

Minnesota Roadway Funding: Revenue Sources and Distribution

Minnesota roadway funding from a combination of federal, state, and local sources is used to maintain and expand Minnesota’s 141,000-mile roadway network. Generating sufficient roadway funding remains a challenge in Minnesota, and understanding the state’s roadway financing structure is important for addressing its transportation needs. This report details how roadway revenues are generated and distributed, as well as how funding mechanisms have evolved over time.

The vast majority of federal roadway revenue is generated from the federal motor fuel tax, with small portions raised through taxes on large trucks, trailers, and tires. This revenue is distributed through separate accounts in the Highway Trust Fund (HTF) for highways and transit. The HTF has received transfers of \$140 billion in general revenues since 2008 to maintain its solvency. Most federal highway funding is awarded to states through different programs in the apportionment process. Figure 1 shows the funding apportioned to Minnesota by program since 2013. Overall, federal highway revenue has stagnated since the federal motor fuel tax was last increased in 1993.

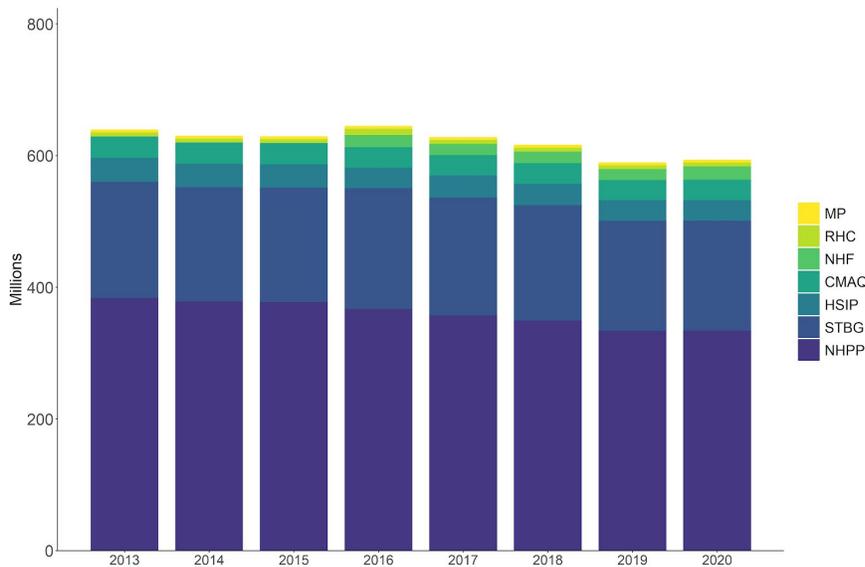


Figure 1. Federal Highway Funds Allocated by Program

Notes: Data presented in constant 2019 dollars. MP: Metropolitan Planning, RHC: Railway-Highway Crossings, NHFP: National Highway Freight Program, CMAQ: Congestion Mitigation and Air Quality Improvement, HSIP: Highway Safety Improvement Program, STBG: Surface Transportation Block Grant, and NHPP: National Highway Performance Program. **Sources:** FHWA, Apportionment and Obligation Notices.

The largest sources of state roadway revenue are the state motor fuel tax, the registration tax (tab fee), and the motor vehicle sales tax (MVST). Smaller amounts of state transportation revenue are generated from the motor vehicle lease sales tax and auto parts sales taxes. Figure 2 shows the breakdown of state highway funding in 2019. Nearly all state roadway revenue

passes through the Highway User Tax Distribution Fund (HUTDF) and flows to roadways under state, county, and city jurisdiction across the state. Over \$2.3 billion was distributed from the HUTDF in 2019, guided by constitutional requirements.

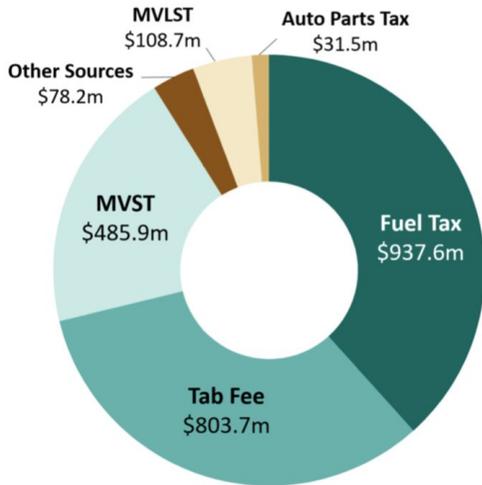


Figure 2. Minnesota State Highway Funds (2019)

Most local roadway funding comes from the general funds of counties, cities, and townships made up primarily of property taxes and special assessments. Local governments in Minnesota, particularly counties, also have some dedicated transportation taxes that raise roadway revenue such as local option sales taxes, excise taxes, wheelage taxes, and gravel taxes. Figure 3 shows that the amount of local highway revenue has increased slightly since 2011.

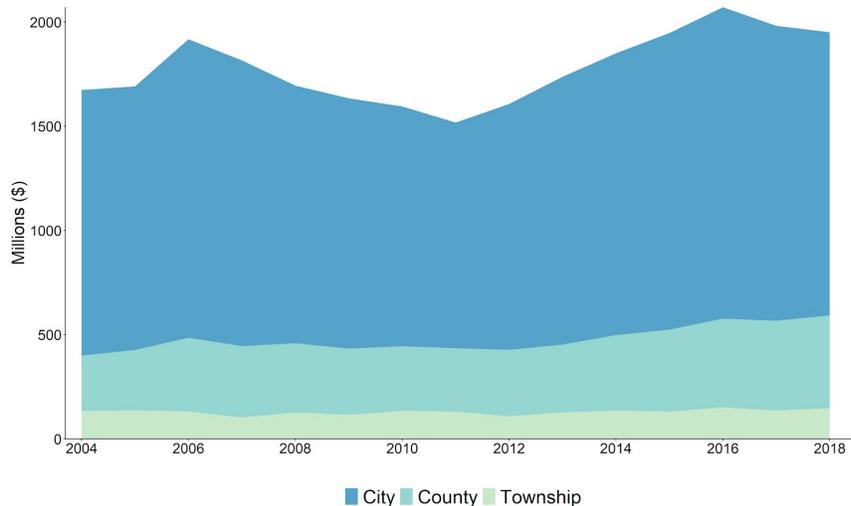


Figure 3. Local Highway Funding in Minnesota

Notes: Data presented in constant 2019 dollars