

Minnesota Roadway Funding



Camila Fonseca-Sarmiento

Institute for Urban and Regional Infrastructure Finance

October 15, 2025



HUMPHREY SCHOOL
OF PUBLIC AFFAIRS
UNIVERSITY OF MINNESOTA

Overview

- Overview of the Transportation Policy and Economic Competitiveness (TPEC) Program
- Minnesota roadway funding (federal, state, and local sources)
- Alternative transportation funding sources (used and explored across the states)
- Q&A



TPEC Program

We conduct research, create tools for policymakers, and engage in outreach to increase understanding of the relationship between transportation and economic development.



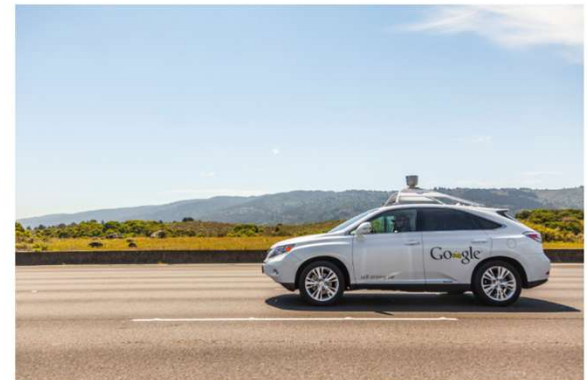
Finance >

Examining revenue streams and finance alternatives including the [Minnesota Transportation Finance Database](#).



Industry & Freight >

Improving knowledge of the state's key industries and their infrastructure needs



Technology >

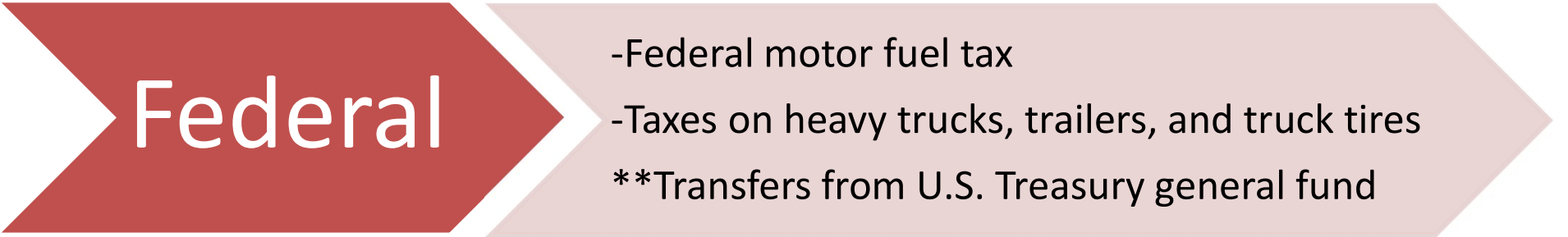
Preparing for new and emerging technologies such as automated vehicles



- Minnesota Roadway Funding
- Minnesota Transportation Funding Redistribution
- Motorization Trends in Minnesota
- Alternative Revenue Mechanisms

Minnesota Roadway Funding

- Minnesota roadway funding comes from a combination of federal, state, and local sources.

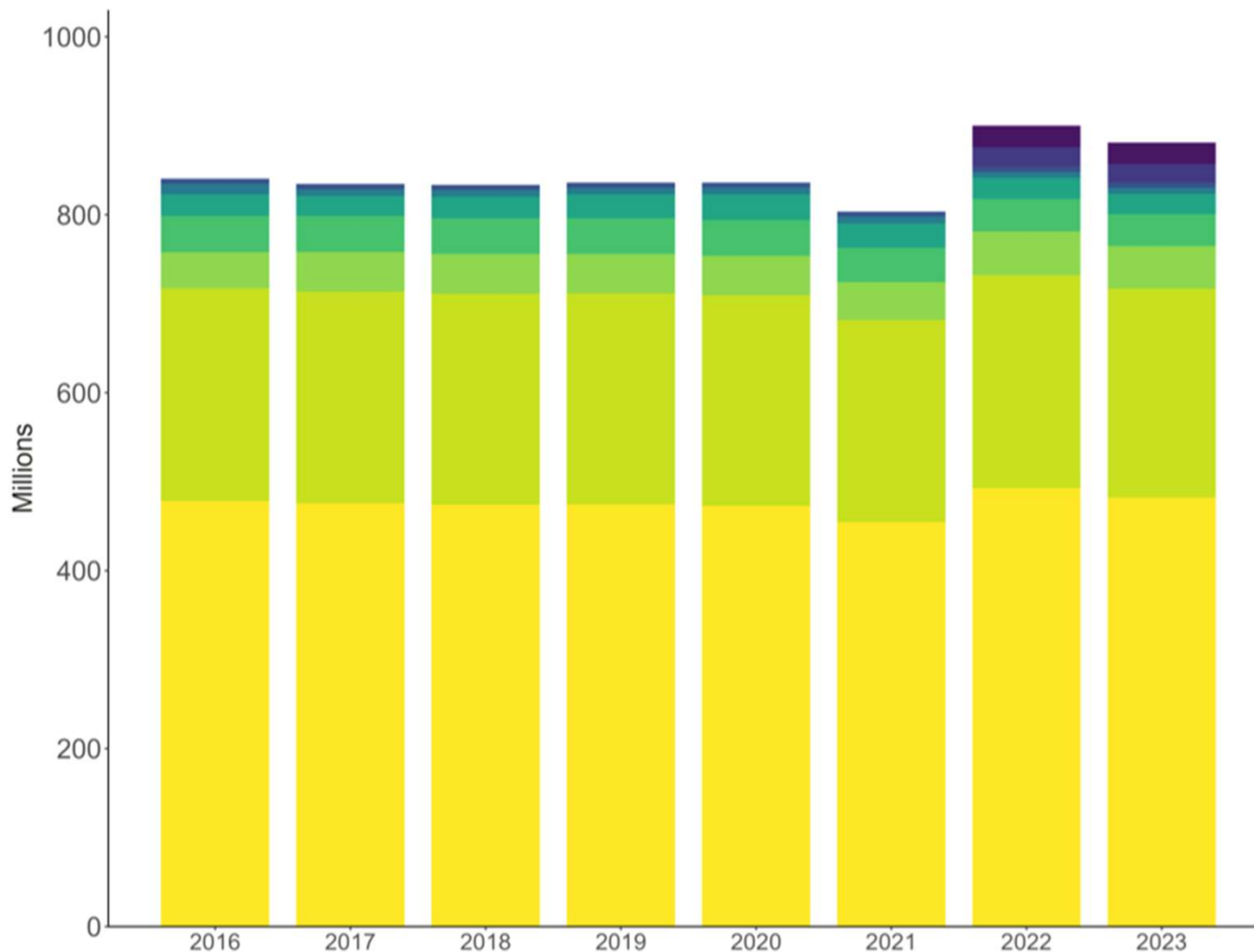


Federal

- Federal motor fuel tax
- Taxes on heavy trucks, trailers, and truck tires
- **Transfers from U.S. Treasury general fund

