital projects are largely funded by federal transportation revenue, through programs such as New Starts. Transit maintenance and operations are primarily funded by state-level sources, such as the motor vehicle sales tax, which are distributed through the Metropolitan Transit Account. For major transitway projects, such as the Green Line, significant funding for capital and operations comes from county general revenue. Starting in 2008, five of the metropolitan counties implemented a quarter cent sales tax to support the development and operations of the region's transitway system. This money is distributed for capital and operations through the Counties Transit Improvement Board.

In Greater Minnesota, the majority of public transit activities are funded through state sources. These include transportation and general revenue. Local sources make up approximately a quarter of Greater Minnesota transit. Federal programs also provide revenue for capital and operations activities.

For all transit systems, money collected from passenger fares makes up a portion of the funding available for capital, maintenance and operations activities. However, the amount varies widely among different transit services throughout the state.

INTERCITY BUS

Most intercity bus services in Minnesota are owned and operated by private companies and funded through private sources. However, some carriers receive public funding assistance to support their operations and create or enhance access to small towns across the state. This public funding assistance comes primarily from federal and state transportation revenue through the Minnesota Intercity Bus Program.

Federal Funding

Federal funding for surface transportation comes primarily from transportation revenue. Federal sources mostly support roadway- and transit-related activities. **Table C-7** identifies the federal funding sources and programs that support surface transportation in Minnesota. **Figure C-9** shows the relationship between these sources and programs.

Table C-7: List of federal surface transportation funding sources and programs

Sources / Funds	<ul style="list-style-type: none"> • Transportation Trust Fund: dedicated transportation federal revenue, including motor fuel tax and taxes on tires, trucks and trailers and other vehicles <ul style="list-style-type: none"> • Highway Account: 85 percent of Transportation Trust Fund revenue • Mass Transit Account: 15 percent of Transportation Trust Fund revenue • Federal General Fund: non-dedicated federal revenue, including personal income tax, payroll tax, corporate income tax, customs duties, excise tax, etc. <ul style="list-style-type: none"> • American Recovery and Reinvestment Act (ARRA): 2009 stimulus package
Programs / Processes	<ul style="list-style-type: none"> • Section 402 Formula Grants, administered by U.S. DOT - National Highway Traffic Safety Administration (NHTSA) • Section 405 National Priority Safety Programs, administered by U.S. DOT - NHTSA • Motor Carrier Safety Assistance Program, administered by U.S. DOT - Federal Motor Carrier Safety Administration (FMCSA) • New Entrant Assurance Program, administered by U.S. DOT - FMCSA • National Highway Performance Program, administered by U.S. DOT - Federal Highway Administration (FHWA) • Surface Transportation Block Grant (STBG), administered by U.S. DOT - FHWA STBG Set-aside Program - administered by U.S. DOT - FHWA • Highway Safety Improvement Program, administered by U.S. DOT - administered by U.S. DOT - FHWA • Railroad-Grade Crossing Safety Improvement Program, administered by U.S. DOT - FHWA • Congestion Mitigation & Air Quality Program, administered by U.S. DOT - FHWA • State Planning & Research Program, administered by U.S. DOT - FHWA • Nationally Significant Freight & Highway Projects Program, administered by U.S. DOT - FHWA • National Highway Freight Program, administered by U.S. DOT - FHWA • Metropolitan Planning funds, administered by U.S. DOT - FHWA • Metropolitan Planning Program (5303), administered by U.S. DOT - FHWA / Federal Transit Administration (FTA) • Statewide & Non-metropolitan Planning (5304), administered by U.S. DOT - FHWA / FTA

