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# APPENDIX F - TRANSPORTATION FUNDING

Many stakeholders are involved in funding Minnesota’s transportation system. Local, tribal, regional, state, federal and private sector and non-profit partners all provide transportation funding or help decide how money is spent. However, the specific role each partner plays is different. Some provide money through one or more funding sources. Others only provide direction for how money from certain sources should be spent. Most partners do both. For each mode of transportation, the mix of funding partners is different. For example, local units of government provide the largest portion of funding for Minnesota roadways, whereas the state’s rail system is primarily supported through funding from private corporations.

Funding sources can be grouped into two categories based on where the money comes from – transportation revenue or general revenue. Transportation revenue describes funding raised using the transportation system or it’s related activities. This includes taxes, fees and profits connected to transportation. Examples of transportation revenue are fuel taxes or money collected from passenger fares. Conversely, general revenue describes funding that is not directly tied to a transportation activity, such as property taxes. All transportation modes are funded to some extent by transportation revenue and general revenue.

Different rules guide how money can be spent. Generally speaking, funds from public sources are distributed to specific projects and activities through programs (Figure C-1). A funding source may contribute to only one program or many.

Specific projects are often funded from more than one program. Putting it all together is a complex puzzle. General funding for any given project depends on a variety of factors such as the project purpose, transportation mode, scope, lead organization and timing.

Transportation projects can be grouped into different categories based on the type of activity. At a high level, the main types of activities are:

- Capital, which includes the construction of facilities and purchase of equipment. It can also include activities necessary to deliver capital projects such as planning, purchase of land, design, etc.
- Maintenance, which includes the rehabilitation of existing facilities and equipment such as roadway repair.
- Operations, which includes activities that support the safe use of the system such as inspections, bus driving, plowing, traffic control, etc.

In addition to funding, financing is also an important tool used to support Minnesota’s transportation system. Funding refers to money available at the time of a project, such as having \$20 in one’s wallet. Financing is money provided with the expectation that it will be paid back, usually with interest. This is like charging something to a credit card or taking out a loan. The money eventually needs to be repaid to a funding source. An example of financing is bonding. State of Minnesota sells General Obligation (GO) Tax Exempt Bonds and other types of bonds. The proceeds from the sales of the bonds are used to pay the cost of building capital projects that are approved by the Legislature. Funding and financing are both useful, but it is important to understand the difference between them.

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## FUNDING FLEXIBILITY

This summary of transportation funding presents information by type of transportation. However, some funding sources used for transportation can fund multiple types of transportation. For example, one of the largest sources of funding for transportation in Minnesota is local funding allocated by cities and counties often derived by property taxes. City councils and county boards have broad discretion on how to spend those funds. Several federal funding programs can fund many different things. For example, the Federal Surface Transportation Block Grant Program can fund construction projects on roads, bridges, trails, bus

or light rail purchases, transit station construction, truck parking and more. As a result, many programs are listed multiple times.

Other funding sources can only be used on one type of transportation. Restrictions on the use of specific funds may be constitutional, statutory or from some other source. For example, the state motor fuel tax is constitutionally dedicated to roads and bridges, specifically interstates, US and Minnesota highways, as well as county and city roads part of the state aid system.

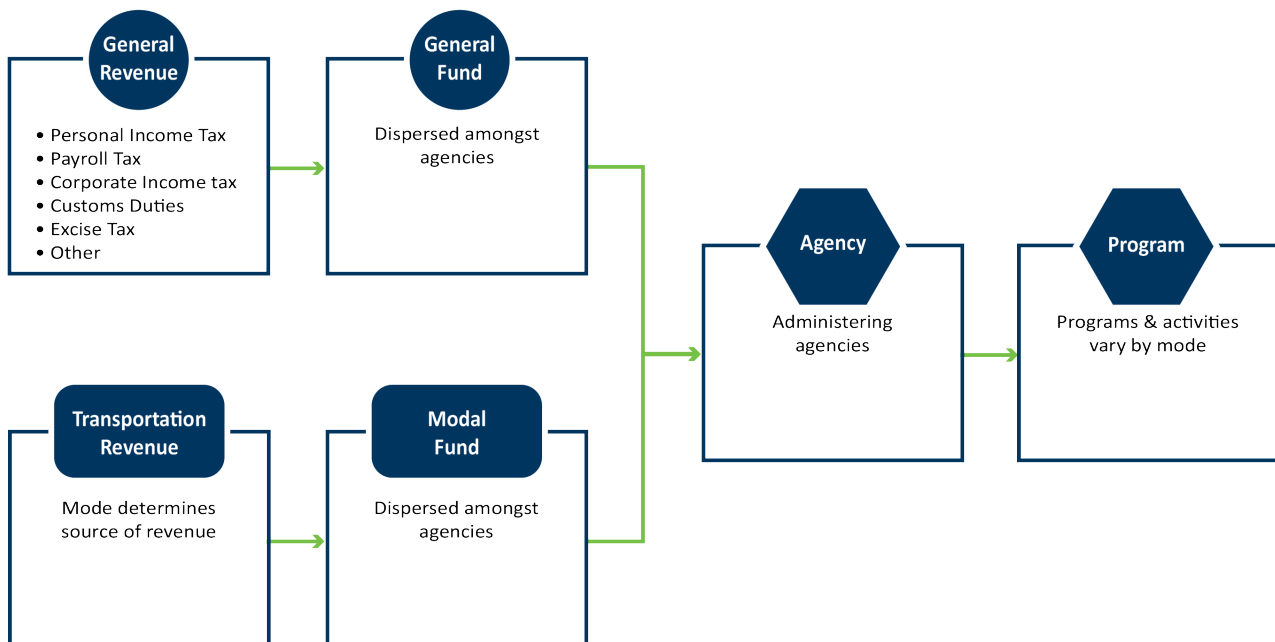
# HOW TO READ THIS DOCUMENT

The information in this document represents a snapshot in time. It reflects current funding conditions, which may change as new laws or guidance are developed or as the use of the system changes. This document is not an accounting of every dollar spent on transportation in Minnesota. Rather, it focuses on identifying the key funding sources and programs and the relationships between them. It also focuses primarily on public sources of funding due to information availability.

and programs. Figure C-2 explains what is included in each graphic. Circle graphics equate to general revenue and general funds. Rounded rectangles are associated with transportation revenue and modal funds. Hexagons are representative of agencies administering funding and the associated funding programs.

How the funding and financing pieces come together to build, maintain and operate the system is different for each mode of transportation. Although every mode has the potential to receive GO bonds, these funds are approved on a project- or program-level. The following sections identify the key funding sources and programs for each mode of the transportation system: air, rail, roads and trails, transit and water. Each section also includes a graphic that highlights the relationships between the different federal and state funding sources

**Figure C-2: How to read the transportation funding graphics**



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# AIR TRANSPORTATION

## GENERAL AVIATION

Most of Minnesota’s public airports are the responsibility of local units of government. They receive most of their capital funding from federal transportation revenue. State and local sources also contribute to capital projects and are the primary resource for airport maintenance and operations activities. The State Airports Fund is the main state funding source and is made up of transportation revenue, specifically revenue from aviation activities. Local funding sources include a mix of transportation and general revenue. Additionally, airports can receive funding from private investment, including occasional public-private partnerships.

## COMMERCIAL AIRLINE SERVICE

Commercial passenger service in Minnesota is primarily set up and funded by the airlines serving the state. Some federal transportation revenue is used to support commercial service as part of the Essential Air Service program.

## AIR TRANSPORTATION AT A GLANCE

### 305 AIRPORTS IN MINNESOTA

- 133 are publicly owned and receive state funds.
- Nine have commercial airline service.
- Three are privately owned, with public use.
- 37 are privately owned, for private use.
- A total of 69 seaplane bases and 95 heliports, including hospital heliports.

### USE

- Airports in Minnesota support general aviation activities (e.g. agricultural spraying, business travel, firefighting), air cargo and commercial airline service.

### RESPONSIBILITY

- Local units of government are responsible for public airports in Minnesota.

## FEDERAL FUNDING

Federal funding for air transportation comes primarily from transportation revenues. Federal sources mostly support general aviation activities and the sources are Airport and Airway Trust Fund, Federal General Fund and Overflight Fees. Airport & Airway Trust Fund dedicates aviation revenue, including domestic airline taxes, air cargo waybills, international arrival/departure tax, aviation fuel tax, etc. Federal General Fund is the non-dedicated federal revenue, including personal income tax, payroll tax, corporate income tax, customs duties, excise tax, etc. Overflight fees on foreign aircraft also are part of the funding sources. These federal funding sources fund the following federal programs.

