

The trunk highway system is a network of interstates and state highways that connects communities throughout the state. The bulk of funding comes from transportation-related taxes and federal aid. FY 2020 sources totaled about \$2.27 billion, including trunk highway bonding.

Finance Framework

The Minnesota Constitution establishes a highway finance framework, which includes dedication of funds from transportation-related taxes and formula-based allocation of revenue via the highway user tax distribution (HUTD) fund. [Minn. Const. art. XIV](#). State statutes further specify fiscal policies such as taxation rates and allocation formulas.

Primary Funding Sources

The primary state sources of trunk highway revenue are three transportation-related taxes: a tax on motor fuels, a registration tax on motor vehicles, and a tax on the sale of motor vehicles. A portion of each is allocated to trunk highways from the HUTD fund. The 2017 Legislature allocated additional funds from state sales taxes, which are similarly distributed via the HUTD fund to the trunk highway system. Funding from the HUTD fund totaled \$1.38 billion in fiscal year 2020. Federal aid is another significant source at \$573.9 million. Other funding sources include sales of land and equipment, fines, and fees.

Trunk Highway Bonds

Trunk highway bonds are a specialized form of general obligation bonding, issued by the state only for construction on the trunk highway system (following constitutional limits). [Minn. Const. arts. XI, § 5 \(e\); XIV, § 11](#). Since bonds carry an obligation of future repayment with interest, proceeds from bond issuances represent debt. Nevertheless, bond proceeds can be viewed as a form of revenue.

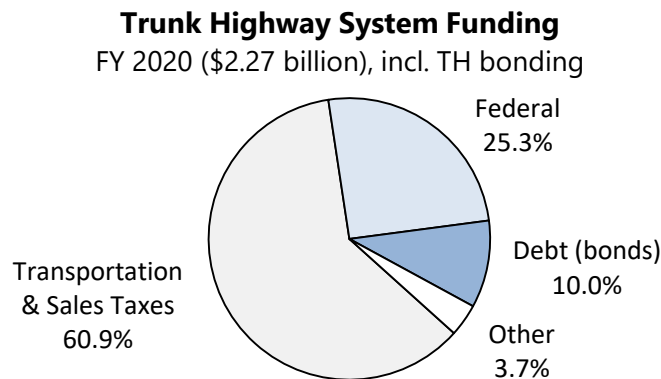
In fiscal year 2020, funds from trunk highway bonding totaled \$227.3 million. This amount only represents funds expended that year for project costs. Legislative authorizations to issue bonds are distinct from expenditures and may occur in a year prior to the bond issuance.

Revenue

Trunk highway funding for fiscal year 2020 is summarized below, treating bond proceeds as a source.

Funding Source	Amount (millions)
Transportation and sales taxes	\$1,382.2
Federal aid	573.9
Trunk highway bond proceeds	227.3
Other revenue sources:	
Shared construction projects	31.1
Permit charges & fees	7.5
Sale of land, equipment, & services	12.3
Fines	4.8

Funding Source	Amount (millions)
Investments	14.1
Miscellaneous	14.9
Total	\$2,268.2

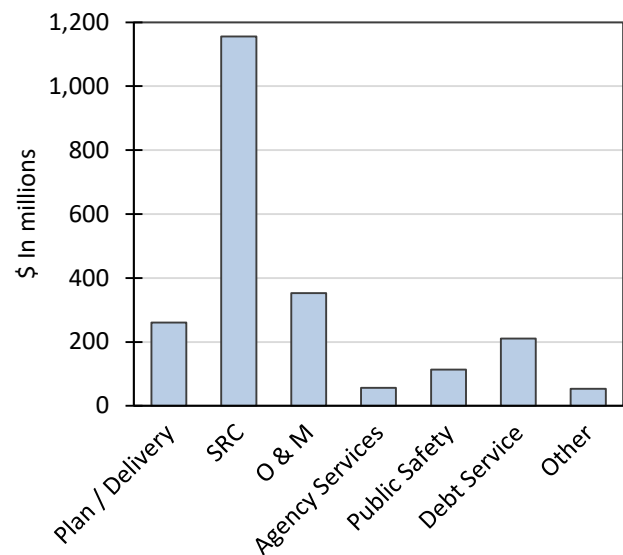


Expenditures

The following summarizes trunk highway expenditures by budget activity. (Note that expenditures exceed funding due to use of prior year carryforward.)

- **Program planning and delivery** includes: (1) project development to prepare a project for construction through tasks like scoping, engineering, and environmental analysis; (2) construction management, which involves oversight of projects; and (3) statewide system planning and research.
- **State road construction (SRC)** funds specific construction projects. Its main components are: (1) contracts and consultant agreements for construction work (and some project development); (2) materials purchasing; and (3) right-of-way acquisition.
- **Operations and maintenance (O & M)** funds maintenance of the highway system, including through: inspections, snowplowing, repairs, safety infrastructure upkeep (such as guard rails), and vehicle maintenance.
- **Agency services** includes leadership, finance, information technology, and human resources.
- **Public safety** primarily funds the State Patrol.
- **Debt service** is payment of principal and interest on previously issued trunk highway bonds.

Trunk Highway System Expenditures
FY 2020 (\$2.20 billion), incl. TH bonding



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