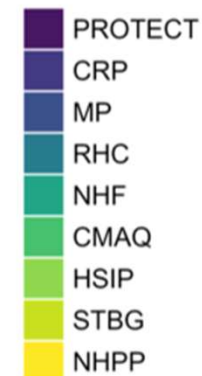
Minnesota Roadway Funding (Federal)

1. Federal Highway Funds allocated by Program



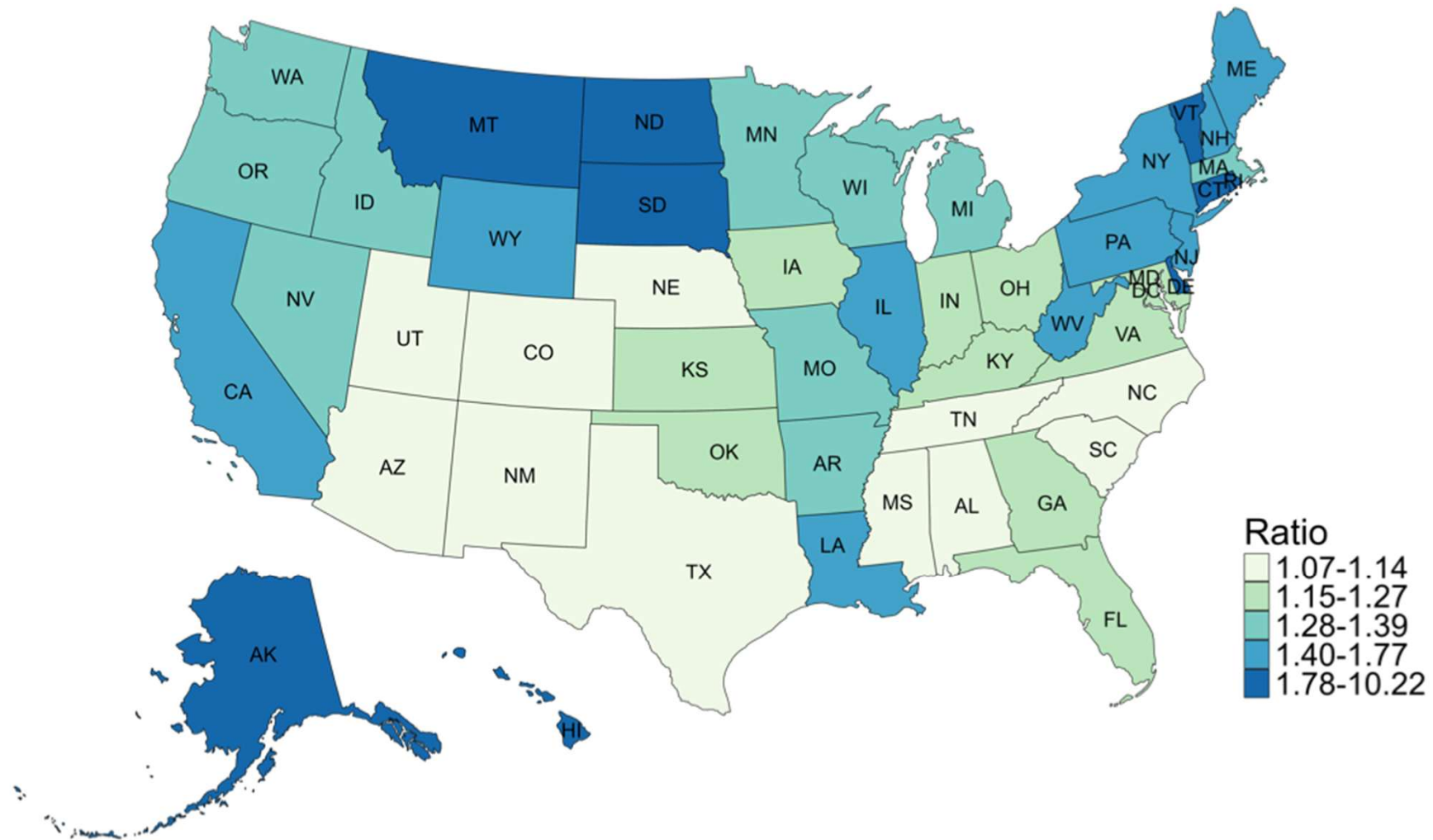
85% of federal funding received through the NHPP and STBG.

- (1) to support the National Highway System
- (2) to support state and local transportation needs such as Bridges, Transportation Alternatives - walking and biking.



Minnesota Roadway Funding (Federal)

2. Ratio of Apportioned Funds to Receipts From the Highway Account by State in 2022



Minnesota Roadway Funding

- Minnesota roadway funding comes from a combination of federal, state, and local sources.