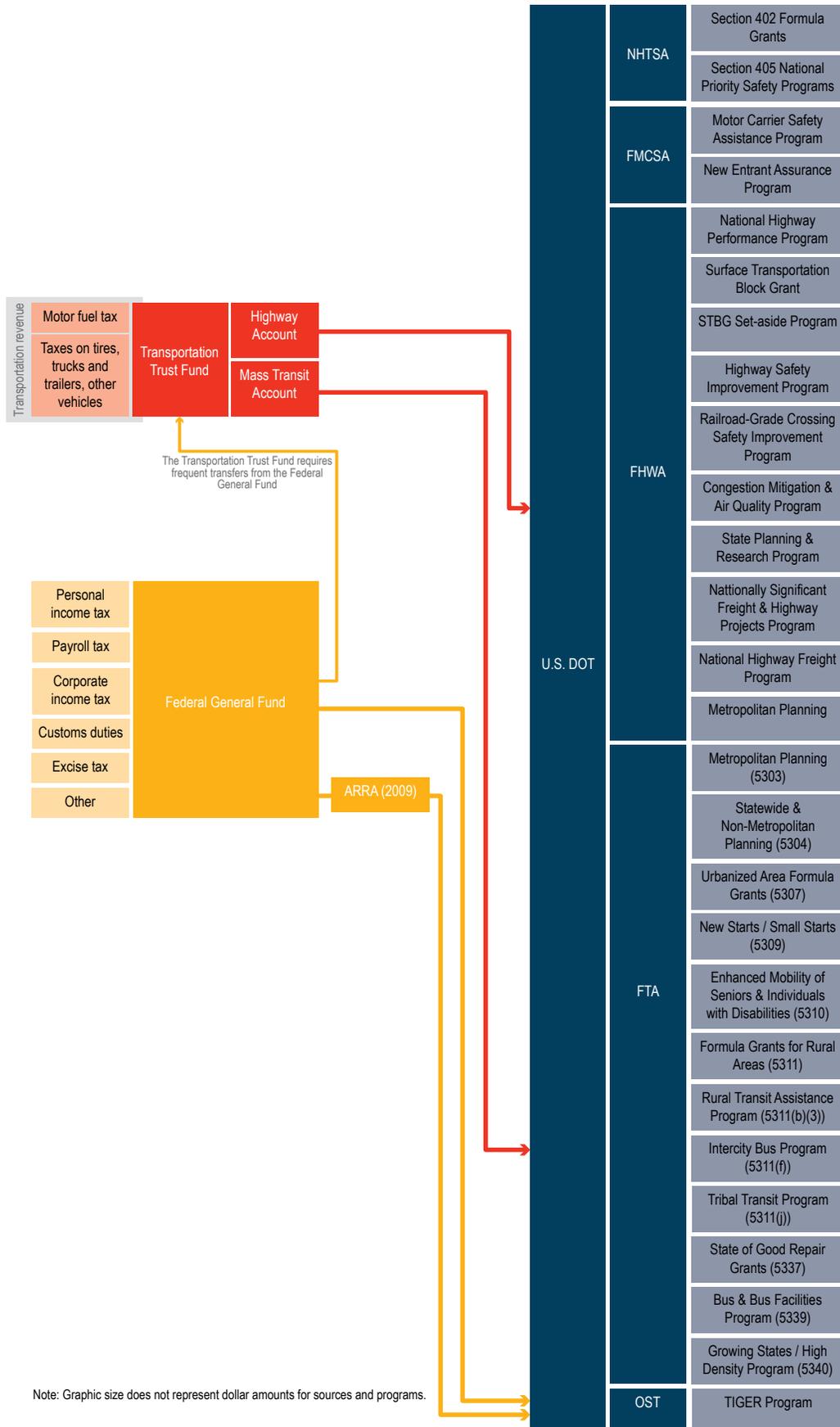
Table C-7: List of federal surface transportation funding sources and programs (continued)

Programs / Processes

- **Urbanized Area Formula Grants (5307)**, administered by U.S. DOT - FTA
- **New Starts / Small Starts (5309)**, administered by U.S. DOT - FTA
- **Enhanced Mobility of Seniors & Individuals with Disabilities (5310)**, administered by U.S. DOT - FTA
- **Formula Grants for Rural Areas (5311)**, administered by U.S. DOT - FTA
- **Rural Transit Assistance Program (5311(b)(3))**, administered by U.S. DOT - FTA
- **Intercity Bus Program (5311(f))**, administered by U.S. DOT - FTA
- **Tribal Transit Program (5311(j))**, administered by U.S. DOT - FTA
- **State of Good Repair Grants (5337)**, administered by U.S. DOT - FTA
- **Bus & Bus Facilities Program (5339)**, administered by U.S. DOT - FTA
- **Growing States / High Density Program (5340)**, administered by U.S. DOT - FTA
- **Transportation Investment Generating Economic Recovery (TIGER) Program**, administered by U.S. DOT - Office of the Secretary (OST)



Figure C-9: Relationships between federal surface transportation funding sources and programs



State Funding

State funding for surface transportation comes primarily from transportation revenue. State sources support roadway, trail, transit and intercity bus activities. **Table C-8** identifies the state funding sources and programs that support surface transportation. **Figure C-10** shows the relationship between these sources and programs.