## FEDERAL PROGRAMS

The programs are grouped by administering agency

### U.S. DOT - OFFICE OF THE SECRETARY (OST)

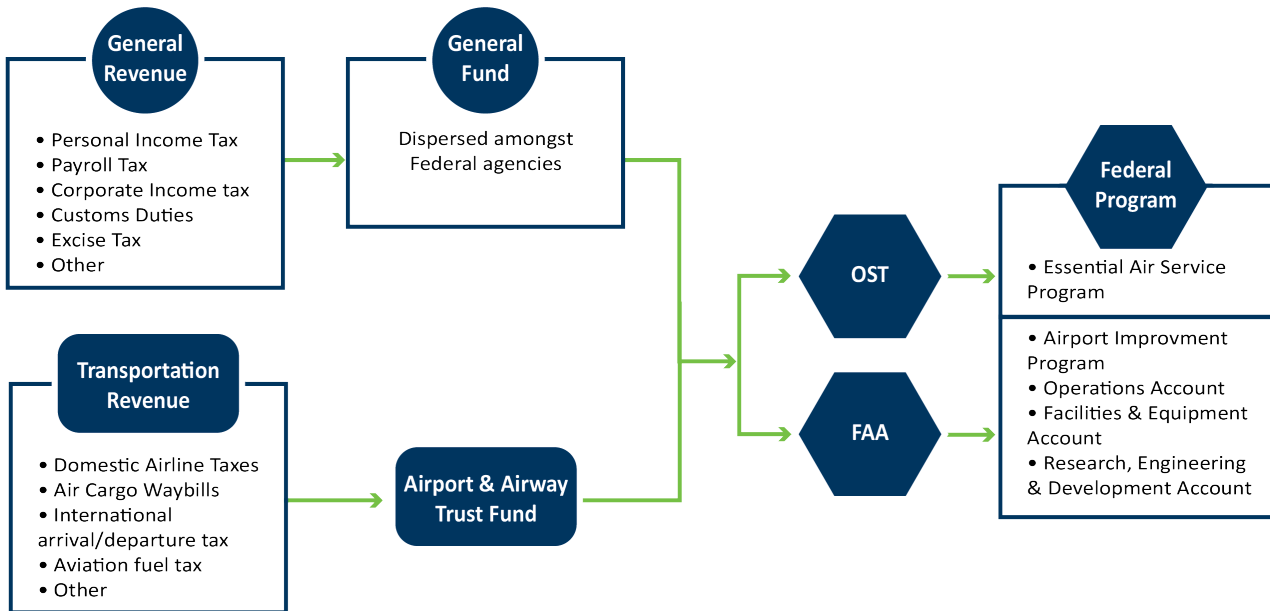
- Essential Air Service Program

### FEDERAL AVIATION ADMINISTRATION (FAA)

- Airport Improvement Program
- FAA Operations Account
- FAA Facilities & Equipment Account
- FAA Research, Engineering & Development Account

Figure C-3 shows the relationship between these sources and programs.

Figure C-3: Federal air transportation funding sources & programs



## STATE FUNDING

State funding for air transportation comes primarily from transportation revenues. State sources mostly support general aviation activities and the sources are Hangar Loan Revolving Account, State Airports Fund and State General Fund. Hangar Loan Revolving Account is funded by loan repayment receipts from previous loans. The State Airports Fund is a dedicated aviation state revenue which includes airflight property tax, aircraft sales tax, aircraft registration fees & aviation fuel tax. The third fund is the State General Fund, which is a non-dedicated state revenue, including personal income tax, retail sales tax, business taxes, etc. These state funding sources fund the following state programs.

## STATE PROGRAMS

The programs are grouped by administering agency.

### DEPARTMENT OF TRANSPORTATION

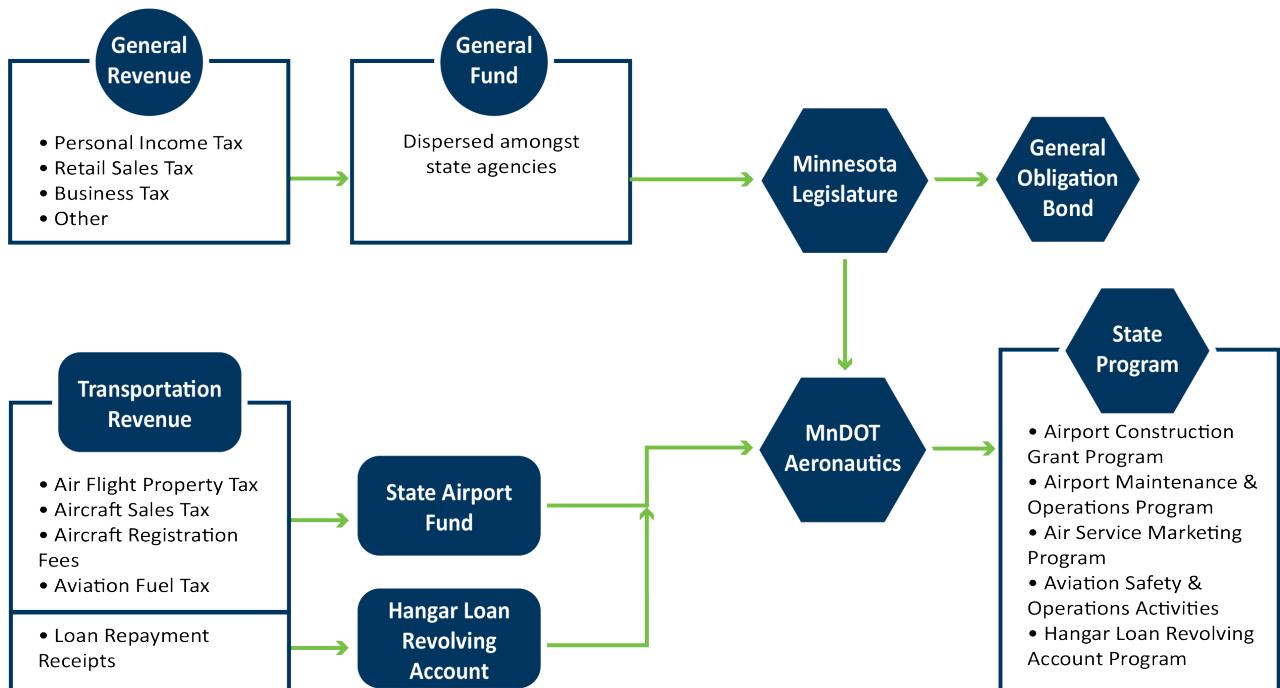
- Hangar Loan Revolving Account Program
- Airport Construction Grant Program
- Airport Maintenance & Operations Program
- Air Service Marketing Program
- Other aviation safety & operations activities

### MINNESOTA LEGISLATURE

- State legislative General Obligation (GO) bonding

Figure C-4 shows the relationship between these sources and programs.

Figure C-4: State air transportation funding sources & programs



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## LOCAL FUNDING

Local funding plays an important role in supporting Minnesota’s aviation system. Airports are typically the responsibility of local units of government and require significant local investment to maintain and operate. Also, many federal and state funding sources require matching funds, which often come from local sources. The primary local funding sources are airport generated revenues (e.g., fuel systems, hangar rental, vending machines, land rental and landing fees), passenger facility charges at the nine airports with scheduled airline service and municipal and airport authority revenues (e.g., local taxes). Local sources include transportation revenue and general revenue.

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## OTHER FUNDING

Minnesota’s publicly funded aviation system receives revenue each year from the airlines that operate in the state. Private businesses occasionally provide funding assistance for improvements at public airports in Minnesota related to their needs. Minnesota’s aviation system consists of many privately owned facilities. The most common example in the state are hospital heliports, privately owned and operated airports and seaplane bases. These facilities are primarily funded through private sources.

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## COVID 19 FUNDING

The Coronavirus Response and Relief Supplemental Appropriation Act (CRRSAA) (Public Law 116-260) (PDF), signed into law on December 27, 2020, includes nearly \$2 billion in funds to be awarded as economic relief to eligible U.S. airports and eligible concessions at those airports to prevent, prepare for and respond to the COVID-19 pandemic. Additionally, the Coronavirus Aid, Relief and Economic Security (CARES) Act provided funds to increase the federal share to 100% for Airport Improvement Program (AIP) and supplemental discretionary grants for fiscal year 2020. Under normal circumstances, AIP grant recipients contribute a matching percentage of the project costs. Providing this additional funding and eliminating the local share allowed critical safety and capacity projects to continue as planned regardless of airport sponsors’ current financial circumstance.