Federal

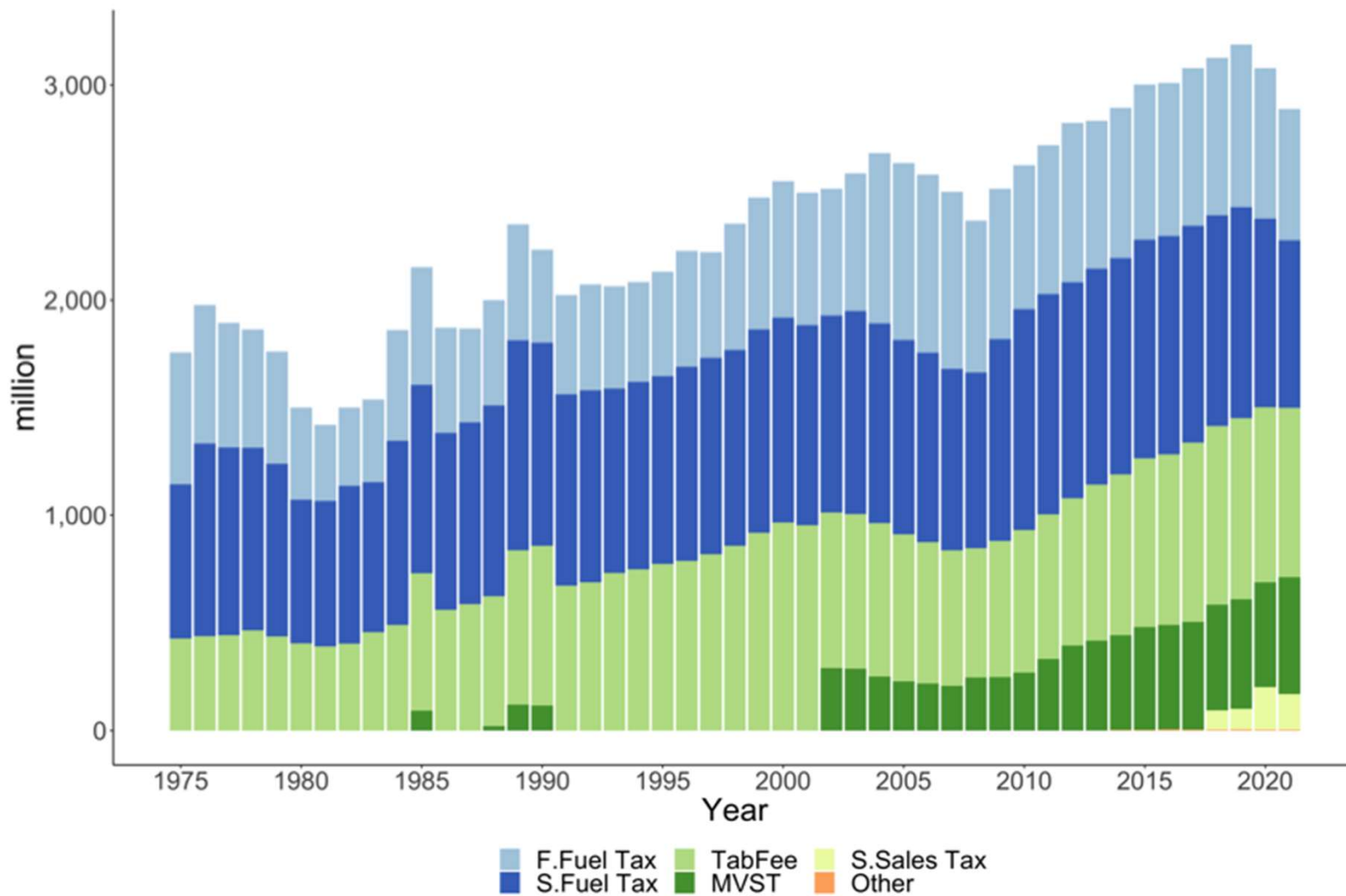
- Federal motor fuel tax
- Taxes on heavy trucks, trailers, and truck tires
- **Transfers from U.S. Treasury general fund

State

- State motor fuel tax
- Registration tax (Tab Fee)
- Motor Vehicle Sales Tax (MVST)
- Other taxes

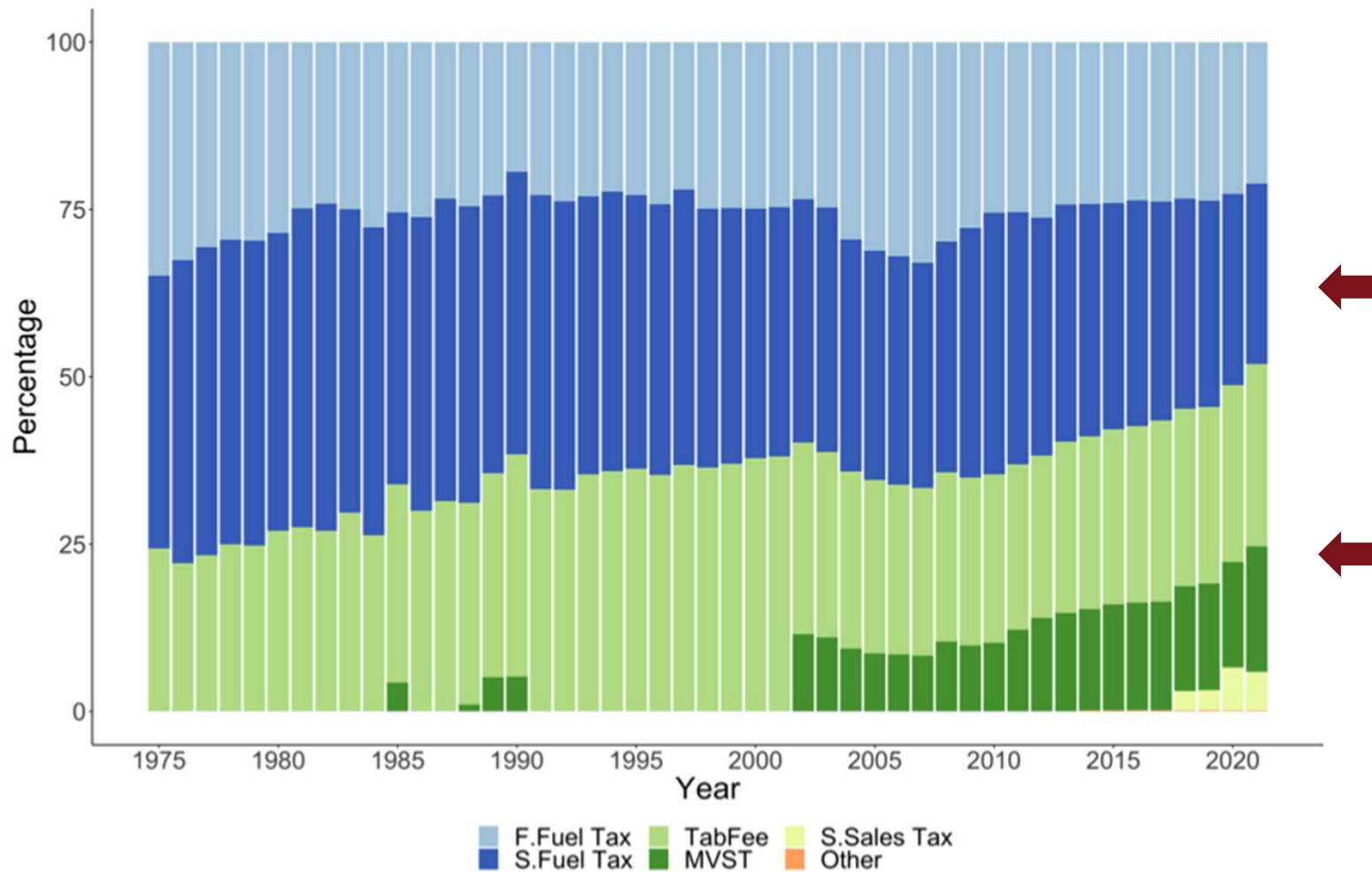
Minnesota Roadway Funding (State)

