



State Aid Funding Advancement

February 9, 2026

MN State Aid Funding Overview

- Municipal State Aid System (MSAS) Funding is generated from the Highway User Tax Distribution Fund (HUTDF).
 - 9% of HUTDF funds are allocated to the MSAS system.
 - HUTDF funding includes state gas tax, vehicle registration fees, and a portion of the motor vehicles sales tax.
- Cities with a population over 5,000 are eligible to receive MSAS funding.
 - In 2025, there were 155 State-Aid Cities.
- Funding is distributed 50% based on population and 50% based on need.
- Need for roadway maintenance is estimated based on traffic volumes and is calculated by the Municipal Screening Board.

MN State Aid Funding Overview

- State allots funding annually and sets it aside in an account for each jurisdiction.
- State allows Cities to request funding from their account (“advance”) up to 4 future years.

For example, in 2026, a city can request payment for:

- 1) the balance from any unused allotment in previous years as well as the current year
- 2) the future allotments from 2027-2030

MN State Aid Process

- Each year, the City certifies the maintained mileage by adding any newly constructed public roadways within the City and proposing any changes for streets to be included.
 - 20% of the total mileage of roadways maintained by the City are allowed to be included.
- When a City completes a project on an eligible street, it can request reimbursement from the State out of its “account”.
- If MSAS funds are used on a project, the street must be maintained on the State-Aid system for 25-years for a reconstruction project or 10-years for an overlay.

MN State Aid – Monticello Streets

- In 2020 an audit of the MSAS system was completed which determined that Monticello was eligible for an additional 1.8 miles in MSAS routes. Chelsea Road between CSAH 39 and Hwy 25 was added to the system with this change.
- Other recent system changes include the addition of 7th Street between Golf Course Road and Elm Street with the removal of East River Street.
 - 7th Street generated additional need in the funding formula due to having higher traffic volumes.

MN State Aid – Monticello Funding

- Monticello received an advance of state aid in 2023, which was essentially for 2023-2027's allotments (i.e. our account currently has a “negative” balance).
- Monticello previously completed projects which were paid for with city funds and still have eligible costs to be reimbursed by State Aid funding.
- Council's requested action to adopt the resolution would further “advance” the City's State Aid allotments for 2028-2030.

Questions?