

OVERVIEW:

Minnesota Transportation Finance and the I-35W Bridge

- Background: MN Transportation Finance
- I-35W Bridge collapse & federal funding process
- MN Transportation Program Evaluation
- New Legislation
- Bridge Improvement Program & Follow-up

Constitutionally Dedicated Transportation Revenues

- Motor Fuel Tax (Gas Tax)
- Vehicle Registration Tax (Tab Fees)
- Motor Vehicle Sales Tax (MVST)
 - 2006 constitutional amendment

Motor Fuel Tax (Gas Tax)

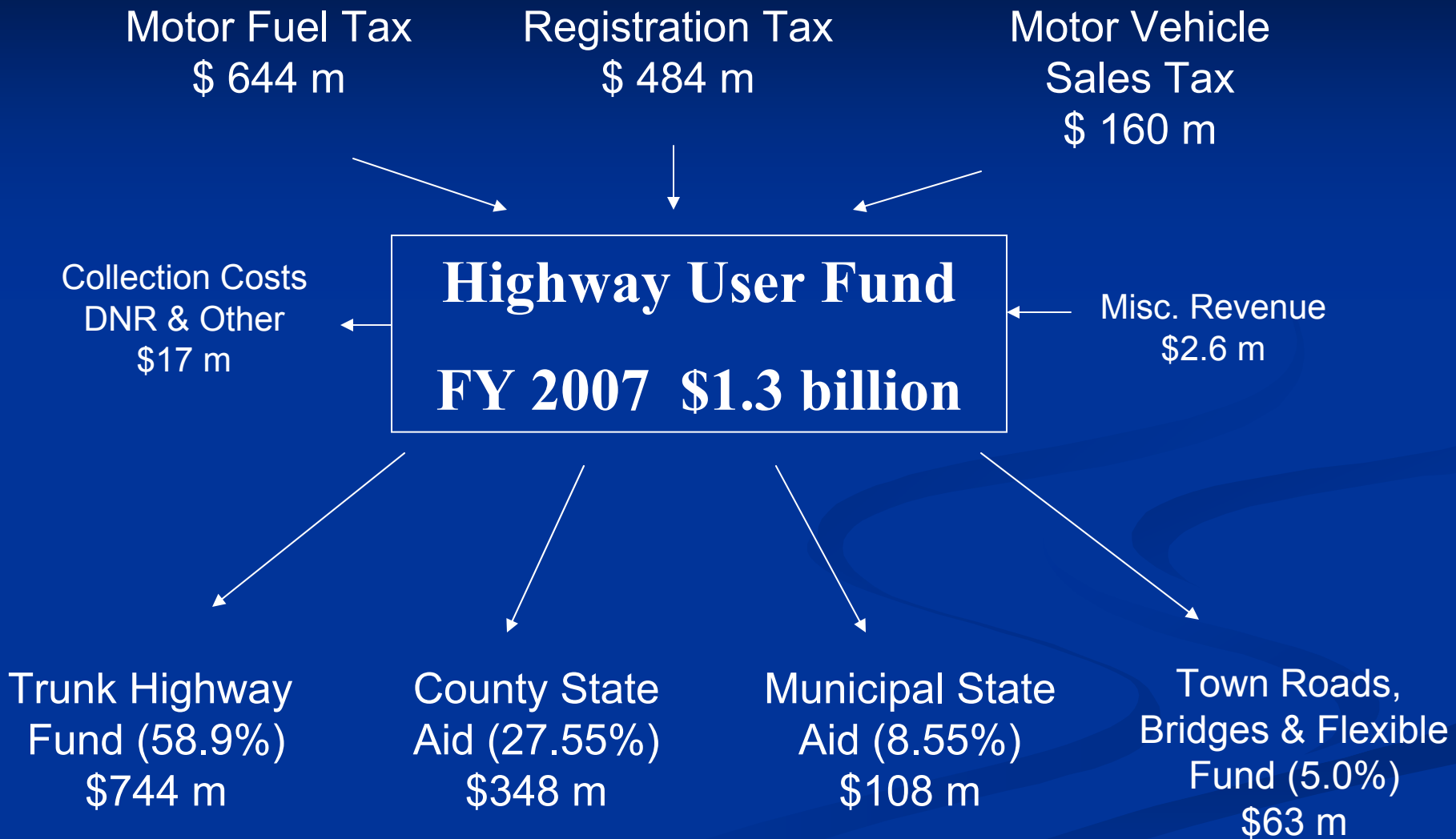
- Tax rate 20 cents per gallon, 1988-2008
- Raised \$644 m in FY 2007 or \$32.2 m/penny
- Before 2008 increase, MN's tax rate was below average nationally
 - Ranked 31st out of 50 states and D.C.
- Tax revenues constitutionally dedicated to Highway User Tax Distribution Fund (HUTDF)
 - Revenues used “solely for highway purposes”