3. Highway Special Revenues



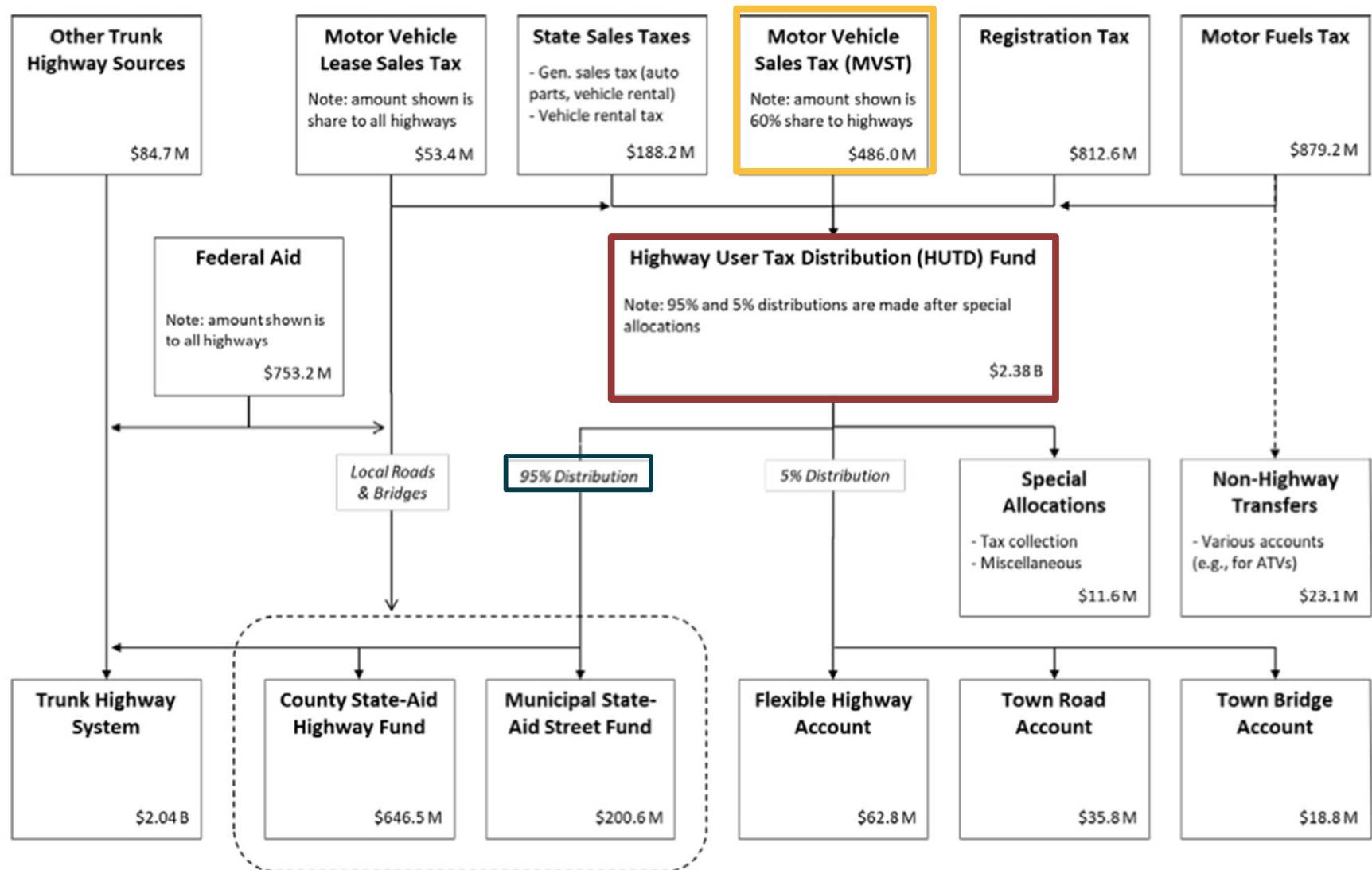
Minnesota Roadway Funding (State)

4. As a share of Total Highway Special Revenues



Minnesota Roadway Funding (State)

5. Distribution of Minnesota State Highway Funds



Minnesota Roadway Funding (State)