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# RAIL TRANSPORTATION

## FREIGHT RAIL

Private funding from the 21 freight railroad companies operating in Minnesota is the main source for capital, maintenance and operations activities on the state’s rail system. Publicly owned railways rely on federal, state and local sources of funding in addition to public-private partnerships. Typically, public funding for the rail system comes from general revenue.

## PASSENGER RAIL

Passenger rail operations for Amtrak’s Empire Builder are largely funded through Amtrak revenue, such as ticket sales and advertising and federal general revenue. Capital and maintenance activities related to train equipment are also funded through these same sources. Capital and maintenance activities related to rail tracks are mostly funded through the private railroad companies, occasionally in partnership with states. Planning and development of future passenger rail service is primarily supported by state general revenue.

## RAIL TRANSPORTATION AT A GLANCE

### 4,444 RAIL SYSTEM ROUTE MILES IN MINNESOTA

- 381 miles are passenger rail service.
- 40 miles are commuter rail service.

### USE

- The rail system primarily supports 21 freight railroad companies, 1 passenger rail line (Amtrak’s Empire Builder) and 1 commuter rail line (Metro Transit’s Northstar).

### RESPONSIBILITY

- Minnesota’s rail system is mostly owned by private railroad companies. Passenger and commuter rail services have rights/agreements with the railroads for the use of the tracks.



## FEDERAL FUNDING

Federal funding for rail transportation comes primarily from general revenue. Federal sources mostly support passenger rail activities and the sources are the Federal General Fund and Amtrak revenue. The Federal General Fund is non-dedicated federal revenue, including personal income tax, payroll tax, corporate income tax, customs duties, excise tax, etc. Amtrak revenue includes ticket sales, advertising, etc. These federal funding sources fund the following federal programs and processes.

## FEDERAL PROGRAMS

The programs are grouped by administering agency.

### FEDERAL RAILROAD ADMINISTRATION (FRA)

- Consolidated Infrastructure and Safety Improvement (CRISI)
- Restoration and Enhancement (R&E) Grant Program

### AMTRAK

- National Railroad Passenger Corporation (Amtrak) annual budget

### CONGRESS

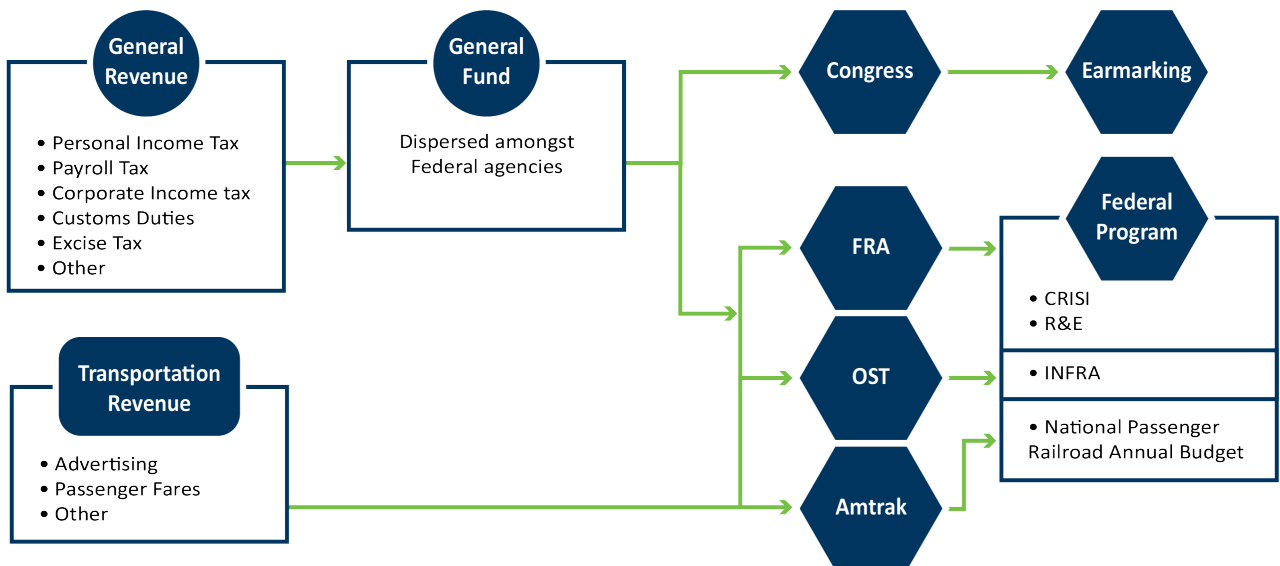
- Congressional earmarking for passenger rail projects

### U.S. DOT – OFFICE OF THE SECRETARY (OST)

- Nationally Significant Multimodal Freight and Highway Projects program (INFRA)

Figure C-5 shows the relationship between these sources and programs.

Figure C-5: Federal rail transportation funding sources & programs



## STATE FUNDING

State funding for rail comes from transportation and general revenue. The State rail funding sources are the State General Fund and special assessments on Class I and Class II railroads collected by Minnesota Department of Transportation (MnDOT). These funding sources support freight, passenger and commuter rail activities. The following are the programs and processes that are funded.

## STATE PROGRAMS

The programs are grouped by administering agency.

### DEPARTMENT OF TRANSPORTATION

- MnDOT Passenger Rail Office work plan
- Rail Safety Inspection Program
- Minnesota Rail Service Improvement Program

### MINNESOTA LEGISLATURE

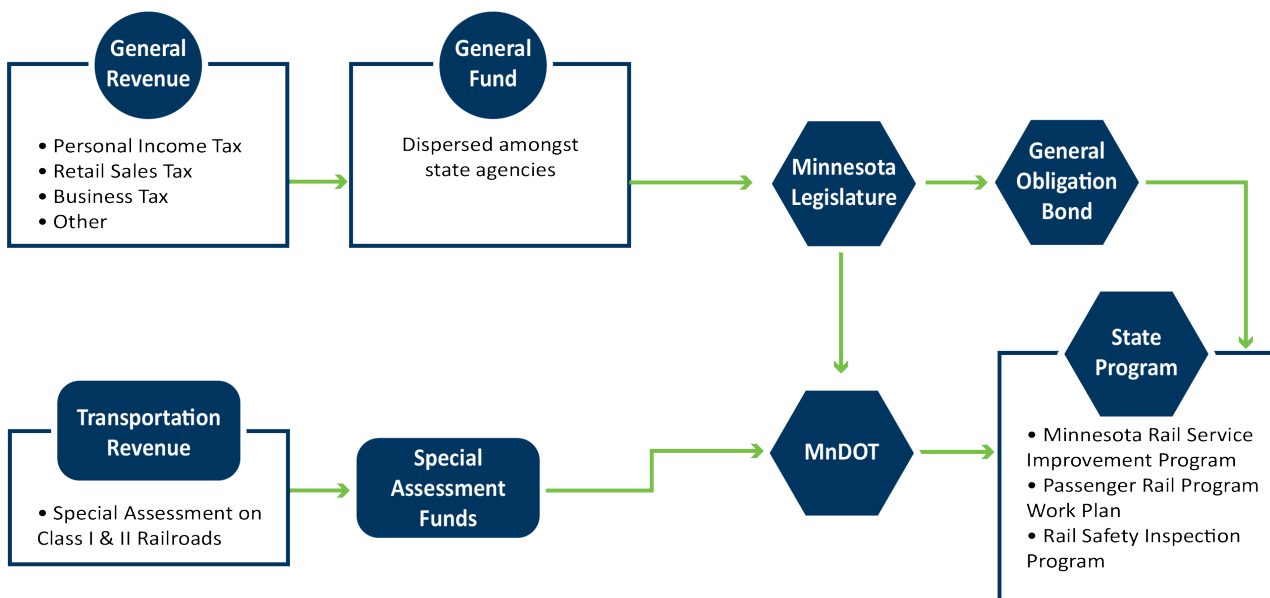
- State legislative General Obligation (GO) bonding

### METROPOLITAN COUNCIL

- Metro Transit annual commuter rail budget

Figure C-6 shows the relationship between these sources and programs.