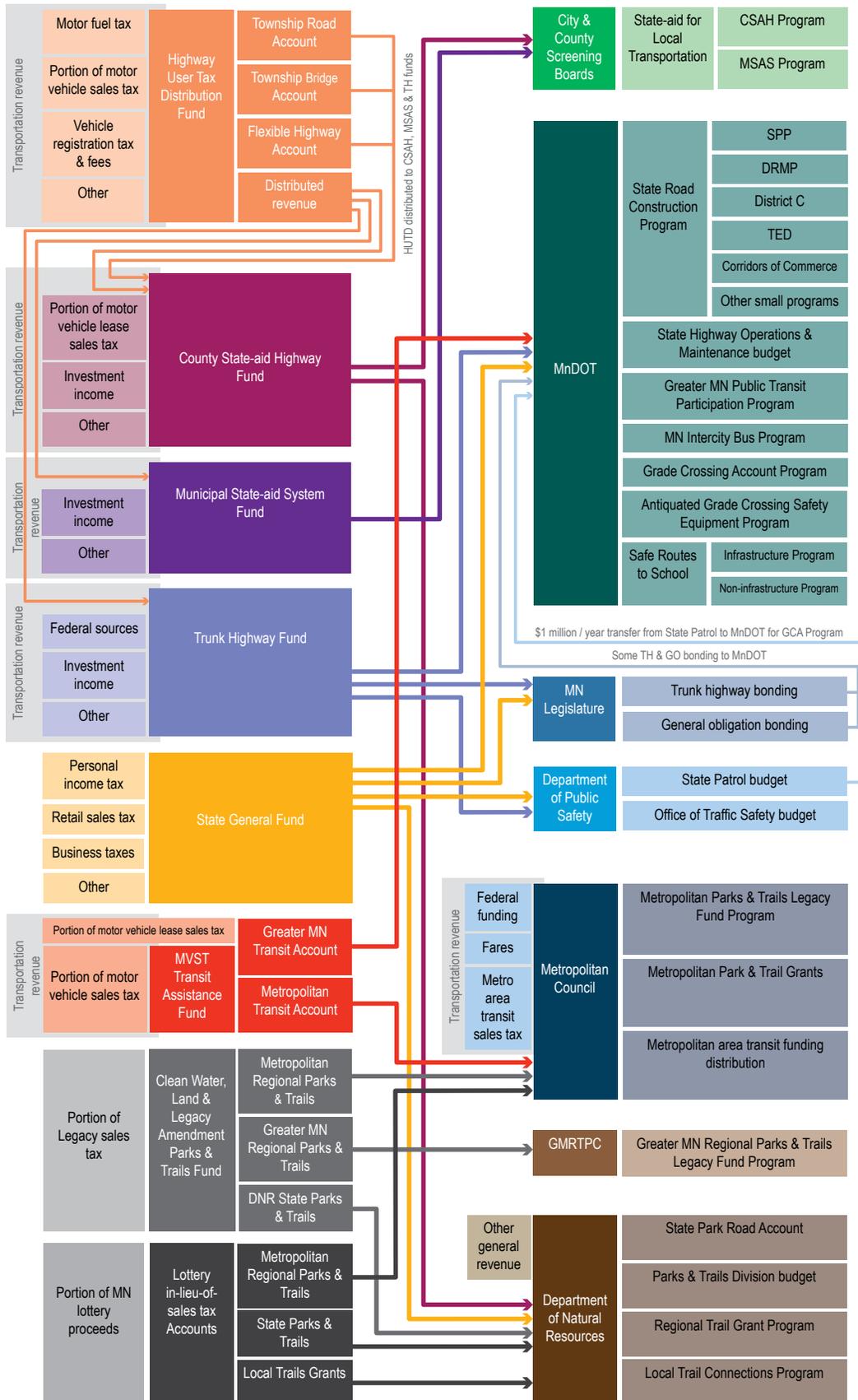
Table C-8: List of state surface transportation funding sources and programs