Vehicle Registration Tax (Tab Fees)

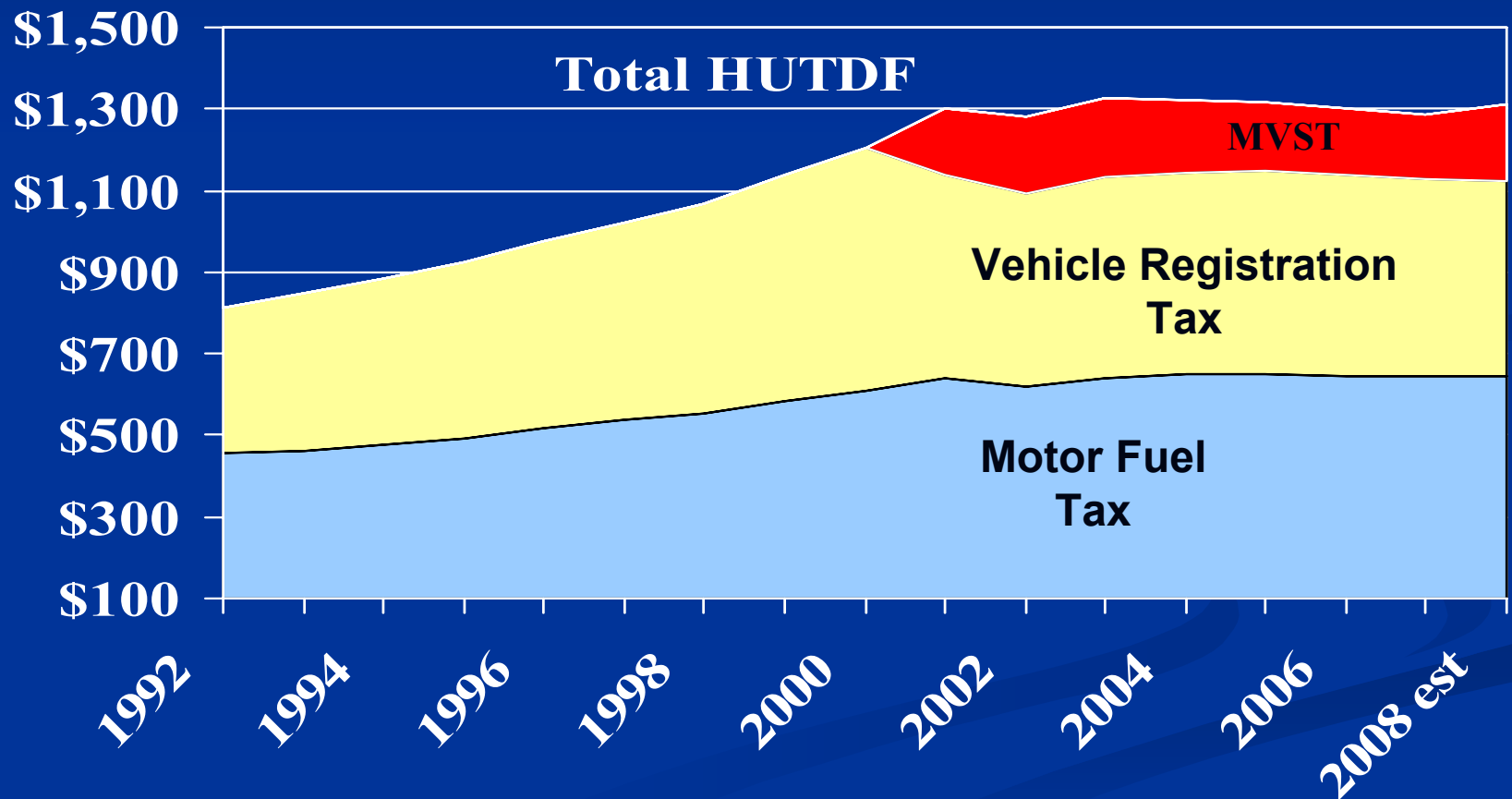
- Raised \$485 m in FY 2007
- 2003: maximum tax caps imposed
 - \$189 in 2nd year of vehicle life
 - \$99 in 3rd year and on
- Tax revenues constitutionally dedicated to Highway User Tax Distribution Fund (HUTDF)
 - Revenues used “solely for highway purposes”