Figure C-6: State rail transportation funding sources & programs



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## LOCAL FUNDING

Funding for freight rail projects at the local level varies from location to location. Some local governments have economic development or other types of programs to support freight rail. Others may choose to contribute matching funds to state or federal grants for freight rail projects. Generally speaking, at the local level rail transportation funding comes from general tax revenues.

When local investment in passenger rail occurs, it is primarily through the county Regional Railroad Authority (RRA) revenues. County RRAs have taxing authority to levy for rail development purposes.

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## OTHER FUNDING

The railroad companies operating in Minnesota make significant investments in rail infrastructure and freight rail service each year. Additionally, other private businesses may help support projects that increase their access to the freight rail system. Public-private partnerships offer a funding opportunity when there are quantifiable benefits to both public and private sectors. However, this type of funding is not commonly used for freight rail in Minnesota.

Public-private partnerships also offer an opportunity to support passenger rail development. However, currently there are no examples of this type of investment in passenger rail in Minnesota.

# ROADWAY & TRAIL TRANSPORTATION

## ROADWAYS

The majority of roadways in Minnesota are the responsibility of local units of government – cities, counties, townships. Capital, maintenance and operations activities on these roadways are primarily funded by local general revenue, such as property taxes. State transportation revenue also supports some local roadways through the State Aid for Local Transportation program. Additionally, some federal programs target funding to local roadways. Funding levels are affected by things such as the amount of money set aside by Congress or the Legislature, bonding and how well the proposed projects compete in various program solicitations.

The state highway system consists of interstates, U.S. highways and Minnesota highways. These roadways make up about 8% of the total roadway miles in Minnesota. For these roadways, under current tax rates, tab fees are expected to consistently surpass state motor fuel tax revenue later this decade. The reason for this is that tab fees reflect vehicle values and consequently incorporate inflation, while the per-gallon fuel tax is fixed and does not change with gas prices. Federal programs are also a significant source of funding for the state system. Federal revenue makes up the majority of funding for capital projects.

In addition to motor vehicles, bicyclists and pedestrians are legal users of Minnesota roadways, except where explicitly prohibited. Some roadways include specific bicycle and pedestrian elements to encourage safety for all users. Examples of these elements include bicycle lanes, sidewalks and widened or paved shoulders. Since these elements are often included as part of roadway projects, they are typically funded by many of the same sources that fund general roadway projects.

## ROADWAY & TRAIL TRANSPORTATION AT A GLANCE

### FACILITY MILES IN MINNESOTA

- 142,865 roadway miles
- 1,320 miles of designated U.S. Bicycle Routes
- 698 miles of sidewalk along the State Trunk Highway system and many more along local roadways
- More than 4,000 miles of trails

### USE

- 57.1 billion vehicle miles traveled (VMT) in 2021 on Minnesota roadways
- Minnesota roadways also carry bicycle and pedestrian traffic, as do trails

### RESPONSIBILITY

- The majority of roadways, including on-road bicycle and pedestrian facilities, are owned by cities, counties and townships
- Most shared-use paths are also owned by local units of government; state trails are the responsibility of the Minnesota Department of Natural Resources (DNR).

## TRAILS AND SHARED USE PATHS

In addition to on-road bicycle and pedestrian facilities (described in the previous section), trails and shared-use paths also provide important connections for those bicycling and walking. In Minnesota, trails and shared use paths are funded through a variety of programs at the federal, state and local levels. There are consistent funding programs for these projects at all levels, but the specific amount available from each source varies year by year.

## FEDERAL FUNDING

Federal funding for roadway and trail transportation comes primarily from transportation revenue. The two sources include the Transportation Trust Fund and Federal General Fund. Approximately 85% of the Transportation Trust Fund revenue is the Highway Account. These federal funding sources support the following roadway-related activities and programs.

## FEDERAL PROGRAMS

Some programs can also support trails, transit, bicycle and pedestrian transportation. Travel demand management and other modal activities are denoted by an asterisk. The programs are grouped by administering agency.

### NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION (NHTSA)

- Section 402 Formula Grants
- Section 405 National Priority Safety Programs

### FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION (FMCSA)

- Motor Carrier Safety Assistance Program
- New Entrant Assurance Program

### FEDERAL HIGHWAY ADMINISTRATION (FHWA)

- National Highway Performance Program
- Surface Transportation Block Grant (STBG)\*
  - Transportation Alternatives (TA)\*
- FHWA STBG Set-aside Program
- Highway Safety Improvement Program (HSIP)\*
- Railroad-Grade Crossing Safety Improvement Program
- Congestion Mitigation & Air Quality Program (CMAQ)\*
- State Planning & Research Program (SP&R)\*
- National Highway Freight Program (Freight)\*
- Metropolitan Planning funds
- Congestion Relief Program\*
- Carbon Reduction Program\*

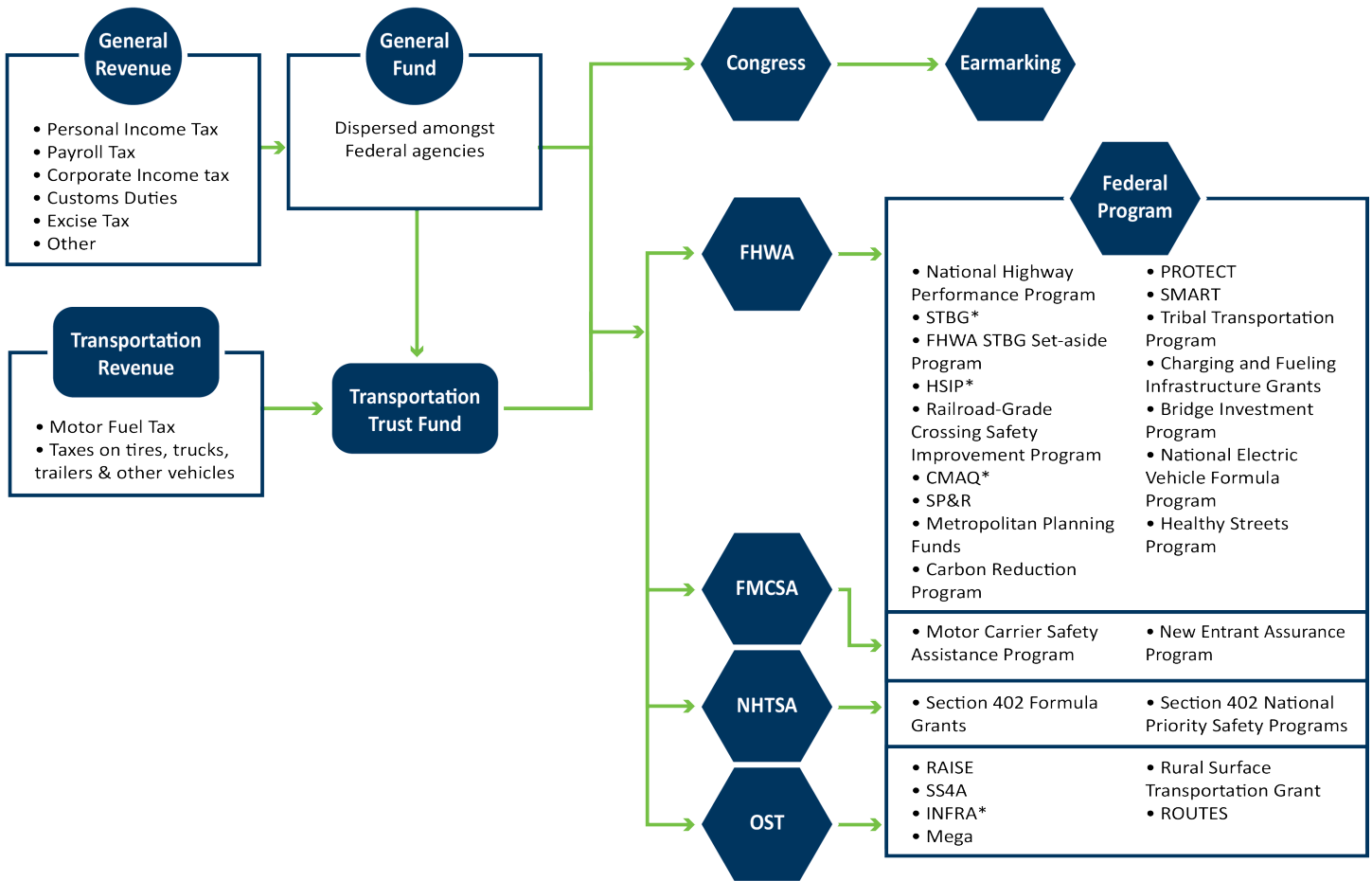
- Promoting Resilient Operations for Transformative, Efficient, and Cost-saving Transportation (PROTECT)\*
- Strengthening Mobility and Revolutionizing Transportation Grant (SMART)\*
- Tribal Transportation Program
- Reconnecting Communities Pilot Program\*
- Wildlife Crossings Pilot Program
- Charging and Fueling Infrastructure Grants
- Bridge Investment Program
- National Electric Vehicle Formula Program
- Healthy Streets Program\*

