The State of Transportation Infrastructure – Municipal Needs and Gaps

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About Minnesota’s Cities

- 853 Cities across the state
- 139 are in the seven county metro area
- Of the 714 cities in Greater Minnesota, only 36 have a population over 10,000
- 495 cities have a population less than 1,000
- Bottom line: Minnesota’s cities are diverse!
City Streets: The System

- **Municipal Streets** account for over **22,800 miles** of roadways in Minnesota (approximately 16 percent)
- City streets usually make up a good portion of the “last mile” of product delivery, employment centers, schools, and of course homes, and are critical to local and statewide economies
City Streets: Maintenance

- Maintenance of this system is essential if cities are to maximize investments
  - Every $1 spent on maintenance saves $7 in repairs/reconstruction (Source: USDOT)
  - Best time to do maintenance? When pavement condition is good
Minnesota Infrastructure Grades

- **AVIATION**: B
- **Bridges**: C
- **Drinking Water**: C-
- **Energy**: C
- **Ports**: C+
- **Roads**: D+
- **Transit**: C-
- **Wastewater**: C

A: EXCEPTIONAL, B: GOOD, C: MEDIocre, D: POOR, F: FAILING

Each category was evaluated on the basis of capacity, condition, funding, future need, operation and maintenance, public safety, resilience, and innovation.
City Streets: Funding

How do we fund street maintenance and construction?

- Municipal State Aid
- Bonding programs (LRIP, LBRP) [competitive program]
- Federal Funds [competitive program]
- Property taxes
- Special Assessments
- Private Development where allowed by state law
City Street Funding Challenges

- City budgets are strained
- Special assessments are unpopular, difficult to administer
- Tax exempt property does not pay
- Maintenance is affordable, but not always a priority
- No dedicated funding source for local streets (water and sewer utilities provide this for those items)
**Minnesota Highway Users Tax Distribution Fund**

**2020**

- **Fuel Tax Revenue**: $946,100,000
- **License Fees**: $835,900,000
- **Motor Vehicle Sales Tax**: $505,680,000
- **Auto Parts Sales Tax/Interest/Other**: $211,410,000

**Total Highway Users Fund**: $2,499,090,000

**5% Distribution**: $122,630,000

**Regular Distribution**: $2,329,070,000

- **Regular 95% - $2,329,070,000**
  - Trunk Highway Fund: 62%
  - County State Aid Highway Fund: 29%
  - Municipal State Aid Street Fund: 9%

- **Trunk Highway Fund**: $1,444,581,400 To MnDOT

- **Town Bridge Account**: $196,020,800
  - Apportioned to individual counties based on the needs of the deficient township bridges.
  - Less unallocated account, which can be used by any county.
  - For the replacement of deficient township bridges.

- **Town Road Account**: $274,200,150
  - Apportioned to individual counties based on township road mileage open to traffic at least eight months/year.
  - For the construction and maintenance of township roads.

- **Flexible Highway Account**: $66,124,395
  - Apportioned to individual agencies for the restoration of former trunk highways that have been turned back to the municipalities or counties and designated state aid.

- **CSAH Distribution**: $694,570,675
  - Distributed to 87 counties based on:
    - Apportionment Sum (68%)
    - 10% Equalization
    - 10% Motor vehicle registration
    - 30% Lane miles
    - 50% CSAH money needs
    - Excess sum (32%)
    - 40% Motor vehicle registration
    - 60% CSAH money needs
    - Used to construct, repair and maintain 40% each county’s CSAH system

- **DEDUCTIONS**: $18,012,691
  - Used for administration, disaster and research

- **Municipal State Aid Street Fund**
  - **MSAS Apportionment**: $210,245,736
    - Apportioned to 148 municipalities based on:
      - 50% Population
      - 50% MSAS money needs
    - Used to construct and maintain each municipality’s MSAS system

- **DEDUCTIONS**: $5,092,511
  - Used for administration, disaster and research

**For more details, visit [mindot.gov/finance/apportionments.html](http://mindot.gov/finance/apportionments.html)**
MSA Shortcomings

- Most Cities are ineligible for Municipal State Aid (only 148 of cities 853 cities)
- MSA funds are often exhausted by required cost participation on State and County projects
- Property taxes and special assessments end up supplementing MSA funds on MSA streets
- As cities grow, more cities added to MSA system. More miles of roadway funded. Less money per city and per mile of roadway.
  - In 1958 when State Aid system created, 58 MSA cities. Today 148 MSA cities.
City of Roseville Example

- **Need vs Funding**
  - 119 miles of MSA and Local roads
  - Over 35 year roadway life cycle nearly $300 million in construction and maintenance needs
  - MSA funds – currently $1.5 million annually (construction and maintenance)
  - Over 35 years with moderate 2% growth in MSA, expect $87 million in MSA funds. $21 million or more of MSA expected to be spent on State and County roadways (required local cost participation)
  - Results in $234 million in funding gap over 35 years
  - In reality spending about $2-4 million per year when we should be spending $8-9 million per year
Need: Funding Gap

- 2012 MN Transportation Finance Advisory Committee (TFAC)
  - Overall $21 billion funding gap in transportation statewide over 20 years
  - Annual Funding Gap for Municipal State Aid Streets is $100 million
  - Annual Funding Gap for non-MSA streets is between $250 - $400 million
  - Funding Gap is increased by Community demands and need for enhanced streets. Bike lanes, pathways, sidewalks, complete street elements, and transit accommodations.
What do Cities need to address this?

- We need dedicated, reliable sources of funding for all of our streets
  - More State Aid funds – increase HUTDF
  - Street Improvement District Authority – allow us to treat streets like a utility

- Funding for cities of all sizes:
  - Small Cities Assistant Account
  - Large Cities Assistant Account

- Bonding
  - Corridors of Commerce
  - Transportation Economic Development
  - Local Road Improvement Program
  - Local Bridge Account
  - Rail Safety Improvements
THANK YOU!

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