Motor Vehicle Sales Tax (MVST)

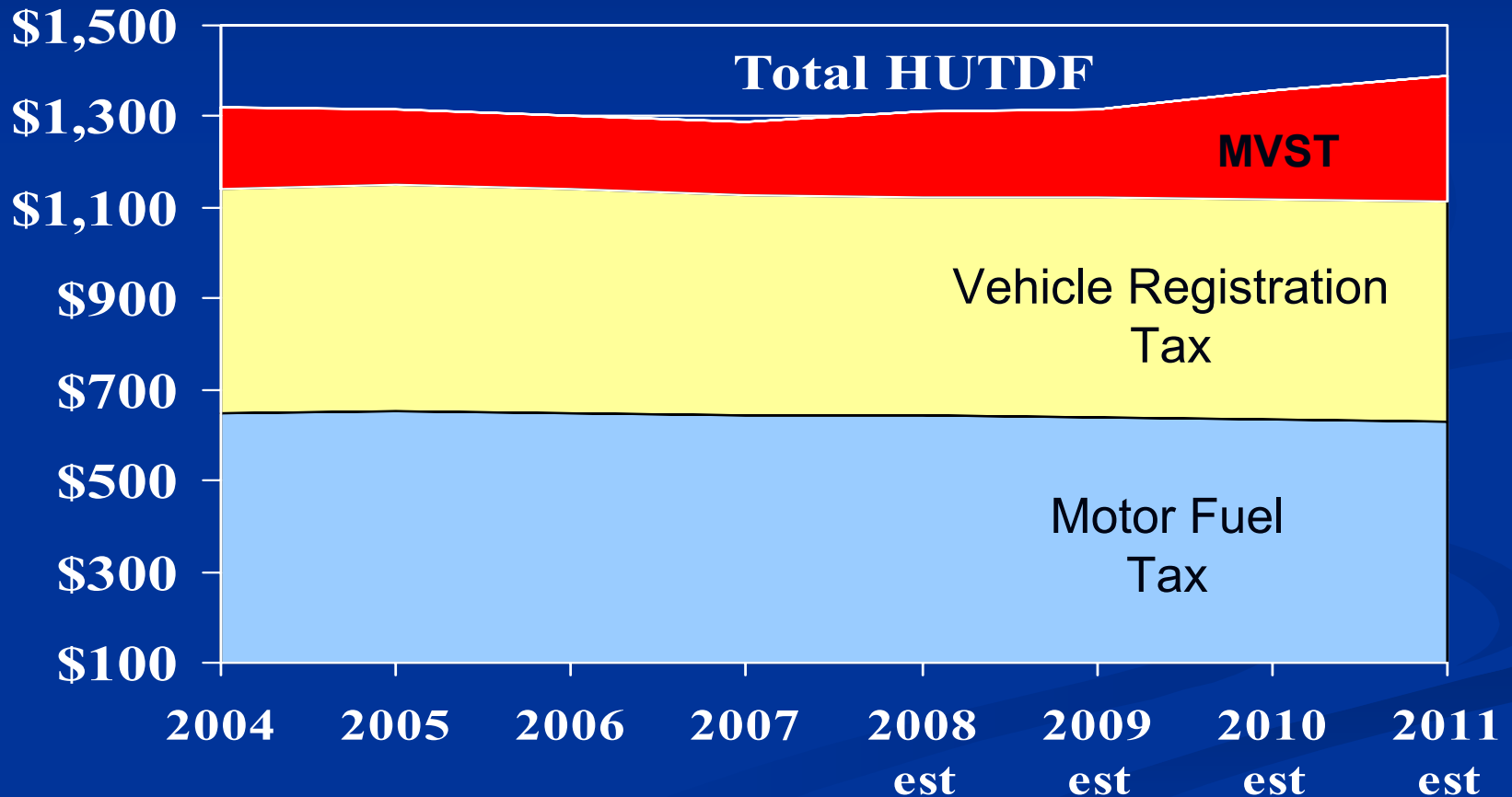
- Pre-2003, MVST revenues deposited in state general fund
- 2003: some MVST revenues dedicated to transportation funds:
 - 32% to HUTDF
 - 21.75% to public transit funds
- 2006: constitutional amendment passed
 - Dedicated 100% of MVST to transportation funds (highways and transit)
- 2007: Legislature split funds 60% to highways, 40% to transit
- Raised \$533 million total in FY 2007
 - \$164 million to highway funds



