




Office Memorandum

Date: February 28, 2014

To: Myron Frans
Commissioner,
Minnesota Department of Revenue

From: Jim Schowalter 
Commissioner

Phone: (651) 201-8011

Subject: Trunk Highway Debt Service Report

The Laws of 2008, Chapter 152, Article 2, Section 1, Subdivision 2 stipulate that:

On June 30, 2008, and each March 1 thereafter, the commissioner of finance shall report to the commissioner of revenue on trunk highway debt service. The report must include the annual amount of revenue from the surcharge previously deposited in the trunk highway fund, and a forecast of the total and annual amounts necessary to pay the remaining debt service.

This letter is being sent in satisfaction of this requirement. The amount of revenue from the surcharge deposited into the fund in the current fiscal year is \$61,380,000. The amount transferred from the trunk highway fund to pay the FY 2014 debt service on bonds authorized in Chapter 152 is \$74,545,000. Over the life of the Chapter 152 bonds, the surcharge will under collect the amount needed for debt service by \$727,504,000.

A summary of the projected surcharge revenue and debt service payments is in the attached page.

cc: Sue Gurrola - MMB
Randy Sanford - Revenue
Jeremy Neeck - Revenue
Keith Bogut - MMB
Kristi Schroedl - DOT

ALL AMOUNTS IN THOUSANDS										
		Highway User Tax Distribution Fund				Trunk Highway Fund		Cumulative Totals		
Type	Fiscal Year	Debt Surcharge Revenue ⁽¹⁾	DNR Transfers ⁽²⁾	DNR Transfers Allocated to Debt Surcharge ⁽³⁾	Net Debt Surcharge	Trunk Highway Portion (62% of 95%, or 58.9%) ⁽⁴⁾	Debt Transfer ⁽⁵⁾	TH Debt Surcharge	Debt Transfers	Variance
Actual	2009	12,632	16,397	282	12,350	7,274	1,709	7,274	1,709	5,565
Actual	2010	59,935	19,708	1,440	58,496	34,454	505	41,728	2,214	39,514
Actual	2011	75,839	21,432	1,927	73,912	43,534	(5,489)	85,262	(3,275)	88,537
Actual	2012	89,452	21,196	2,244	87,208	51,366	(12,822)	136,628	(16,097)	152,725
Actual	2013	104,374	21,784	2,649	101,725	59,916	59,689	196,544	43,592	152,952
Forecast	2014	106,918	22,041	2,707	104,211	61,380	74,545	257,924	118,137	139,787
Forecast	2015	105,660	22,008	2,703	102,957	60,642	119,806	318,566	237,943	80,623
Forecast	2016	105,570	21,876	2,687	102,883	60,598	134,182	379,164	372,125	7,039
Forecast	2017	105,468	21,854	2,684	102,784	60,540	138,882	439,704	511,007	(71,303)
Forecast	2018-39	2,012,639	417,040	51,215	1,961,423	1,155,278	1,811,479	1,594,982	2,322,486	(727,504)
Total		2,778,487	605,336	70,537	2,707,949	1,594,982	2,322,486			

Notes:

⁽¹⁾⁽²⁾Debt surcharge revenue and DNR transfer estimates from MnDOT: 2009-13 reflect actual revenue, and 2014+ reflects assumptions as of February 2014 forecast

2014-17 directly from Feb 2014 forecast, 2018+ uses blended average of long-term fuel consumption projections from two sources:

-Global Insight Inc. (GI) national highway fuel consumption (Feb 2014)

-Energy Information Administration (EIA) motor gasoline consumption for West North Central census region (2014 Annual Energy Outlook Early Release)

⁽³⁾Portion of DNR transfers attributable to debt surcharge estimated at average annual rate for debt surcharge divided by total average annual gasoline tax rate

DNR receives percentage of all gasoline taxes for six accounts, which total ~3.096% per M.S. 296A.18

⁽⁴⁾Trunk Highway portion of debt service surcharge is 62% of 95%, or 58.9%, of surcharge revenues net of DNR transfers, per Minnesota Constitution Article XIV

⁽⁵⁾Debt transfer amounts from MMB: 2009-14 reflect actual transfers, and 2015+ reflect projections as of February 2014 forecast (net of premium and interest)

Per M.S. 296A.083, for setting the surcharge rate in FY 2013+, portion of debt surcharge deposited in the Trunk Highway Fund must be compared to Chapter 152 debt transfers for 2009-39