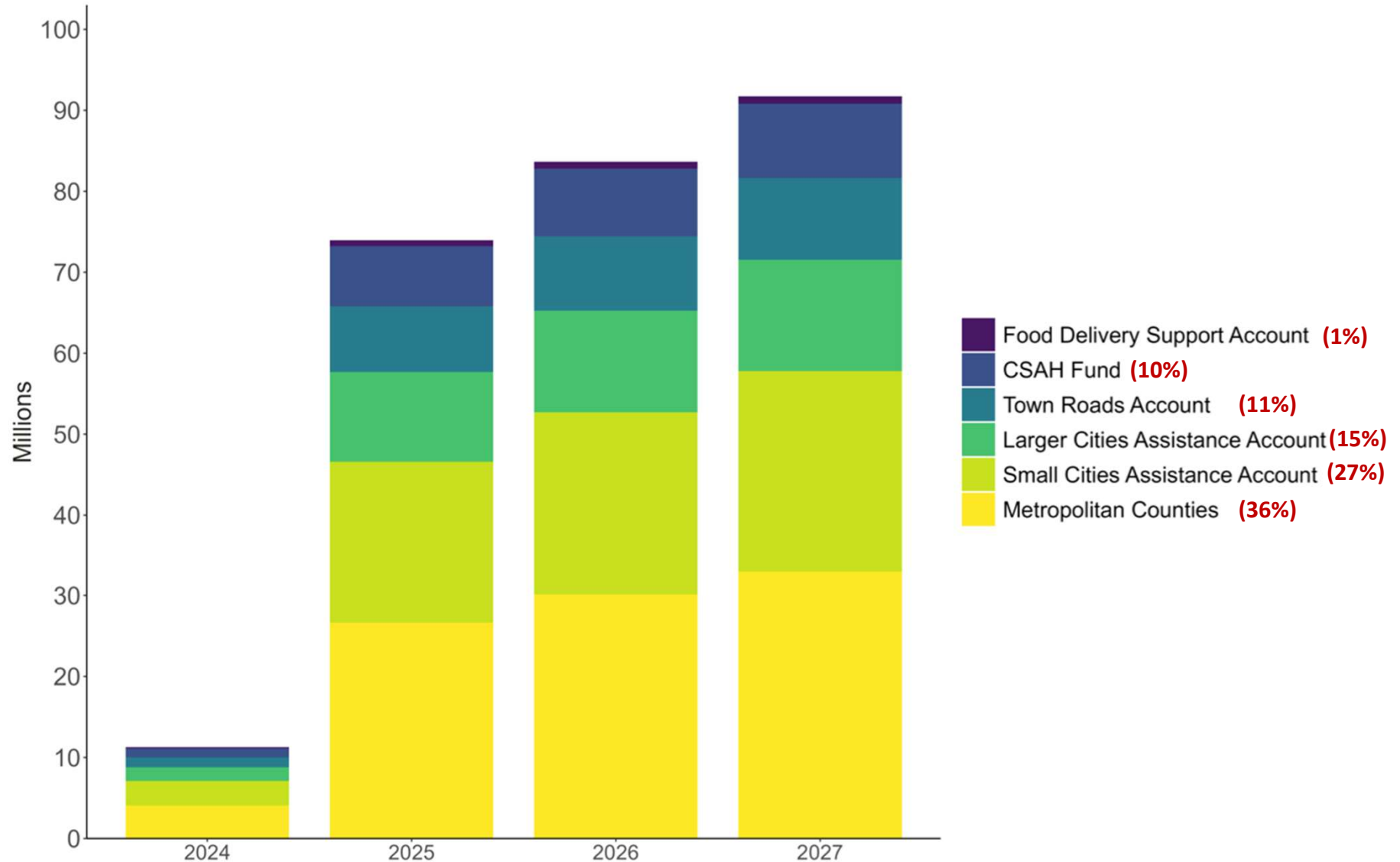
Transportation Advancement Account (TAA)

- Established by legislation in 2023 to provide funding to local agencies for transportation purposes
- **Funding from:** Automotive Parts Sales Taxes + Retail Delivery fee



Minnesota Roadway Funding (State)

6. Distribution of Transportation Advancement Account Funds



Minnesota Roadway Funding

- Minnesota roadway funding comes from a combination of federal, state, and local sources.

Federal

- Federal motor fuel tax
- Taxes on heavy trucks, trailers, and truck tires
- **Transfers from U.S. Treasury general fund

State

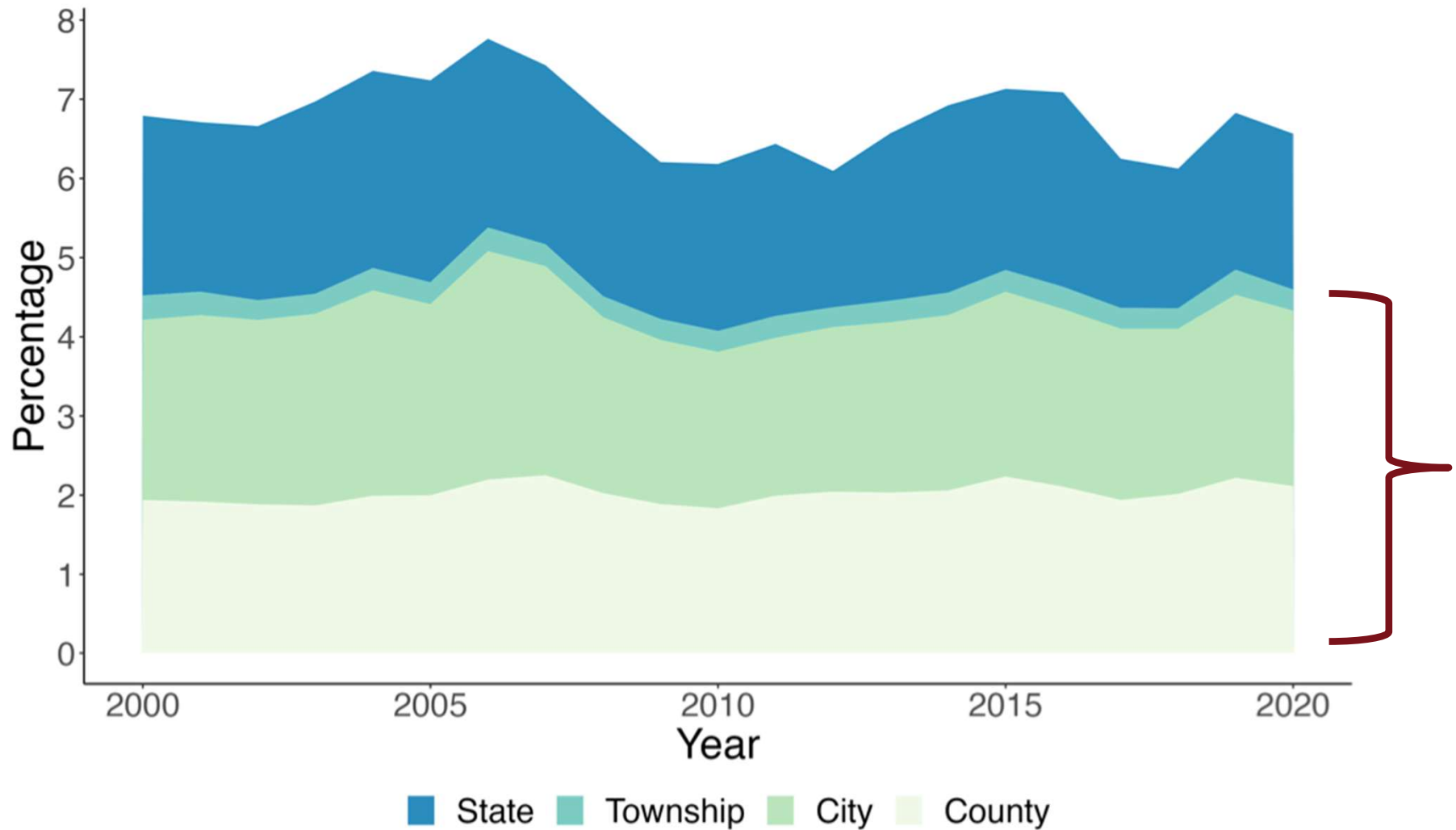
- State motor fuel tax
- Registration tax (Tab Fee)
- Motor Vehicle Sales Tax (MVST)
- Other taxes