### U.S. DOT - OFFICE OF THE SECRETARY (OST)

- Rebuilding American Infrastructure with Sustainability and Equity (RAISE)\*
- Safe Streets and Roads for All (SS4A)\*
- Nationally Significant Multimodal Freight and Highway Projects program (INFRA)\*
- National Infrastructure Project Assistance grant program (Mega)
- Rural Surface Transportation Grant
- Rural Opportunities to Use Transportation for Economic Success (ROUTES)

Figure C-7 shows the relationship between these sources and programs. Other programs are listed below the graphic.

**Figure C-7: Federal roadway & trail transportation funding sources & programs**



Other programs not identified in the graphic include the Congestion Relief Program, the Reconnecting Communities Pilot Program and the Wildlife Crossings Pilot Program. These are all administered by the FHWA.

## STATE FUNDING

State funding for roadways, trails and shared use paths comes primarily from transportation revenue. Minnesota’s state transportation funding comes from five funding sources, which supports roadway, trail and shared use path activities throughout the state.

These state funding sources support the following roadway-related activities and programs.

### STATE GENERAL FUND

The State General Fund is a fixed portion of revenue from the general sales tax on motor vehicle repair or replacement parts and revenue from taxes collected on short-term motor vehicle rentals. It also includes non-dedicated state revenue, including personal income tax, retail sales tax, business taxes, etc.

### HIGHWAY USER TAX DISTRIBUTION FUND (HUTD)

HUTD is dedicated transportation revenue, which includes 97% of the state’s motor vehicle fuel tax, 60% of motor vehicle sales tax (MVST) and vehicle registration tax and fees, etc. HUTD distributes 95% of its revenue through the County State-aid Highway (CSAH) Fund, Municipal State-aid System (MSAS) Fund and Trunk Highway (TH) Fund. CSAH receives 29% of the 95% of HUTD. MSAS receives 9% of the 95% of HUTD. TH receives 62% of the 95% of HUTD. There is a set-aside for the remaining 5% of HUTD which allots 30.5% to the Town Road Account, 16% to the Town Bridge Account and 53.5% to the Flexible Highway Account.

### MOTOR VEHICLE LEASE SALES TAX (MVLST)

MVLST is reallocated for transportation purposes. 38% is transferred to CSAH, 13% is transferred to the Minnesota Transportation Fund to be used for the Local Bridge Program and 11% is transferred to

HUTD to be used for CSAH, MSAS and TH funds. The remaining 38% is distributed to transit through the Greater Minnesota Transit Account.

### CLEAN WATER, LAND & LEGACY AMENDMENT (LEGACY AMENDMENT): PARKS AND TRAILS FUND

In 2008, Minnesota voters passed the Legacy Amendment to the Minnesota Constitution. This increased state sales tax by 3/8 of 1% beginning July 1, 2009 through 2034. The additional sales tax revenue is distributed into 4 funds as follows: 33% to the Clean Water Fund, 33% to the Outdoor Heritage Fund, 19.75% to the Arts and Cultural Heritage Fund and 14.25% to the Parks and Trails Fund.

Of the 14.25%, the Parks and Trails Fund is divided into 3 subcategories:

- Department of Natural Resources (DNR) State Parks & Trails receives 40%
- Metropolitan Regional Parks & Trails receives 40%
- Greater Minnesota Regional Parks & Trails receives 20%

### LOTTERY IN LIEU (LIL) ACCOUNTS: MINNESOTA LOTTERY PROCEEDS

The LIL is split between the Minnesota Environment and Natural Resources Trust Fund (ENRTF) and the Minnesota General Fund. The ENRTF receives 40% of the LIL and 60% goes to the General Fund. The ENRTF administers funds through the Legislative-Citizen Commission on Minnesota Resources (LCCMR) as a competitive, multi-step proposal and selection process for funding projects.

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## STATE PROGRAMS

Some programs also support trails and other modal activities and are denoted by an asterisk. The programs are grouped by administering agency.

### COUNTY SCREENING BOARD

- State-aid for Local Transportation (SALT) CSAH Program\*

### MUNICIPALITY SCREENING BOARD

- State-aid for Local Transportation (SALT) MSAS Program\*

### METROPOLITAN COUNCIL

- Metropolitan Parks & Trails Legacy Program\*
- Metropolitan Parks & Trails Grants\*

### GREATER MINNESOTA REGIONAL PARKS & TRAILS COMMISSION

- Greater Minnesota Regional Parks & Trails Legacy Fund Program\*

### DEPARTMENT OF NATURAL RESOURCES (DNR)

- State Park Road Account
- DNR Parks & Trails budget\*
- Regional Trail Grant Program\*
- Local Trail Connections Program\*

### DEPARTMENT OF PUBLIC SAFETY (DPS)

- DPS State Patrol budget
- DPS Office of Traffic Safety budget

### DEPARTMENT OF TRANSPORTATION

- MnDOT State Highway Operations & Maintenance budget
- Grade Crossing Account (GCA) Program
- Antiquated Grade Crossing Safety Equipment Program
- Active Transportation Program\*
  - Active Transportation Infrastructure Program\*
  - Active Transportation Non-infrastructure Program
- Safe Routes to School (SRTS) Program\*
  - SRTS Infrastructure Program\*
  - SRTS Non-infrastructure Program
- State Legislative Trunk Highway (TH) Bonding
- State Road Construction Program
  - Statewide Performance Program (SPP)
  - District Risk Management Program (DRMP)
  - District C funding
  - Corridors of Commerce Program
  - Other small programs
- Transportation Economic Development (TED) Program, jointly administered with the Department of Employment and Economic Development

### MINNESOTA LEGISLATURE

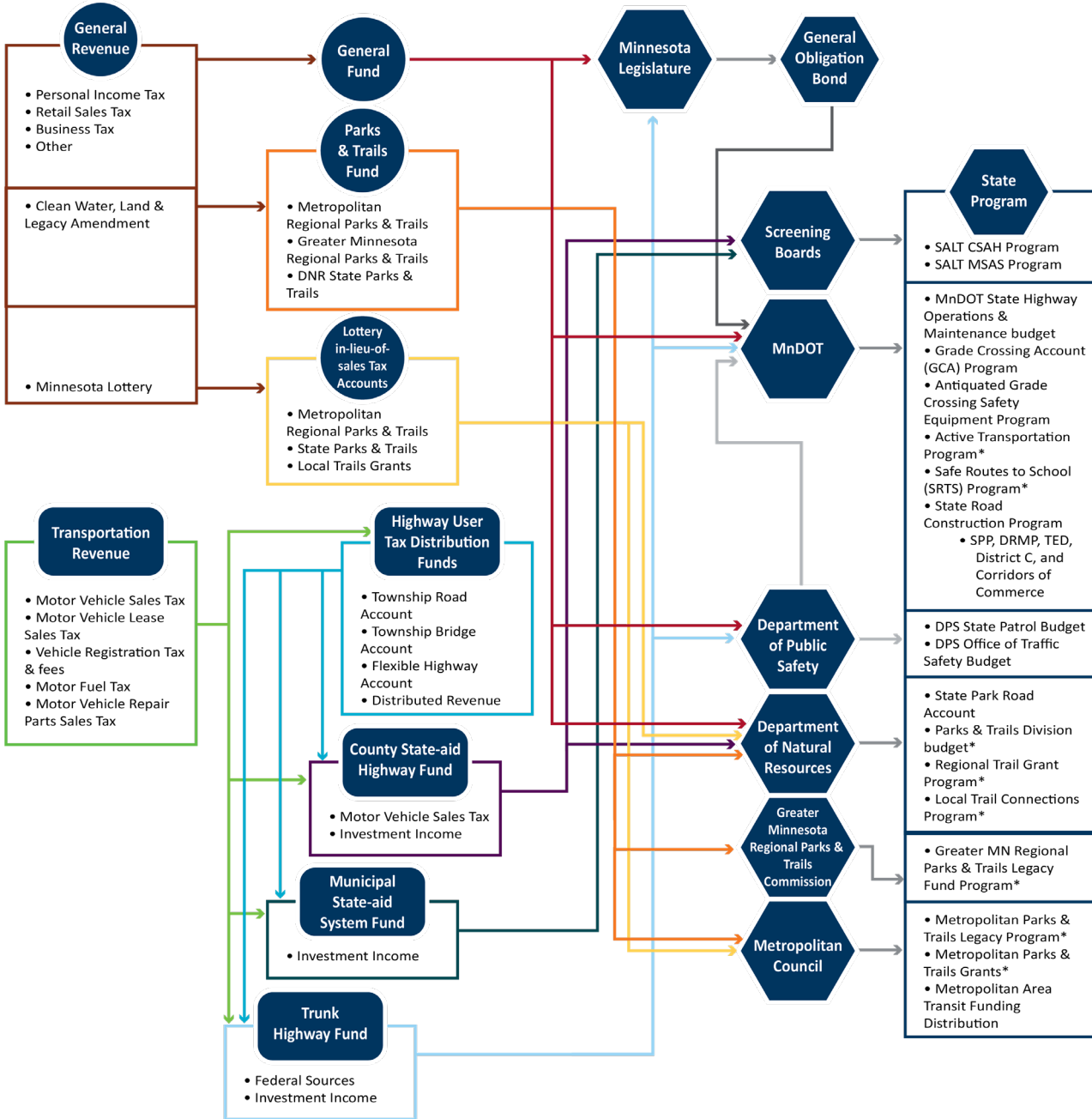
- State legislative General Obligation (GO) bonding