Sources / Funds	
	<ul style="list-style-type: none"> Highway User Tax Distribution Fund (HUTD): dedicated transportation revenue, including 97 percent of the state motor fuel tax, 60 percent of MVST, vehicle registration tax and fees, etc. <ul style="list-style-type: none"> 5% Set-aside revenue <ul style="list-style-type: none"> Township Road Account: 30.5 percent of HUTD set-aside Township Bridge Account: 16 percent of HUTD set-aside Flexible Highway Account: 53.5 percent of HUTD set-aside 95% distributed revenue <ul style="list-style-type: none"> County State-aid Highway (CSAH) Fund: 29 percent of distributed HUTD, plus HUTD set-aside, plus 50 percent of motor vehicle lease sales tax after the first \$32 million collected, investment income, etc. Municipal State-aid System (MSAS) Fund: 9 percent of distributed HUTD, plus investment income, etc. Trunk Highway Fund: 62 percent of distributed HUTD, plus revenue from federal sources, shared construction, investment income, etc. State General Fund: non-dedicated state revenue, including personal income tax, retail sales tax, business taxes, etc. Motor Vehicle Sales Tax (MVST) Transit Assistance Fund: 40 percent of revenue collected from the motor vehicle sales tax <ul style="list-style-type: none"> Greater Minnesota Transit Account: 10 percent of Transit Assistance Fund revenue, plus 50 percent of motor vehicle lease sales tax revenue after the first \$32 million collected Metropolitan Transit Account: 90 percent of Transit Assistance Fund revenue Clean Water, Land & Legacy Amendment Parks & Trails Fund: 14.25 percent of constitutionally-dedicated sales tax revenue <ul style="list-style-type: none"> Department of Natural Resources (DNR) State Parks & Trails: 40 percent of Legacy Parks & Trails Fund Metropolitan Regional Parks & Trails: 40 percent of Legacy Parks & Trails Fund Greater MN Regional Parks & Trails: 20 percent of Legacy Parks & Trails Fund Lottery in Lieu (LIL) Accounts: MN lottery proceeds <ul style="list-style-type: none"> State Parks & Trails LIL Account: 22.5 percent of lottery proceeds Metropolitan Parks & Trails LIL Account: 22.5 percent of lottery proceeds Local Trails Grants LIL Account: 3 percent of lottery proceeds

Table C-8: List of state surface transportation funding sources and programs (continued)

Programs / Processes	<ul style="list-style-type: none"> • State-aid for Local Transportation <ul style="list-style-type: none"> • County State-aid Highway (CSAH) Program, administered by County Screening Board • Municipal State-aid System (MSAS) Program, administered by Municipal Screening Board • State Road Construction Program, administered by MnDOT <ul style="list-style-type: none"> • Statewide Performance Program (SPP) • District Risk Management Program (DRMP) • District C funding • Transportation Economic Development (TED) Program, jointly administered with the Department of Employment and Economic Development • Corridors of Commerce Program • Other small programs • MnDOT State Highway Operations & Maintenance budget • Greater MN Public Transit Participation Program, administered by MnDOT • MN Intercity Bus Program, administered by MnDOT • Grade Crossing Account (GCA) Program, administered by MnDOT • Antiquated Grade Crossing Safety Equipment Program, administered by MnDOT • Safe Routes to School Program, administered by MnDOT <ul style="list-style-type: none"> • SRTS Infrastructure Program • SRTS Non-infrastructure Program • State legislative general obligation (GO) bonding • State legislative trunk highway (TH) bonding • Department of Public Safety (DPS) State Patrol budget • DPS Office of Traffic Safety budget • Metropolitan Parks & Trails Legacy Program, administered by the Metropolitan Council • Metropolitan Parks & Trails Grants, administered by the Metropolitan Council • Metropolitan area transit funding distribution, administered by the Metropolitan Council • Greater MN Regional Parks & Trails Legacy Fund Program, administered by the Greater MN Regional Parks & Trails Commission • State Park Road Account, administered by the Department of Natural Resources (DNR) • DNR Parks & Trails budget • Regional Trail Grant Program, administered by the DNR • Local Trail Connections Program, administered by the DNR
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Figure C-10: Relationships between state surface transportation funding sources and programs



Note: Graphic size does not represent dollar amounts for sources and programs.

Local Funding

Local units of government provide substantial funding for surface transportation. The primary sources of local funding include general revenue at the county and city level, such as property tax and sales tax. Since the majority of roadways in Minnesota are locally owned, property taxes make-up the single largest funding source for Minnesota roadways.

Local funding for trails and other roadway bicycle and pedestrian improvements also comes from county and city general revenue. In addition to support for bicycle and pedestrian capital investments, maintenance of these facilities is primarily the responsibility of local government.

Transit funding at the local level comes from county and city general revenue. In the Twin Cities, a number of the metropolitan counties opted to increase sales tax by a quarter cents to support the development of the region's transitway system. This funding is distributed through the Counties Transit Improvement Board and goes toward capital and operations of major transitway projects. City and county transit agencies also receive some revenue from fare box collection and advertising. Additionally, counties in the Twin Cities have Regional Railroad Authorities. RRAs have taxing authority, which they can levy for rail transit development purposes.

In addition to the direct local investments, many federal and state funding sources require matching funds, which often come from local sources.

Other Funding

Private investment in surface transportation does occur. However, it does not make up a significant portion of the funding picture. When private investment does occur, it is typically in the form of public-private partnerships on specific projects. Additionally, there are a small number of privately owned roadways, trails and transit services in Minnesota.

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