Local

- Local option sales tax
- Wheelage tax
- Excise tax
- Gravel tax

Minnesota Roadway Funding (Local)

7. Roadway Expenditures as a Share of State and Local Expenditures in Minnesota



Alternative Funding Sources

Including:

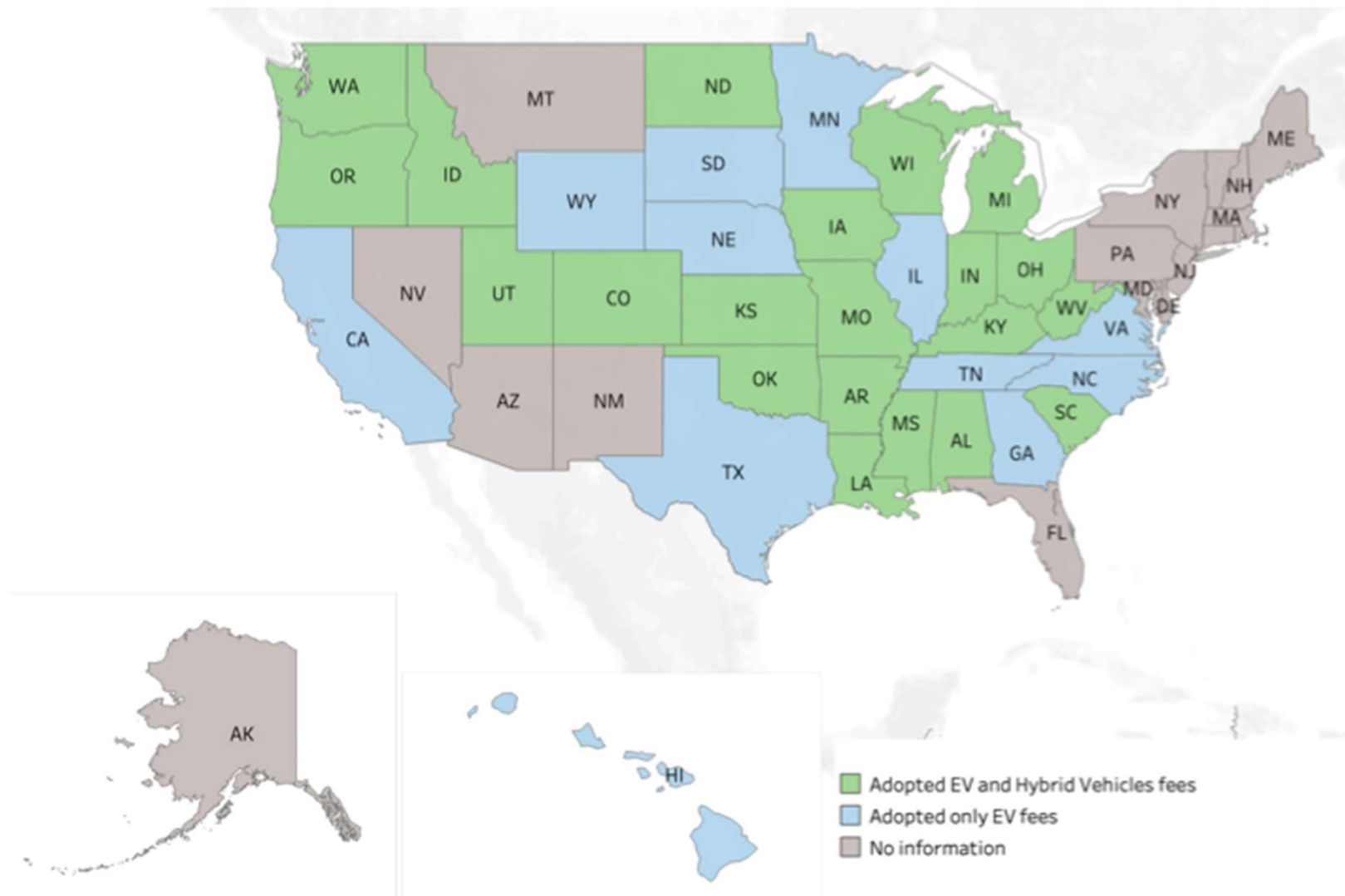
- Special registration fee for electric and hybrid vehicles
- Tax on electricity as a vehicle fuel
- Roadway user charges (RUCs, DBFs, MBUFs, VMT fee)

Some of them are currently implemented in Minnesota or being studied.



