

Introduction

The Minnesota Department of Transportation (MnDOT) is a multimodal agency encompassing not only highway construction and maintenance but aeronautics, rail, and transit activities. In consultation with Minnesota Management and Budget (MMB) and Minnesota Department of Revenue (DOR), MnDOT prepares fund statements for six transportation funds. These fund statements are prepared in November and February of each fiscal year (FY). An additional update is prepared at the end of each legislative session (EOS) to incorporate law-change impacts to the transportation funds.

Due to the unprecedented economic impacts of the COVID-19 pandemic, an interim budget projection was produced in May to assess the revenue impacts in the current FY 2020-21 biennium only. This End of 2020 Legislative Sessions update builds on the May assumptions, and adds the estimated impacts in the FY 2022-23 biennium as well as any changes enacted during the 2020 Legislative sessions. **Note: no changes were made to FY 2020-21 biennium beyond adding impacts from Legislative sessions.**

Comparisons made in this budget projection to the prior forecast reflect the differences from the February 2020 fund statements and May 2020 interim budget projection. MnDOT prepares fund statements for the following funds:

- Highway User Tax Distribution Fund (HUTD)
- Trunk Highway Fund (TH)
- County State Aid Highway Fund (CSAH)
- Municipal State Aid Street Fund (MSAS)
- Transit Assistance Fund (TAF)
- State Airports Fund (SAF)

MMB Budget Update (July 31, 2020)

- MMB released updated planning estimates of revenues and expenditures for FY2022-23 using the assumptions from the May 2020 interim budget projection and items passed during the 2020 regular and special Legislative session(s).
- Due to the state bond sale on August 11th, MMB published the state's overall financial condition (including the status of the General Fund for the FY 2022-23 biennium) via an [Official Statement \(POS\)](#) to potential bond investors.
- Overall, the General Fund deficit has decreased since May due to lower projected expenditures resulting from the recognition of increased federal matching funds for Medicaid.

General Fund Highlights (Excerpt from [MMB Communication](#))

- Minnesota net General Fund receipts for Fiscal Year 2020 are now estimated to total \$22.890 billion, **\$58 million** (0.3 percent) lower than projected in the May 2020 interim budget projection.
- This shortfall reduces the Fiscal Year 2020 estimated closing variance from the positive \$168 million (0.8 percent) reported in the July Revenue and Economic Update to negative \$58 million (0.3 percent).
- In the February Budget and Economic Forecast, revenues were expected to exceed base budget expenditures and leave a modest structural balance in the next biennium. With this update, the next

biennium is no longer structurally balanced. Expenditures are now expected to exceed revenues by **\$4.7 billion**.

August Bond Sale Highlights:

- Bond sale: August 11th with a closing date of August 25th
- Total Bond sale amounts: \$1.209B overall
- Trunk Highway Fund bonds sold: \$152M (compared to \$190.7M last year)
- Trunk Highway Fund refunding bonds sold: \$344.2M (refinancing 2010 and 2011 bonds)
- Interest rate: ~1.26% (forecast in February was 3.2%, lowest rate in last 15 years)
- The current estimated savings from refinancing in FY 21 debt service ~ \$48M, and an additional \$9.4M in FY 22, for a total of \$57.4M.

What does this mean for Transportation Funds?

- MnDOT provided the FY 2022-23 revenue details to MMB on July 31st using the May 2020 interim budget projection assumptions.
- MMB published this information mid-August. This is referred to as the Consolidated Fund Statements (CFS) that will provide the baseline for revenue and expenditures for all funds going into the FY 2022-23 biennial budget. Available [here](#).
- The revenue details also include items passed during the Legislative session(s).
- Transportation Funds in general are performing better through August than the May interim budget projection.