Figure C-8 shows the relationship between these sources and programs.



# APPENDIX F | TRANSPORTATION FUNDING

Figure C-8: State roadway & trail transportation funding sources & programs



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## LOCAL FUNDING

Local units of government provide substantial funding for roadway and trail transportation. The primary sources of local funding include general revenue at the county and city level, such as property tax and sales tax. Counties also levy wheelage taxes on vehicles registered to properties in their geography. Since the majority of roadways in Minnesota are locally owned, property taxes make-up the single largest funding source for Minnesota roadways.

Local funding for trails and other roadway bicycle and pedestrian improvements also comes from county and city general revenue. In addition to support for bicycle and pedestrian capital investments, maintenance of these facilities is primarily the responsibility of local government.

In addition to the direct local investments, many federal and state funding sources require matching funds, which often come from local sources.

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## OTHER FUNDING

Private investment in roadway and trail transportation does occur. However, it does not make up a significant portion of funding sources. When private investment does occur, it is typically in the form of public-private partnerships on specific projects. Additionally, there are a small number of privately owned roadways and trails in Minnesota.

# TRANSIT & INTERCITY BUS TRANSPORTATION

## TRANSIT

In the seven county metro area, transit includes regular and express bus service, ADA and general public dial-a-ride bus service, bus rapid transit, light rail transit and commuter rail. The other types of transit are considered surface transportation since they operate on the roadway network or within roadway right-of-way. For these modes, capital projects are largely funded by federal transportation revenue.

Transit maintenance and operations are funded by passenger fares and state-level taxes, such as the motor vehicle sales tax (distributed through the Metropolitan Transit Account). For major transitway projects, such as the METRO Green Line, significant funding for capital and operations comes from county transportation sales tax revenue. Under Minnesota statute, each county is authorized to implement up to a half-cent sales tax for transportation purposes. In the seven-county metropolitan area, all the counties have implemented this tax. Upon implementation, the county must identify specific projects which the sales tax funding will be used to support. In Hennepin and Ramsey Counties, the vast majority of the of sales tax revenue is designated to support transitway capital and operations. Anoka, Dakota and Washington Counties also have designated a portion of their sales tax funds to transitways. Scott County uses sales tax funding to support general transit operations.

In Greater Minnesota, the majority of public transit activities are funded through state sources. These include motor vehicle sales tax and general revenue. Local sources make up approximately a quarter of Greater Minnesota transit. Federal programs also provide revenue for capital and operations activities.

## TRANSIT & INTERCITY BUS TRANSPORTATION AT A GLANCE

### SYSTEM IN MINNESOTA

- 204 regular bus routes, two light rail lines and four bus rapid transit routes and dial-a-ride service in the Twin Cities
- 40 Greater Minnesota public transit systems, plus five tribal systems
- Intercity bus connections to 87 destinations

### USE

- 38.4 million rides on Twin Cities transit (2020)
- 6.3 million rides on Greater Minnesota transit (2020)
- 52,823 rides on Minnesota intercity bus routes (2020)

### RESPONSIBILITY

- Transit service in the Twin Cities is primarily operated by the Metropolitan Council (other providers include Southwest Transit, Minnesota Valley Transit Authority, Maple Grove Transit, Plymouth Transit and the University of Minnesota)
- Transit services in Greater Minnesota are operated at the regional, county or city level (there are 42 public transit systems across Greater Minnesota offering scheduled transportation services)

Previously, MnDOT provided state funding for transit services offered by Tribal Nations in Minnesota. In recent years, MnDOT has not provided funding to Tribal Nations because they receive a direct annual apportionment of federal funds for transit services.

For all transit systems, money collected from passenger fares makes up a portion of the funding available for capital, maintenance and operations activities. However, the amount varies widely among different transit services throughout the state.

### **INTERCITY BUS**

Most intercity bus services in Minnesota are owned and operated by private companies and funded through private sources. However, some carriers receive public funding assistance to support their operations and create or enhance access to small towns across the state. This public funding assistance comes primarily from federal and state transportation revenue through the Minnesota Intercity Bus Program.

### **COMMUTER RAIL**

Northstar commuter rail capital, maintenance and operations are funded as part of Metro Transit's budget. In addition to money from passenger fares, funding also comes from state transportation revenue through the Metropolitan and Greater Minnesota Transit Accounts. Light rail and streetcar services are considered transit and included in the Surface Transportation section of this document.

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## **FEDERAL FUNDING**

Federal funding for transit and intercity bus transportation comes primarily from transportation revenue through the Mass Transit Account, which is 15% of the Transportation Trust Fund. Funding is also provided by the Federal General Fund. These funding sources fund the following federal programs.

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## **FEDERAL PROGRAMS**

The programs are grouped by administering agency.

### **FEDERAL TRANSIT ADMINISTRATION (FTA)**

- Joint Development Program
- Urbanized Area Formula Grants (5307)
- New Starts / Small Starts (5309)
- Enhanced Mobility of Seniors & Individuals with Disabilities (5310)
- Formula Grants for Rural Areas (5311)
- Rural Transit Assistance Program (5311(b)(3))
- Intercity Bus Program (5311(f))
- Tribal Transit Program (5311(j))
- State of Good Repair Grants (5337)
- Bus & Bus Facilities Competitive Program (5339(b))
- Capital Investment Grant (CIG)
- Low and No Emissions Vehicles Grant (5339(c))
- Growing States / High Density Program (5340)