Historical Highway User Tax Fund Revenues

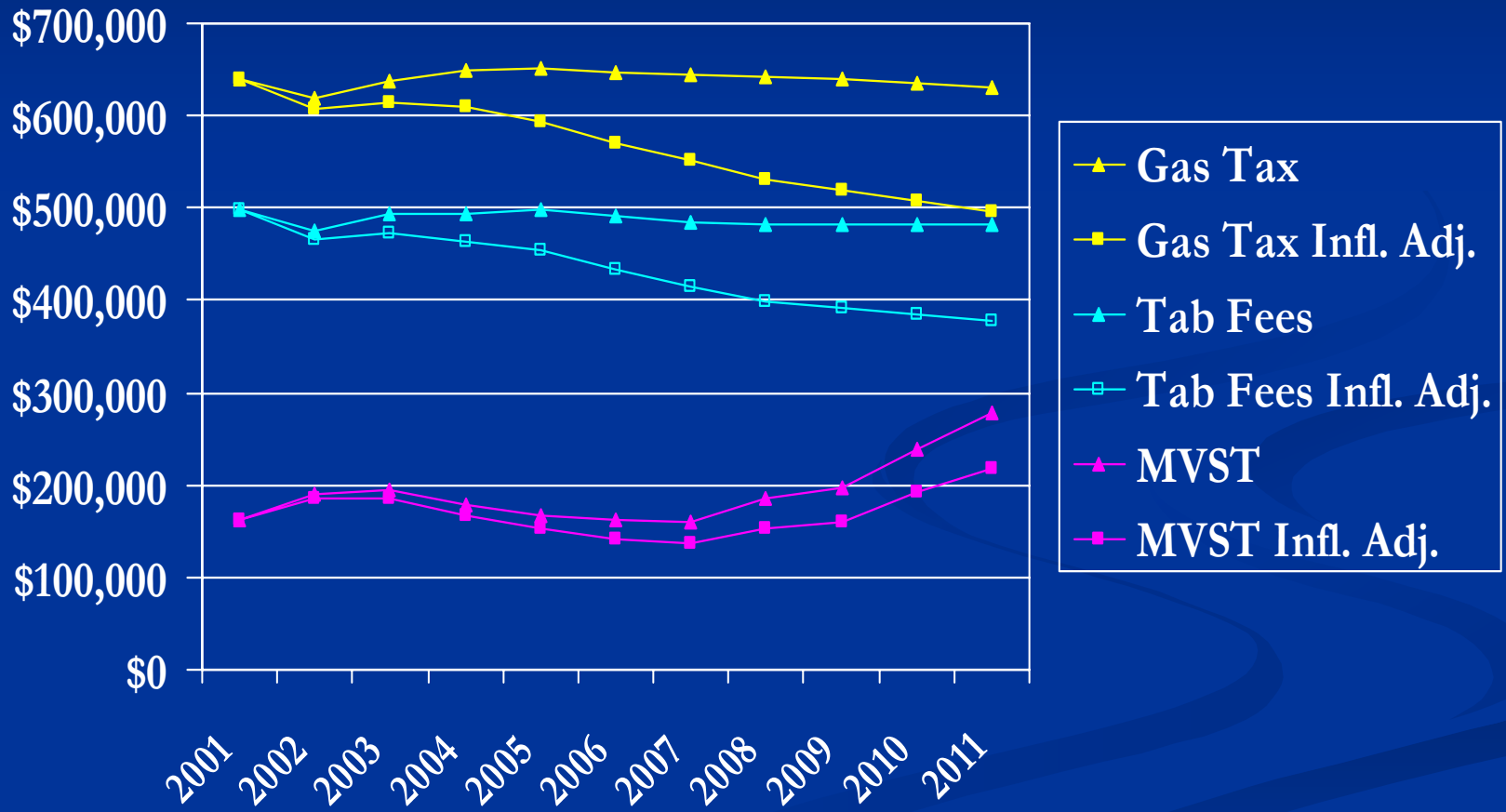


HUTDF Revenue Projection Per February 2008 Forecast



HUTDF Revenues & Inflation, 2001-2011

(dollars in thousands)



