

April 7, 2017

Representative Paul Torkelson, Chair
House Transportation Finance Committee
381 State Office Building
100 Rev. Dr. Martin Luther King, Jr. Boulevard
St. Paul, MN 55155

Chair Torkelson:

I would like to share with you my concerns about HF 861 regarding metropolitan area transit. As noted in our previous letters, HF 861 results in a \$122M reduction to Metro Transit regular route bus for the FY2018-2019 biennium, even after a fare increase. This means HF 861 is devastating to the Metro Transit regular route bus system.

In committee on March 22, 2017, the Council testified the impact of the bill would be a \$55M cut to Metro Transit regular route service that would require at least a 12% service cut even after a \$0.25 across the board fare increase was applied. Upon further review, it is now clear to us that HF 861 has a \$122M reduction to Metro Transit regular route bus for the FY2018-2019 biennium. We have confirmed this understanding with the committee's fiscal analyst. The \$122 M cut would lead to a 40% service reduction, even with that same fare increase applied. Further, by the FY2020-2021 biennium, our entire general fund is dissolved. The service cuts needed to operate Metro Mobility and what would be left of our regular route bus system are disastrous.

Conversely, HF 861 protects and provides additional funding to the suburban transit providers (opt outs). With this approach, you are protecting some of the least efficient and most expensive service when compared to similar service provided by Metro Transit. We do not understand why the committee has chosen to shield the services in a sub-section of suburban cities from cuts while ignoring the impacts HF 861 will have on urban service and other metro area suburbs who have Metro Transit bus service, i.e. Anoka, Inver Grove Heights, Lakeville, and Lino Lakes.

In summary, the House transportation bill and transportation provisions in HF 4, the omnibus tax bill:

- Ignores the regional biennial transit deficit of \$74M, including a \$24M Metro Mobility deficit
- Shifts the state's responsibility for \$67M of light rail operations costs to CTIB
- Reduces the general fund appropriations available to regional transit by \$118M
- Increases the regional transit deficit to a net of \$122M
- Protects a select few metro area transit providers from this cut who serve only the south and west suburbs
- Adds funding for these same select suburban transit providers to expand services at the expense of service cuts to all other urban and suburban communities

As a result:

- Significant service cuts will be shared across all metropolitan area communities except for a few south and west suburbs.
- Eden Prairie, Prior Lake, Savage, Shakopee, Eagan, Burnsville, Plymouth, and Maple Grove will experience service expansion while all other communities like Lakeville, Bloomington, Anoka, Inver Grove Heights, Lino Lakes, Minneapolis, St. Paul, and others will need to absorb the entirety of the \$122M deficit.
- Bus riders in all but the select communities will experience significant fare increases along with service cuts of 40%.
- Metro Mobility, providing ADA services to people who are elderly and disabled, will experience significant fare increases and service reductions leaving only those services that are minimally required in place.

This budget fails recognize how transit and road infrastructure work together to support the movement of people, goods, and services. 80% of metro area transit rides are for people going to and from work and school. 40% of all employees of our downtowns ride transit to work. This budget damages the fundamental integrity of our current bus services. It will significantly increase demands on already crowded freeways and starts a downward spiral in our metro area transportation infrastructure. In the end, this budget will be harmful to our metro area economy that serves as a primary contributor to the state's economy. All Minnesotans lose.

The Metropolitan Council has several policy concerns with HF 861 as well:

- **Article 3, Sections 90 and 91** prevent regional railroad authorities and cities or counties from spending any funds for studying, project development, or construction of a light rail project unless the legislature specifically authorizes the project. Since this language prevents the study of light rail, the bill curtails transitway development by requiring legislative authorization before an alternatives analysis (AA) is completed or a locally preferred alternative (LPA) is selected, even if the locally preferred alternative turns out to be a mode other than light rail. The primary purpose of studying transit options through the alternatives analysis process is to determine what, if any, transit solution is feasible and would be most effective within a corridor. Cities, counties, and regional rail authorities typically conduct the alternatives analysis process, not the Metropolitan Council or MnDOT. Importantly, the AA process does not pre-suppose light rail will be the option selected, but this language in HF 861 seems to prohibit any local funds from studying alternatives for a corridor if the result (the locally-preferred alternative) could be LRT.

In essence, the legislature becomes the central transit planning agency for the metro region and takes away that responsibility from local governments, regional rail authorities, the Metropolitan Council, and MnDOT.