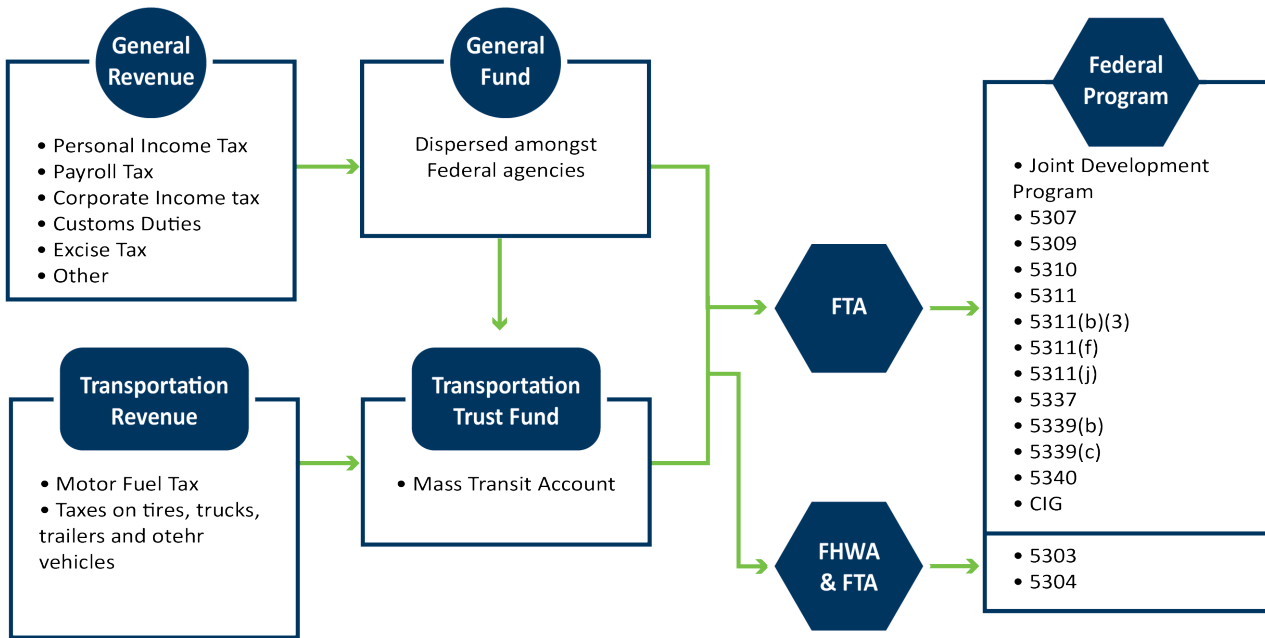
### **FHWA & FTA JOINTLY**

- Metropolitan Planning Program (5303)
- Statewide & Non-metropolitan Planning (5304)

Figure C-9 shows the relationship between these sources and programs.

## APPENDIX F | TRANSPORTATION FUNDING

Figure C-9: Federal transit & intercity bus transportation funding sources & programs



## STATE FUNDING

State funding for transit and intercity bus transportation comes primarily from the State General Fund, Motor Vehicle Sales Tax (MVST) Transit Assistance Fund and the Motor Vehicle Lease Sales Tax.

### MOTOR VEHICLE SALES TAX (MVST) TRANSIT ASSISTANCE FUND

The MVST Transit Assistance Fund is 40% of the revenue collected from MVST. The other 60% is allocated to the Highway User Tax Distribution Fund (HUTDF) as seen in the Roadway & Trail Transportation section of this document. Ten percent of the MVST Transit Assistance Fund is allocated to the Greater Minnesota Transit Account and is administered by MnDOT’s Office of Transit and Active Transportation. The remaining 90% of the MVST Transit Assistance Fund is allocated to the Metropolitan Transit Account and is administered by the Metropolitan Council for the seven-county metropolitan area.

### MOTOR VEHICLE LEASE SALES TAX (MVLST)

MVLST is reallocated for transportation purposes. 38% is distributed to transit the Greater Minnesota Transit Account. The remaining 62% is allocated to CSAH, the Minnesota Transportation Fund to be used for the Local Bridge Program and HUTD to be used for CSAH, MSAS and TH funds.

## STATE PROGRAMS

The programs are grouped by administering agency.

### DEPARTMENT OF TRANSPORTATION

- Greater Minnesota Public Transit Participation Program
- Minnesota Intercity Bus Program

### MINNESOTA LEGISLATURE

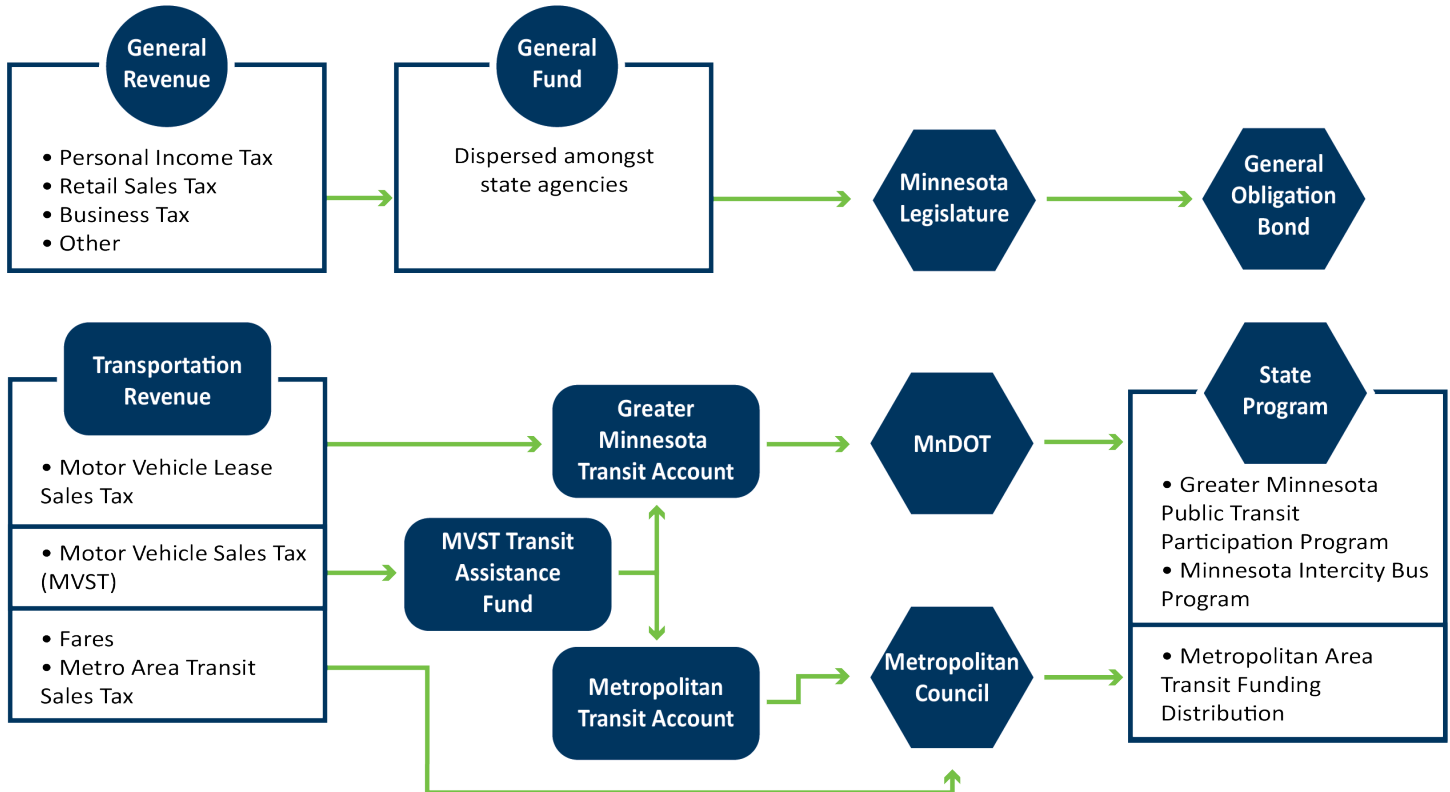
- State legislative General Obligation (GO) bonding

### METROPOLITAN COUNCIL

- Metropolitan Area Transit Funding Distribution

Figure C-10 shows the relationship between these sources and programs.

**Figure C-10: State transit & intercity bus transportation funding sources & programs**



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## LOCAL FUNDING

Transit funding at the local level comes from county and city general revenue. Two sources of local property tax revenues are used for transit purposes - the Metropolitan Council levies for general transit capital purposes and Regional Railroad Authorities levy for a portion of the county share of transitway development. The Metropolitan Council also receives other revenue used for transit operations from sources including advertising, investment income and from Sherburne County and MnDOT to pay the Greater Minnesota share of operating the Northstar commuter rail. Additionally, county sales tax revenues for transportation purposes can be used for transit. Counties in the Twin Cities have Regional Railroad Authorities (RRAs). RRAs have taxing authority, which allows them to levy taxes for rail transit development purposes. Each county is responsible for passing resolutions to identify the transportation project that will be funded through its sales tax revenues. Hennepin and Ramsey Counties have indicated the vast majority of their sales tax revenues will be used for transitway capital and operating purposes. Anoka, Dakota and Washington Counties will use the sales tax revenues for transportation purposes that include transit and other modes. Scott County uses sales tax funding to support general transit operations.

In addition to the direct local investments, many federal and state funding sources require matching funds, which often come from local sources.