Transportation Funds highlights:

Highway User Tax Distribution Fund (HUTD)

- In May, the projection assumed revenues would decline -\$397M (-8%) in the FY 2020-21 biennium
 - Gas taxes: assumed a -30% decline April – June, -15% decline July – December, then recovers
 - Tab fees: assumed a -20% decline April – June, -10% decline July – December, then recovers
 - Motor vehicle sales tax (MVST): assumed a -50% decline April – June, -17% decline in FY 2021
- Actual revenues April – August down -\$123M (-12%) compared to February forecast, which is +\$120M (15%) better than May projection
 - Gas taxes were down -\$62M (-16%)
 - Tab fees were down -\$20M (-6%)
 - MVST were down -\$33M (-14%)
 - Both tab fees and MVST exceeded February forecast estimates in June and July

Below is a summary for each revenue source, and how actual revenues through August compare to both the February and May forecasts by month (in thousands):

GAS TAX REVENUES BY MONTH									
\$ in 1,000s	Feb Fcst	May Fcst	\$ Var to Feb	% Var to Feb	ACTUALS AND COMPARISON TO FORECASTS				
					Actuals	\$ Var to Feb	% Var to Feb	\$ Var to May	% Var to May
April	75,900	60,989	(14,911)	-19.6%	62,093	(13,807)	-18.2%	1,104	1.8%
May	71,100	49,770	(21,330)	-30.0%	50,341	(20,759)	-29.2%	571	1.1%
June	80,300	56,210	(24,090)	-30.0%	65,447	(14,853)	-18.5%	9,237	16.4%
July	79,780	67,813	(11,967)	-15.0%	74,746	(5,034)	-6.3%	6,933	10.2%
August	84,900	72,165	(12,735)	-15.0%	77,758	(7,142)	-8.4%	5,593	7.7%
Total	391,980	306,947	(85,033)	-21.7%	330,385	(61,595)	-15.7%	23,438	7.6%

TAB FEE REVENUES BY MONTH									
\$ in 1,000s	Feb Fcst	May Fcst	\$ Var to Feb	% Var to Feb	ACTUALS AND COMPARISON TO FORECASTS				
					Actuals	\$ Var to Feb	% Var to Feb	\$ Var to May	% Var to May
April	76,378	54,847	(21,531)	-28.2%	54,193	(22,185)	-29.0%	(654)	-1.2%
May	76,861	61,489	(15,372)	-20.0%	61,835	(15,026)	-19.5%	346	0.6%
June	64,028	51,222	(12,806)	-20.0%	73,153	9,125	14.3%	21,930	42.8%
July	58,533	52,680	(5,853)	-10.0%	71,691	13,158	22.5%	19,012	36.1%
August	64,444	57,999	(6,444)	-10.0%	59,631	(4,813)	-7.5%	1,632	2.8%
Total	340,244	278,237	(62,007)	-18.2%	320,503	(19,741)	-5.8%	42,266	15.2%

MVST REVENUES BY MONTH									
\$ in 1,000s	Feb Fcst	May Fcst	\$ Var to Feb	% Var to Feb	ACTUALS AND COMPARISON TO FORECASTS				
					Actuals	\$ Var to Feb	% Var to Feb	\$ Var to May	% Var to May
April	48,874	25,138	(23,736)	-48.6%	22,946	(25,928)	-53.1%	(2,192)	-8.7%
May	51,728	21,483	(30,244)	-58.5%	36,223	(15,505)	-30.0%	14,739	68.6%
June	44,680	18,556	(26,123)	-58.5%	49,938	5,258	11.8%	31,382	169.1%
July	47,775	39,618	(8,157)	-17.1%	53,156	5,381	11.3%	13,538	34.2%
August	48,225	39,992	(8,233)	-17.1%	45,699	(2,526)	-5.2%	5,707	14.3%
Total	241,281	144,787	(96,494)	-40.0%	207,961	(33,320)	-13.8%	63,174	43.6%