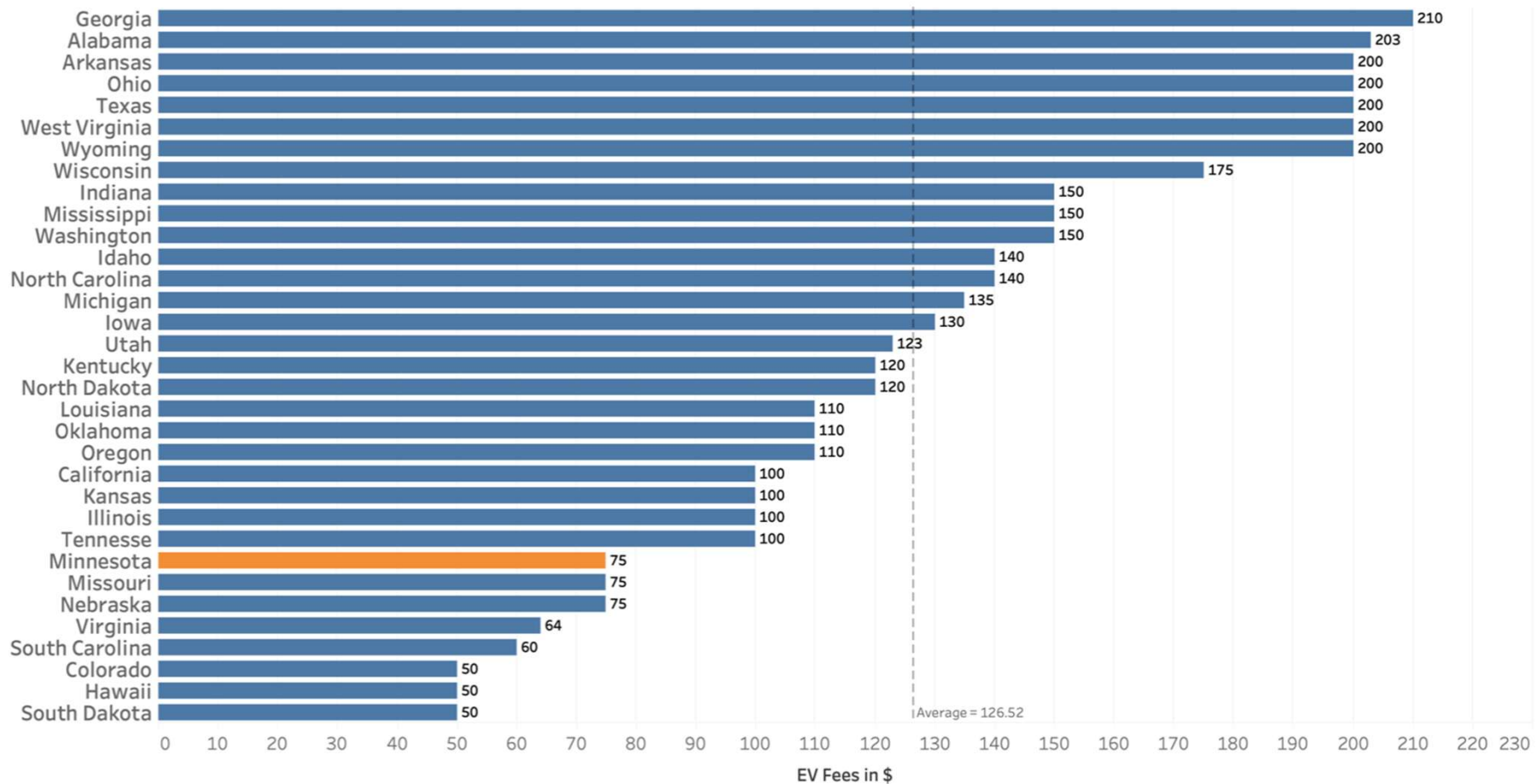
Special Registration Fee for EVs and Hybrid

8. States adopting Special Registration Fees for Electric and Hybrid Vehicles in the U.S. (2023)



Special Registration Fee for EVs and Hybrid

9. Annual Fee Rate: Registration Surcharge for EVs (2023)

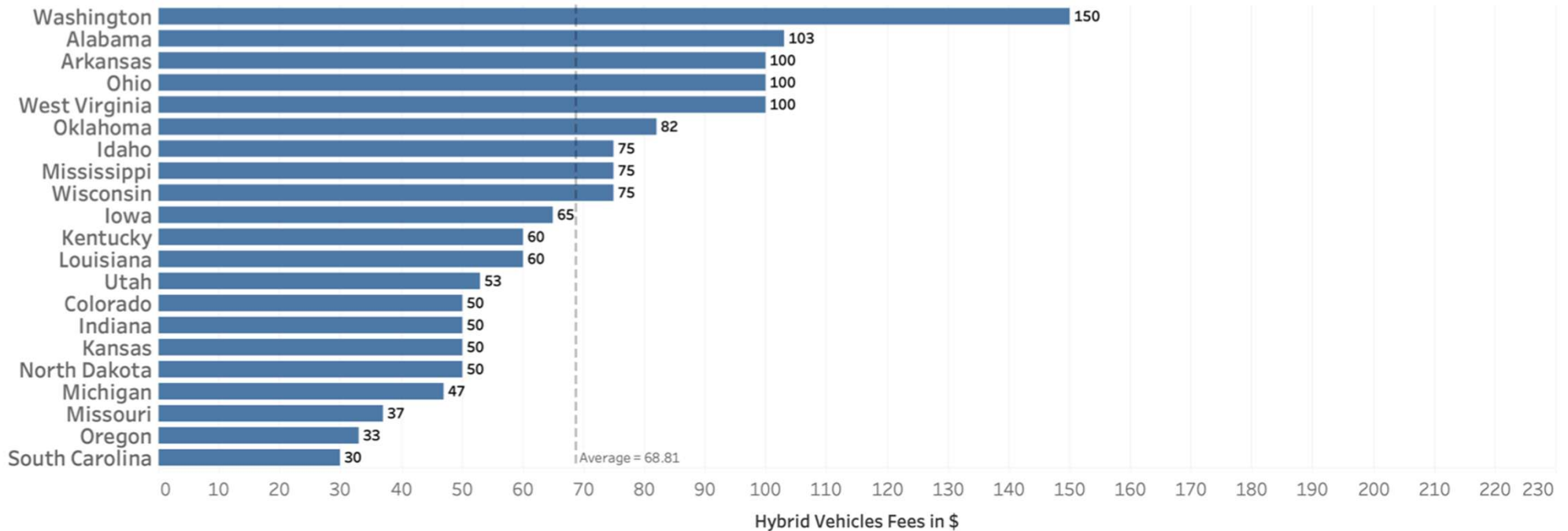


Starting on January 1, 2026, would be the greater between:

