

Issue: Minnesota, Transportation Infrastructure, Roads

Minnesota's Roads to Ruin

Summary

You would think the state that suffered one of the most traumatic bridge collapses in U.S. history would ensure commensurate attention was paid to maintaining its roads and bridges and have forward-looking funding plans put in place to ensure peak performance for years to come. The truth, unfortunately, is quite a different story.

Minnesota's roads are vital infrastructure that allows personal and commercial traffic to operate safely and efficiently. These same roads and highways, however, are decaying rapidly due to years of being underfunded. Plans are increasingly focused on repairing existing roads with little emphasis on upgrading the system. It is critical that this trend be reversed so that existing infrastructure can be cost-effectively maintained, and new infrastructure developed to accommodate changing demands. The longer the system remains underfunded—currently at a deficit of \$400 million/year, predicted to be \$18 billion over the next 20 years—the more difficult and expensive it will be to reverse the trend. Unless new sources of funding are established, Minnesota's system of roads, bridges, trails and associated infrastructure will continue to deteriorate to the point of perpetual disrepair.

The Current Situation

Minnesota's current transportation network includes nearly 143,000 miles of paved roadways. These 143,000 miles of pavement support commercial and private vehicles, public transport such as buses and airport limousines, and freight delivery trucks that allow people to live and work in Minnesota.

Funding for the roadways comes from a combination of dedicated funds (vehicle registration fees, and taxes on vehicle fuel and vehicle sales) and other monies made available from federal or state sources. The dedicated funds have flattened over the years for a variety of reasons, two key ones being improvements in fuel efficiency and a reduction in licensing fees. In addition, the state fuel tax is not indexed to inflation and has not increased since 2008. At the same time, the cost of paving and repair has increased; asphalt and concrete have become more expensive and labor costs have risen commensurately. To make matters worse, more than half the pavement and one-third of the bridges are at least 50 years old. Aging structures are more expensive to repair or maintain than new structures as a natural result of the life cycle of these structures as well as the severe weather in this region of the country.

The upshot of the increasing gap between available and needed funding is that the Minnesota Department of Transportation ("MnDOT") is forced to set priorities based on age and importance of roads and bridges, and to defer other desirable projects until sufficient funding is found. MnDOT has only been able to meet the state-established target of not more than 2% of pavement in "poor" condition on the Interstate highway system. The agency has not been able to meet the corresponding pavement condition targets for other (non-Interstate) Federal highways, State highways, or other paved roads, even though they may be as heavily used. Similarly, the state has failed to meet the established maintenance target of no more than 2% of bridges in "poor" condition, putting the public at further risk.

Attempts to close the funding gap have been steadfastly refused by the Republican-dominated state Legislature. At present, sufficient funds have been found to reduce the gap to \$400 million per year until 2022. At that time, the funding shortfall is projected to be \$600 million per year. All told, the predicted shortfall is \$18 billion for the next 20 years as the roads and required infrastructure continue to deteriorate at a relentless pace.

How Did We Get Here?

The Planning Process

The Minnesota Department of Transportation (“MnDOT”) plans the repair, maintenance and improvement of its infrastructure according to a hierarchy of planning documents.

The *Minnesota GO 50-Year Statewide Vision* document is the result of public input and government planning. This plan sets the direction for all forms of transportation and associated infrastructure. Under this document are numerous evaluations and plans addressing each mode of transportation and transit. Of particular interest to those concerned about the state of Minnesota’s paved roads are:

- Minnesota State Transportation Improvement Program (STIP)
- Minnesota Transportation Asset Management Plan (TAMP)
- Minnesota State Highway Investment Program (MnSHIP)
- Minnesota Statewide Multimodal Transportation Plan (MSTP)

Under the Minnesota GO planning process, MnDOT and stakeholder inputs indicated that Transportation Infrastructure was the top priority - that is, maintaining existing structures as opposed to developing new roadways and interchanges. That priority has, in part, set the direction for MnDOT’s planning process.

The Minnesota State Highway Investment Program (“MnSHIP”) is a 20-year planning document that is updated every 4 years. It sets the plan for capital investments in the State Highway System, with priorities based on need, category and funding. This discouraging document makes it clear that, while transportation infrastructure will continue to be maintained within the funding capability, the road system is expected to continue deteriorating unless more funding is developed. The Investment Direction Summary says, in part:

“The 20-year investment direction established in MnSHIP focuses on maintaining the existing state highway system while making limited mobility investments. This approach reflects both MnDOT and stakeholder input and meets key requirements and agency commitments. It also continues a shift for MnDOT from being a builder of the system to the maintainer and operator of the system. The investment direction does not impact the projects already developed and programmed in Years 2018 through 2021. The priorities identified in this plan will be reflected in investments and projects starting in 2022.”

In that same document, MnDOT predicts:

“Pavement and bridge conditions are expected to worsen between 2018 and 2037. Travel time reliability in the Twin Cities is expected to decline due to projected regional growth.”