OTHER REVENUES BY MONTH									
\$ in 1,000s	Feb Fcst	May Fcst	\$ Var to Feb	% Var to Feb	ACTUALS AND COMPARISON TO FORECASTS				
					Actuals	\$ Var to Feb	% Var to Feb	\$ Var to May	% Var to May
April	15,372	15,290	(82)	-0.5%	15,410	38	0.2%	120	0.8%
May	15,467	15,385	(82)	-0.5%	15,188	(279)	-1.8%	(197)	-1.3%
June	46,055	46,115	60	0.1%	37,498	(8,557)	-18.6%	(8,617)	-18.7%
July	246	246	-	0.0%	16	(230)	-93.5%	(230)	-93.5%
August	12,871	12,871	-	0.0%	13,140	269	2.1%	269	2.1%
Total	90,010	89,907	(104)	-0.1%	81,252	(8,759)	-9.7%	(8,655)	-9.6%

TOTAL REVENUES BY MONTH									
\$ in 1,000s	Feb Fcst	May Fcst	\$ Var to Feb	% Var to Feb	ACTUALS AND COMPARISON TO FORECASTS				
					Actuals	\$ Var to Feb	% Var to Feb	\$ Var to May	% Var to May
April	216,524	156,263	(60,261)	-27.8%	154,641	(61,883)	-28.6%	(1,622)	-1.0%
May	215,155	148,127	(67,028)	-31.2%	163,587	(51,569)	-24.0%	15,460	10.4%
June	235,063	172,104	(62,959)	-26.8%	226,036	(9,026)	-3.8%	53,933	31.3%
July	186,334	160,357	(25,977)	-13.9%	199,609	13,275	7.1%	39,252	24.5%
August	210,439	183,027	(27,413)	-13.0%	196,227	(14,212)	-6.8%	13,201	7.2%
Total	1,063,515	819,877	(243,638)	-22.9%	940,100	(123,415)	-11.6%	120,223	14.7%

Trunk Highway Fund

- In May, the estimated overall fund deficit was -\$9M in FY 2021, increasing to a peak of -\$93M in FY 2022, before recovering to \$0 in FY 2023 with no change in spending and no fund balance reserve.
- Without formally reforecasting revenue and spending in the fund, the positive HUTD revenue impacts for April – August and the debt refunding savings, would eliminate the overall deficits in the current biennium.

These impacts, along with other fiscal and economic changes will be included when the updated forecast is released in November.

County State Aid Highway (CSAH) and Municipal State Aid Streets (MSAS) Funds

- The 2020 Commissioner’s Order issued in January will not change
- In May, the calendar year 2021 Commissioner’s Order distributions to counties and cities were estimated to decline ~15% from the February 2020 forecast. Based on the favorable HUTD revenues through August, that estimated decline is now ~11% (\$ in millions) as displayed below:

Fund	2020 Com Order	2021	2021	\$ Change	% Change
		Feb '20 Fcst	EOS '20 Projection*	Change from Feb '20 fcst	
CSAH	\$853	\$868	\$774	(\$94)	(11%)
MSAS	\$216	\$218	\$195	(\$23)	(11%)

*Note: includes favorable actual receipts for April - August

State Airports Fund

- Estimated fund balance is \$0.4M in FY 2021, and -\$3M at end of FY 2023 with no change in spending
- Actual FY 2020 revenues ~-\$0.0M lower than May projection

Transit Assistance Fund

- Actual FY 2020 revenues ~+\$2.8M (5% higher than May projection)

Federal Stimulus and Coronavirus Relief Funds Update

- The Office of Transit and Active Transportation received \$750,000 for Positive Client Transportation for Greater Minnesota Transit from the state Coronavirus Relief Fund
- MnDOT was awarded \$4.4 million in federal funding from the Federal Transit Administration to replace 47 buses for 20 transit agencies in rural areas across the state
- These funds are in addition to the federal CARES Act funding for transit and airports awarded in March described in the May Interim Budget Projections.

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