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## OTHER FUNDING

Private investment in transit and intercity bus transportation does occur. However, it does not make up a significant portion of the funding sources. The most common use in the Twin Cities metro area is to support special event service like sporting events or holiday free-ride promotions. When private investment does occur, it is typically in the form of public-private partnerships on specific projects. Additionally, there are a small number of privately owned transit services in Minnesota.

Private investments and transit agency fare box recovery are also funding sources for commuter rail in Minnesota.

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# WATER TRANSPORTATION

## PORTS

Most port terminals in Minnesota are privately owned and funded entirely through private sources. Public port authorities often lease port land to private companies to operate port terminals. Additional funding for public port authorities comes from state general revenue and is available for capital projects as part of the Port Development Assistance Program. Operations and maintenance activities are funded almost exclusively through revenue received from use of the ports.

## WATERWAYS

Minnesota's navigational channels and locks and dams also require investment to stay operational. This funding comes through the U.S. Army Corps of Engineers and includes federal transportation and general revenue.

## WATER TRANSPORTATION AT A GLANCE

### SYSTEMS IN MINNESOTA

- 2 waterway systems (Mississippi River and Great Lakes-St. Lawrence Seaway)
- 195 navigable river miles along the Mississippi River
- 7 ports
- 10 active locks and dams

### USE

- Ports and waterways are primarily used to move bulk freight but also support recreational activities.

### RESPONSIBILITY

- The majority of port terminals are privately owned. The federal government is responsible for all locks and dams.



## FEDERAL FUNDING

Federal funding for ports and waterway transportation comes primarily from the Harbor Maintenance Trust Fund, Inland Waterways Trust Fund, Federal General Fund and Special Recreation User Fees. The Harbor Maintenance Trust Fund is dedicated federal revenue that includes imports tax, domestic shipments tax, cruise line passenger tickets tax and interest earned. Inland Waterways Trust Fund is dedicated federal revenue, which includes waterway fuel tax and interest earned. These federal sources mostly support waterway capital, operations and maintenance activities. These funding sources fund the following federal programs.

## FEDERAL PROGRAMS

The programs are grouped by administering agency.

### U.S. ARMY CORPS OF ENGINEERS

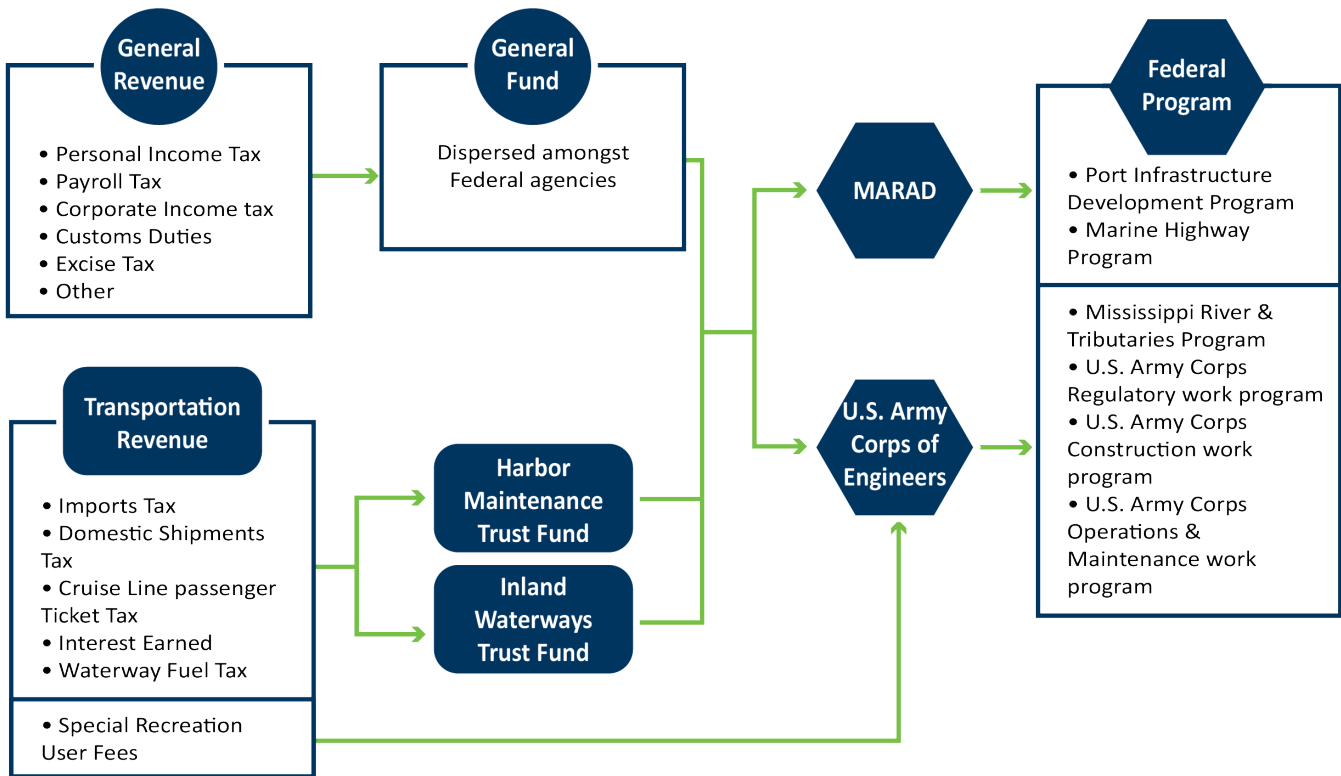
- Mississippi River & Tributaries Program
- U.S. Army Corps Regulatory work program
- U.S. Army Corps Construction work program
- U.S. Army Corps Operations & Maintenance work program

### U.S. DOT MARITIME ADMINISTRATION (MARAD)

- Port Infrastructure Development Program
- Marine Highway Program

Figure C-11 shows the relationship between these sources and programs.

Figure C-11: Federal waterway transportation funding sources & programs



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## STATE FUNDING

State funding for ports and waterway transportation comes from the State General Fund and funds capital activities at Minnesota ports. The following are the Minnesota ports and waterway transportation programs.

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## STATE PROGRAMS

The programs are grouped by administering agency.

### DEPARTMENT OF TRANSPORTATION

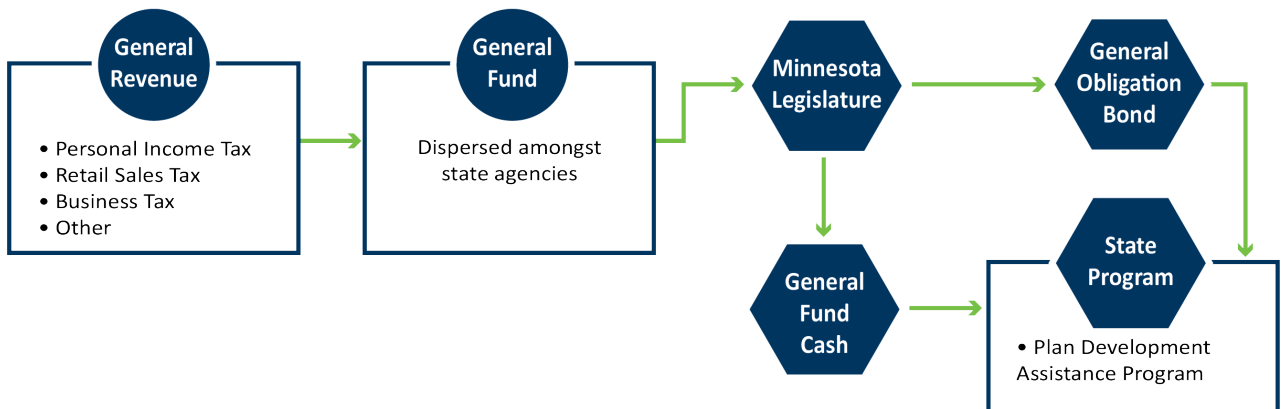
- Port Development Assistance Program

### MINNESOTA LEGISLATURE

- State legislative General Obligation (GO) bonding

Figure C-12 shows the relationship between these sources and programs.

**Figure C-12: State waterway transportation funding sources & programs**



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## LOCAL FUNDING

Local funding for public port authority operations generally comes from the revenues received from leases with port tenants.

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## OTHER FUNDING

Most terminals along Minnesota’s waterways are privately owned and are on private land. They operate for private benefit and are supported by substantial private investment. Public-private partnerships can be a funding option for ports and waterway transportation.