Funding

The dedicated source of state highway funding is the State Highway Trust Fund, which is funded by a combination of Motor Fuel Tax, Motor Vehicle Sales Tax (including tax on auto parts sold) and registration fees. Monies from the State Highway Trust Fund are disbursed according to a legislative formula to state, county, township or city highway funds.

Additional sources of funding include Federal Highway Funds, the Transportation Revolving Loan Fund, and special funding packages such as federal or state bond issues. It should be remembered that bonds are loans that require interest payments; the debt from bonds must be serviced before transportation funds can be disbursed. There is a statutory limit on the percentage of debt that can be carried in MnDOT's budget.

These funds are woefully inadequate to meet demand. The 20-year MnSHIP plan released in 2013 projected a \$12 billion shortfall in funding. According to the 2017 update, the shortfall is now \$6 billion worse.

The Funding Shortfall

Funding has flattened and is expected to remain flat for the foreseeable future. The state fuel tax is not indexed to inflation and has not been increased since 2008. Vehicles are becoming more fuel efficient. A reduction in vehicle licensing fees under the Ventura administration also decreased the funding available for roads, although a 2008 increase went some way toward improving that situation.

Although the Minnesota State Legislature has appropriated funds for specific, relatively small projects, they have steadfastly refused to consider additional dedicated funding that can be relied on by MnDOT for its planning purposes. According to Charles Zelle, the Commissioner of MnDOT, "Our planning process is thorough and objective....It is clearly indicating that the growth in revenue will not meet what we need to spend to provide a competitive system by 2037."

MnDOT said that since it prepared the prior 20-year plan "there have been four years of legislative inaction on sustained transportation funding." That inaction has been under the direction of the Republican Party, which has controlled the Minnesota State Legislature since 2014.

According to the Minnesota Statewide Highway Investment Program (MnSHIP) document, the capital funding needs for the state highway system will be \$39 billion dollars over the next 20 years. At the same time, the anticipated funds are only \$21 billion dollars--slightly over \$1 billion per year. The current plan is to fund the programs that have been scheduled over the next 4 years. After that MnDOT will begin shifting its plans from being a builder of the system to being simply an operator of the system, despite the expected continuing deterioration of the pavements and bridges amid projected regional growth over the next 20 years.

As an example of the severe underfunding of the state highway system, consider these two elements as laid out in the MnSHIP Final Plan, Chapter 6 (excerpted from Fig. 6-1, "Summary of Unmet Needs Through 2037"):

Investment Item	20 - Year Needs	20-Year Expenditures	Unmet Needs	Underfunded Improvements
Pavement Condition	\$13.44 billion	\$10.31 billion	\$3.13 billion	Non-interstate NHS* and non-NHS pavement condition
Bridge Condition	\$2.65 billion	\$2.38 billion	\$230 million	NHS bridges

*“NHS” = National Highway System

MnDOT has endeavored to stretch its funds as far as possible by making its projects more efficient. Value-engineering tactics and improved equipment management processes have saved money. Energy savings such as the installation of LED lighting have also reduced costs in some areas. The projected shortfalls persist, however, despite these energy and cost improvements.

Funding Disputes Between the Legislature and the Governor

The Republican-controlled Legislature has been intent on reducing taxes wherever possible. Under the Republican administration preceding current Democratic Governor Dayton, this approach left the state with an overall budget shortfall of \$6.2 billion despite a state-mandated requirement for a balanced budget.

On 5/15/2017 Governor Mark Dayton vetoed Chapter 62, House File 61, a bill related to transportation finance, because it neither met present needs nor provided “long-term, sustainable, and dedicated funding for the state and local transportation systems.” In his letter vetoing the bill, Governor Dayton noted that in addition to the currently designated funds, additional funds were necessary as follows: \$400 million/year for ongoing maintenance of existing roads, bridges and structures; and \$200 million/year for critical improvements and expansions of the infrastructure.

What’s the Solution?

Ignoring a problem does not make it simply go away, yet the Republican-controlled state House seems to think it will. The Legislature controls the purse strings for the state’s transportation system. They must face up to the increasing deterioration of the state’s roads and establish committed funding in order to maintain not only the quality of life that Minnesotans enjoy, but to ensure their safety. Options that have been suggested in the past have included an increased fuel tax or increased registration fees. The Republican Legislature has argued that funds can be appropriated from the General Fund and there is no need for dedicated funds. However, the Legislature has undermined its own argument. Under one of its 2017 budget proposals that was vetoed by Governor Dayton, sales tax on auto parts—normally a contributor to the State Highway Trust Fund—were to have been redirected to other, non-transportation, uses.

This is no way to run a railroad, or in this case a highway system. A good system of roads and bridges in good repair is vital to making the state a safe, attractive place for businesses and residents alike. It is irresponsible to refuse to invest in the state’s future in the name of keeping current costs down. A better plan is to address the needs of the future before they become the crisis of the day—a crisis we know is coming without the political will to take action. In this case, neglect is anything but benign.

It is apparent that this goal cannot be met as long as the Republicans control the Legislature.

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