Transportation Bonding

- Trunk Highway Bonds:
 - Four TH Bond authorizations between 2000-2007, totaling \$620.7 million
 - New TH Bond authorization in 2008: \$1.8 billion
 - Debt service on new bonds partially offset with new gas tax surcharge
- General Obligation Bonds
 - Local roads and bridges
 - Transit projects (commuter and light rail)

Estimated Unfunded Transportation Needs

	<u>Annual Shortfall</u>
MnDOT Highways	\$ 1,100 m
County Highways	\$ 274 m
City Streets	\$ 199
Local Bridges	\$ 110
Metropolitan Transit	\$ 350
Greater MN Transit	\$ 45
Ports and Waterways	\$ 5
Freight Rail	\$ 2
State Airports Fund	\$ 1
TOTAL	\$ 1.986 Billion

I-35W Bridge in Minneapolis Collapsed August 1, 2007



Fall 2007

- Tensions were high
- Four Reports Requested
 - National Transportation Safety Board
 - MN Office of the Legislative Auditor
 - MN Legislature's Joint Bridge Committee
 - Governor's Office
- Transportation Contingent Appropriations Group

Transportation Contingent Appropriations Group (TCAG)

- Created during the 2007 Legislative Session
- Consists of the Speaker of the House, Senate Majority Leader, House Ways and Means Committee Chair, Senate Finance Committee Chair, Chairs of the House and Senate Transportation Finance Committees, and ranking transportation finance minority members
- Legislation allows the group to approve appropriations from the trunk highway fund for specific activities
- Legislation tested for the first time when the bridge collapsed

Transportation Contingent Appropriations Group (TCAG) at Work

- TCAG met six times between October and December
- Discussed funding for the bridge and the regularly scheduled construction program
 - I-35W Bridge project let in September
 - Trunk Highway Fund balance low
- Reviewed detailed information in a public forum
- Appropriated additional funding

State Appropriations for the I-35W Bridge

Date	Trunk Highway Fund Appropriations (\$ in millions)	Amount
09/07	2007 Special Session	\$53.2
10/07	TCAG Appropriation	\$60.0
12/07	TCAG Appropriation	\$30.0
02/08	Transportation Finance Bill Appropriation	\$132.0
Ongoing	Use of Existing Authority	\$96.5
Total State Appropriations		\$371.7
Total Federal Funds Authorized and Appropriated		\$371.7



Office of the Legislative Auditor
State of Minnesota

EVALUATION REPORT

Minnesota Highways and Bridges

NLPES Fall Training Conference
September 2008

Looking For Answers

- National Transportation Safety Board
- Consultants hired by the state
- Joint Committee to Investigate the Bridge Collapse
- Office of the Legislative Auditor (OLA)
 - Is the bridge inspection program adequate?
 - How well have infrastructure investments aligned with needs?

Challenges

- Partisan atmosphere
- Mistrust of MnDOT leadership
- Many “key” legislators
- Media distractions
- Time pressures
- Not enough staff

Approach

- Methodology lite
 - Descriptive
 - Existing data sources
 - Heavy reliance on interviews
- Scope limited to state system, excluding local
 - State: 4,500 bridges & 12,000 miles of road
 - Local: 14,700 bridges & 124,000 miles of road
- Focus on policy/practice, not why the bridge fell

Bridge Inspection & Maintenance

- Sufficient inspection resources available
 - Exception: fracture critical bridges
- Inconsistent documentation of maintenance decisions following inspections
- Districts reported:
 - Getting to high-priority maintenance
 - Falling behind on lower-priority and routine maintenance
 - Declines in bridge crew staffing