- 1) 0.5% of the manufacturer's suggested retail price multiplied by a percentage determined by the vehicle life
- 2) **\$150** (between January 1, 2026 and June 30, 2027) OR **\$100** (starting on July 1, 2027)

Special Registration Fee for EVs and Hybrid

10. Annual Fee Rate: Registration Surcharge for Hybrid Vehicles (2023)



Starting on January 1, 2026, would be the greater between:

1) The lesser between:

- a) 0.25% of the manufacturer's suggested retail price multiplied by a percentage determined by the vehicle life
- b) 10% of the vehicle's retail value in its 11th and each succeeding year of life

2) **\$75** (between January 1, 2026 and June 30, 2027) OR **\$50** (starting on July 1, 2027)

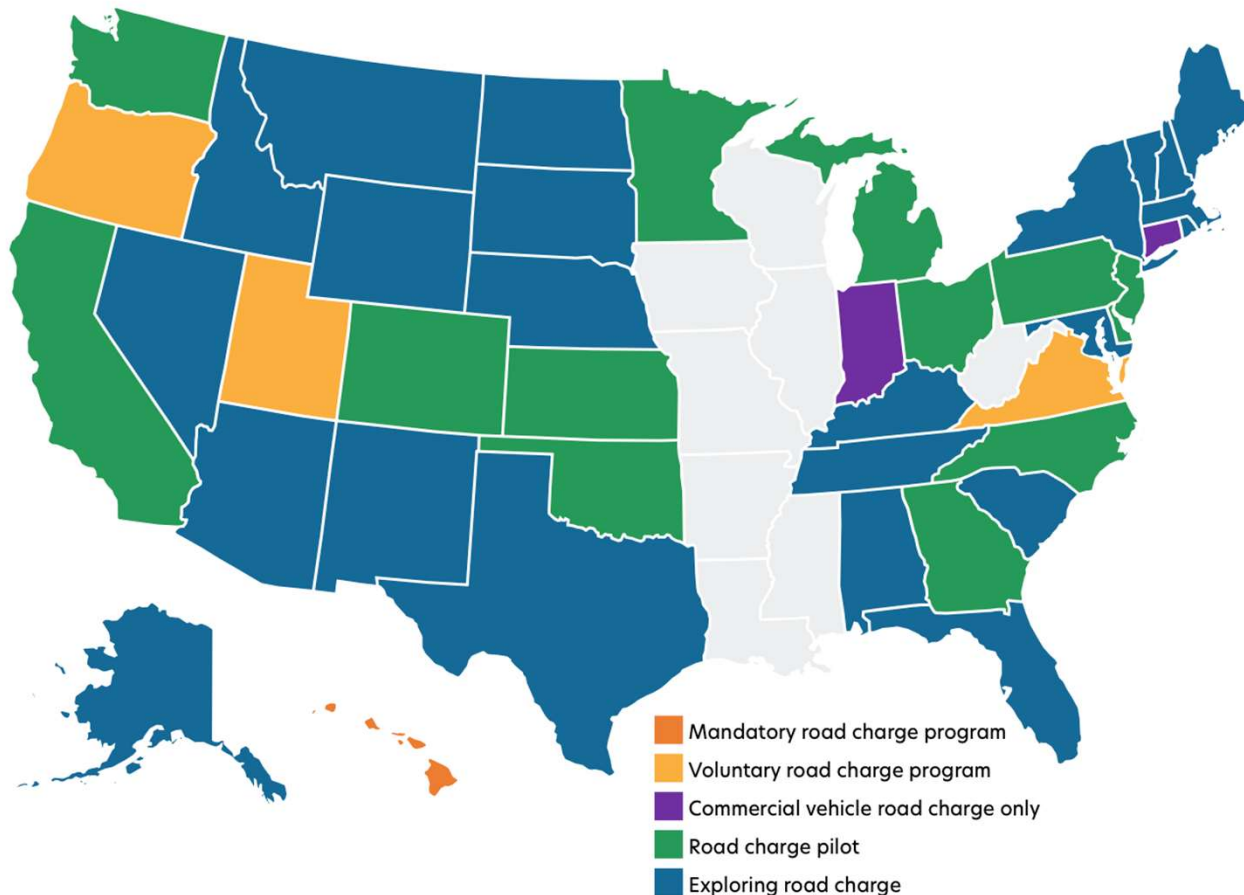
Tax on electricity as a vehicle fuel

State	Tax Amount	Effective Date	Revenue Uses
Iowa	\$0.026 cents per kWh	July 2023	Road Use Tax Fund (RUTF)
Montana	\$0.03 per kWh	July 1, 2023	Special revenue in highway restricted account
Kentucky	\$0.03 per kWh (adjusted annually)	January 2024	Maintenance/ repair of roadways and bridges
Oklahoma	\$0.03 per kWh	January 2024	Maintenance/ repair of state highways and bridges
Pennsylvania	\$0.0172 per kWh	January 2024	Maintenance/ repair of state highways and bridges. State Policy Highway Patrol Operations, Dept. Of Transportation
Utah	12.5% of total sale	January 2024	Transportation fund
Georgia	\$0.26 on every 11 kWh of usage	January 2025	Transportation funding, can go to general fund
Wisconsin	\$0.03 cents per kWh	January 2025	Roadways and infrastructure
Nebraska	\$0.03 cents per kWh	January 2028	General Fund

 Starting on January 1, 2027: 5 cents per kilowatt hour for charging in public charging stations. The charge for chargers operating before October 1, 2023, will be in effect in January 2032.

Roadway User Charges

11. RUCs across the US



Hawaii: EV & 0.8 CPM

Oregon: EVs, HYB, diesel, and gas powered rated at 20 miles per gallon or better & 2.3 CPM.

Utah: EV & 1.11 CPM

Virginia: Fuel efficient vehicle and EV. In lieu of HUF, depends on vehicle's MPG (Y1:\$6-\$100; Y3:\$20-\$300)

Source: <https://caroadcharge.com/partners/road-charge-across-the-u-s/>





HUMPHREY SCHOOL
OF PUBLIC AFFAIRS
UNIVERSITY OF MINNESOTA

THANK YOU!

Questions?

Camila Fonseca
fonse024@umn.edu