Condition of Highways and Bridges

Bridges

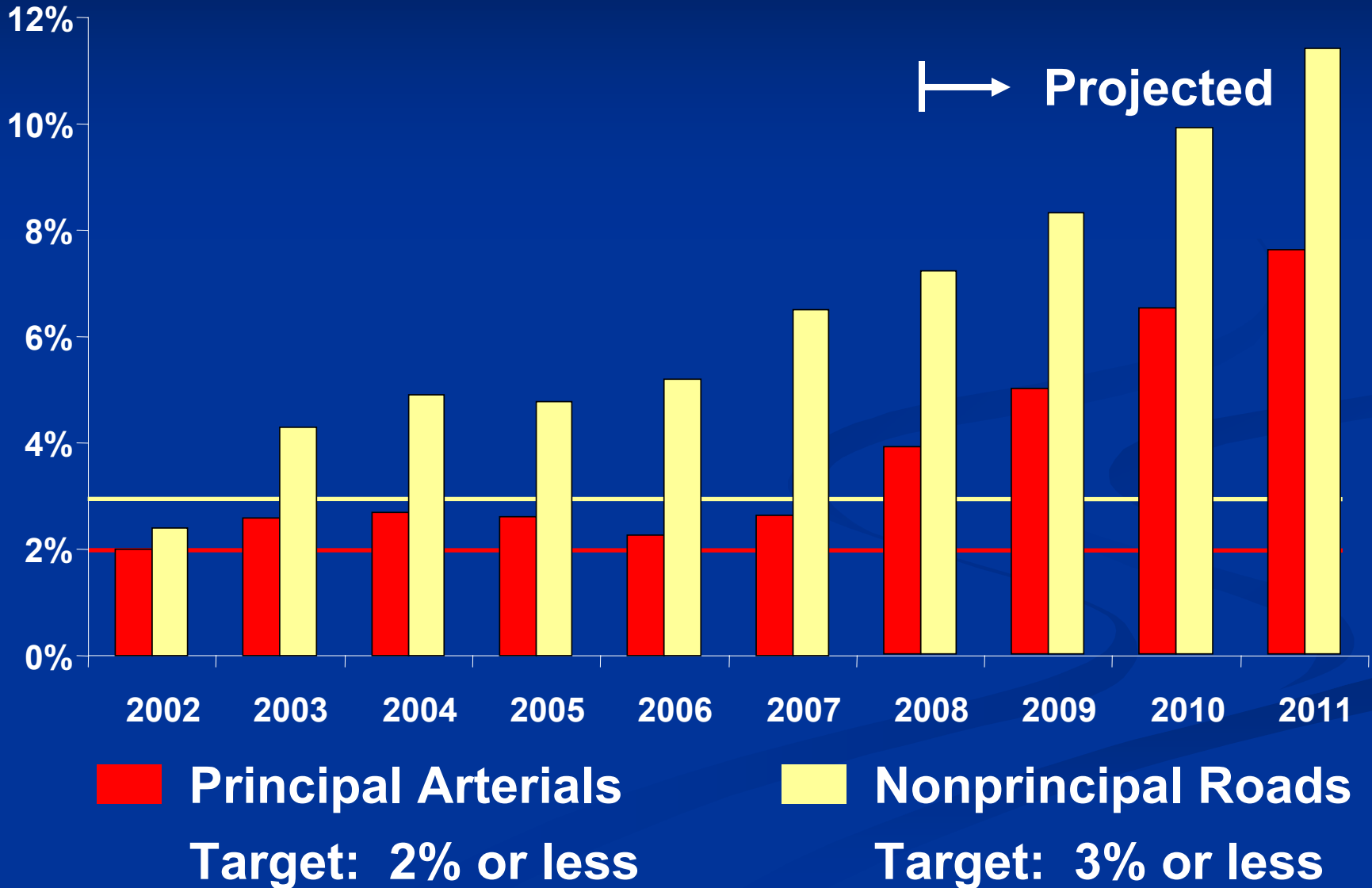
- Overall, trunk highway bridge condition improved, but some major bridges need to be replaced

Highways

- Trunk highway pavement condition worsened and is predicted to continue to decline

Trunk Highway Pavement Condition

Percentage of Road Miles in Poor Condition

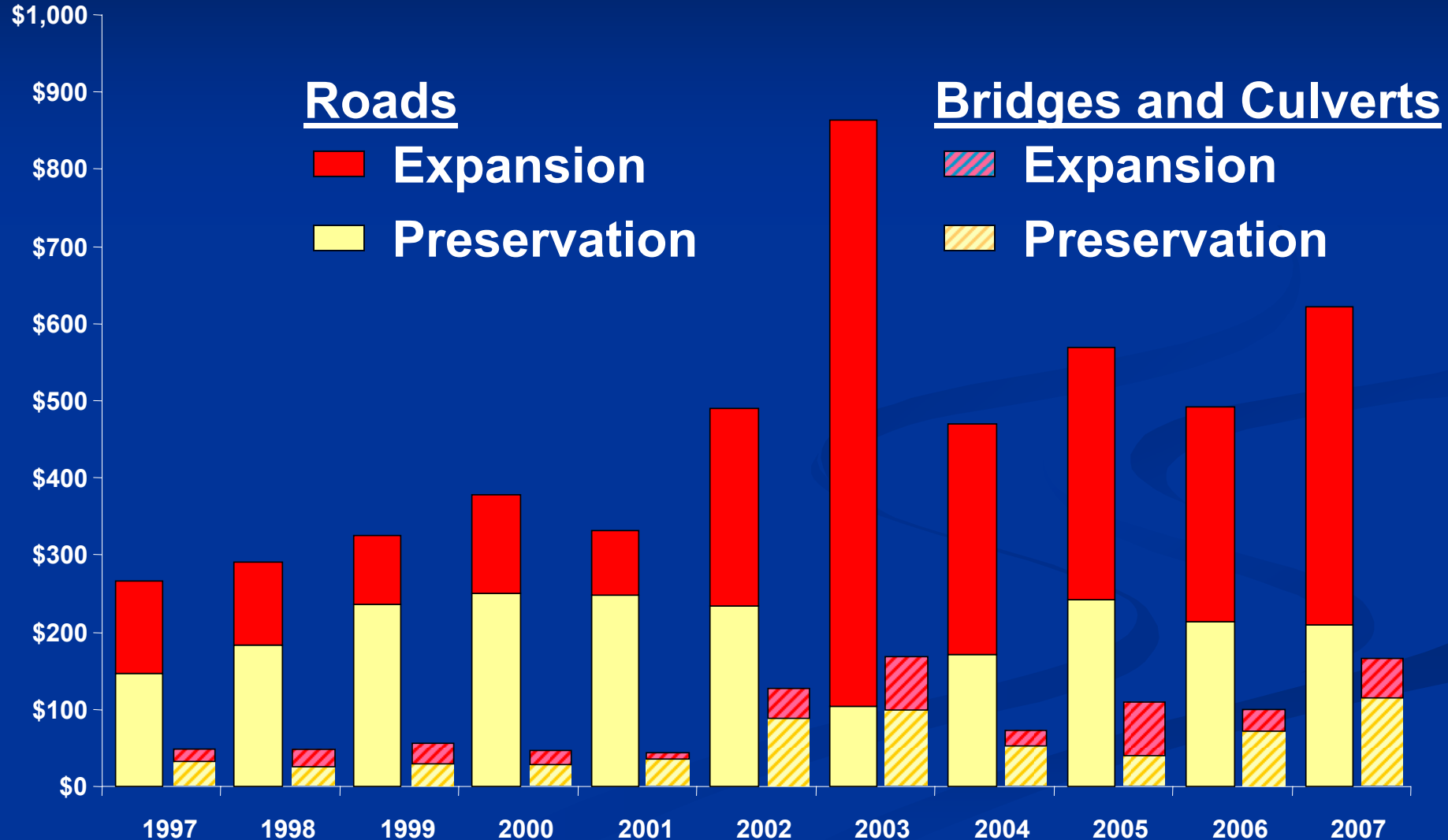


Investment management

- Weaknesses in transportation planning
- Spending not aligned with “preservation first”

Spending Not “Preservation First”

Contracts Let (millions)



Investment management

- Weaknesses in transportation planning
- Spending not aligned with “preservation first”
- Future funding picture is grim

Trunk Highway Preservation Needs

Annual Construction Spending Needed to Meet Performance Targets, FY 2012 - 2018

Pavements \$440 million

Bridges and Culverts

Major Bridge Replacement 112 million

Other Structures 120 million

Subtotal \$232 million

Total \$672 million

Estimated Revenue (as of 1/08) \$635-700 million

MnDOT Action on the Report

- Agreed with findings and recommendations
- Developing a statewide system to link bridge maintenance decisions with inspections
- New project scoping and cost-estimating procedures
- Revised 20-year plan better scoped to expectations of available funding

2008 Legislation

- Chapter 152 (Omnibus Transportation Finance Bill)
- Enacted very quickly:
 - Session began February 12; bill introduced same day
 - Bill passed both bodies February 21
 - Vetoed February 22 (Friday)
 - Overriden February 25 (Monday)

Chapter 152 – Revenues

(millions, projected for FY 2012)

■ Gas Tax Increase	\$	154.9
■ Registration Tax Increase		158.1
■ Debt Service Surcharge		91.7
■ Leasing Sales Tax Shift		12.6
■ Metro Area Sales Tax		<u>96.0</u>
TOTAL	\$	513.3

Chapter 152 – Key Aspects

- 5 cent Gas Tax Increase:
 - 2 cents April 1, 2008
 - 3 cents October 1, 2008
- Debt Service Surcharge:
 - Gas tax surcharge to partially cover debt service on \$1.8 billion in highway bonding
 - 0.5 cents August 1, 2008
 - Gradual increase until cap of 3.5 cents per gallon
 - In effect until full debt service retired

Chapter 152 – Key Aspects (cont.)

- Registration Tax Increase:
 - Maximum Tax caps removed
 - Depreciation schedule accelerated
 - Effective only for new registrations
- Metro Area Sales Tax:
 - 0.25% sales tax in five metro counties
 - Proceeds used for capital and operating assistance for transit ways

Chapter 152 – Key Aspects (cont.)

- Lower Income Motor Fuels Tax Credit
 - \$25 refundable credit
 - Cost of tax credit taken off top of leasing sales tax revenue, before distribution to transportation funds
- Motor Vehicle Leasing Sales Tax:
 - Currently 100% deposited in general fund
 - 2010-2012 phase-in to transportation funds:
 - 50% for rural transit
 - 50% for county state-aid roads

Chapter 152 – Key Aspects (cont.)

- Trunk Highway Bonding
 - \$1.8 billion in bonds, over ten years
 - Debt service partially covered by gas tax surcharge
 - Specified projects, including Trunk Highway Bridge Improvement Program

Bridge Terminology

- **Fracture Critical:** Bridges that have a design so that if certain key parts of the bridge structure fail the entire bridge could collapse.
- **Structurally Deficient:** When a bridge has a deck, superstructure, or substructure with a condition rating of 4 or less.
- **Condition Rating:** Indicates the physical condition of the bridge and is assigned on a scale of 0 to 9, where 0 is failed/out of service and 9 is excellent condition.
- **Sufficiency Rating:** A computed numerical value that is used to determine whether a bridge is eligible for federal funding. Ratings vary from 0 to 100.

Trunk Highway Bridge Improvement Program

- New program for key bridges. Program includes:
 - All fracture-critical bridges
 - All structurally deficient bridges
 - Any other bridges identified by the Commissioner of MnDOT as priority projects
- MnDOT must create an inventory of the bridges
- Legislation outlines three tiers of bridges - MnDOT must start work on Tier 1 and Tier 2 bridges by June 30, 2018
- Program requires two legislative reports

Bridge Improvement Program Schedule

Category	Through 2012	2013-2018	After 2018	Total
Tier 1 (40 Bridges)				
Major Bridges	4	5		9
Other Bridges	26	5		31
Tier 2 (120 Bridges)				
Major Bridges	1	1		2
Other Bridges	51	39	25	115
Tier 3 (11 Bridges)			11	11
Priority Projects (1)	1			1
Total Bridges	83	50	36	169

Bridge Improvement Program Spending Plan

Source	2009 – 2012	2013 – 2018	Total Amount	% of Funds
Trunk Highway Bonds	\$462	\$787	\$1,249	49.6%
Federal Funds	\$151	\$528	\$679	27.0%
Local Operating Funds	\$208	\$382	\$590	23.4%
Total	\$821	\$1,697	\$2,519	100.0%

Notes:

1. \$ in millions.
2. This spending plan includes funding for fixing 120 bridges, including 34 Tier 1 bridges, 85 Tier 2 bridges, and 1 commissioner's project.
3. Thirteen bridges are scheduled to be fixed prior to FY 2009.
4. Twenty-five Tier 2 bridges are fixed after 2018, and all Tier 3 bridges are fixed after 2018.

Looking Forward

- National Transportation Safety Board report
- Potentially amend the 2008 language
 - Bridge program
 - Variety of language issues
- Funding continues to be a discussion
 - Agency-defined needs vs. funding available
 - Transit – raising fares
- Policy implications stemming from the various reports

The I-35W St. Anthony Bridge



September 18, 2008