- **Article 3, Section 92** pertains to the Metropolitan Council's budgeting process. This section requires the Metropolitan Council budget include certain transit financial planning information and that the state general fund appropriations that reflect the state general fund base appropriations. Under current law, the Metropolitan Council presents its budget to the Legislative Commission on Metropolitan Governance (LCMG) every year. The LCMG provides legislators the opportunity to exercise this budgetary oversight and seek additional information about the Metropolitan Council budget today.
- **Article 3, Section 93 and Section 104** direct the Metropolitan Council to set a farebox recovery objective of 40 percent in the Transportation Policy Plan by December 31, 2017. This goal is not achievable for all

services based on our research of farebox recovery ratios across the United States. Every two years the Council conducts a Transit System Performance Evaluation (TSPE) where we analyze performance measures to evaluate how the region's transit system is performing. Fare recovery is one of the measures used in this evaluation. In the TSPE we compare our region's fare recovery ratio to that of other comparable regions across the country (comparable regions are those with a similar population, transit system size, and similar mix of service types.) No comparable region has a fare recovery ratio for fixed route services above 38 percent. As fares continue to rise, there is a point at which the fares become so high that the system experiences a decline in fare recovery rather than an increase, as high fares cause too many riders to flee the system. Furthermore, the Transportation Policy Plan is not the mechanism that sets transit fares, so setting a fare objective and identifying strategies to meet that objective in the TPP will not in itself adjust fares. To adjust fares, the Council is required to adhere to a federally-regulated process that happens outside the TPP.

- **Article 3, Section 94** amends the formula to allocate more MVST funds to suburban transit providers and less MVST funds to Metro Transit. This change will reduce funding to Council-provided services, dollar-for-dollar. Already, suburban providers receive more funding when based on the number of rides served. In 2016, Metro Transit bus, light rail, and commuter rail provided 85 percent of regional ridership but received 74 percent of regional operating dollars. In 2016, suburban transit providers provided 5.4 percent of regional ridership while receiving 8.5 percent of regional operating dollars. In general, suburban providers have a higher subsidy per passenger and lower farebox recovery relative to comparable Metro Transit services. This MVST shift is on top of the \$1.5 million from the transportation priorities fund in FY2018 for a demonstration project.
- **Article 3, Section 95** prevents the Metropolitan Council from issuing Certificates of Participation or other obligations backed by MVST. HF861 already shifts the Metropolitan Council's transit funding off the general fund onto MVST. This section further restricts the Council's use of MVST by prohibiting the Council from using these constitutional funds as debt service for large transit capital purposes. This proposed language in HF 861 is contradictory to the intended purpose of the MVST revenue source for the Metropolitan Council (operations and capital) and is contradictory to how MnDOT uses its 60 percent share of these same MVST receipts to secure debt for Trunk Highway Bonds.
- **Article 3, Section 96** prevents the Metropolitan Council from spending any funds for study, project development, or construction of a light rail project unless the legislature authorizes the project. While most funding for light rail lines is funding from local or federal partners, this section would prevent the Metropolitan Council from using Council funds on these projects as well.
- **Article 3, Section 97, Section 98, and Section 105** place new requirements on current and future light rail construction projects. Section 97 requires the Council to establish design criteria for co-location of freight rail and light rail that is subject to an independent audit, and an alternatives analysis process. This requirement duplicates existing requirements. Currently, the design criteria are established early in the design phase and is based on input from LRT operations and freight rail operations, state requirements, Federal Railroad Administration (FRA) requirements, and current standards of practice. The design criteria are used in the development of the plans and specifications for the safe operation of LRT. Section 98 requires the Metropolitan Council (or MnDOT) to perform an alternatives

and benefit analysis before beginning environmental analysis or preliminary engineering. An alternatives analysis is already a part of the planning process for New Starts projects.

Section 105 applies Section 97 and Section 98 to Southwest and Bottineau, the two light rail projects currently in project development. I would respectfully remind that SWLRT and BLRT are only two of five New Starts projects nationally authorized to complete final engineering. The Federal Transit Administration's policy is that project sponsors need to demonstrate forward progress on their projects. If HF861 goes into effect, SWLRT would go back to 2008 to revisit the alternatives analysis and would go back to November 2013 when the governor directed the Council to look again at freight rail and light rail co-location, signaling to the FTA that the project is going in reverse rather than demonstrating forward progress.

- **Article 3, Section 99** prevents the Metropolitan Council and local units of government from planning on a state share for the capital costs of a light rail transit project, unless funds are made available by law. History shows the state's 10 percent share has leveraged significant economic benefit for the State of Minnesota. For example, the existing Green Line employed 5,500 construction workers over the years that generated \$256 million worth of payroll. These workers came from 61 Minnesota counties and brought their paychecks home to main street Minnesota. Since construction began on the Green Line in 2010, there has been \$5.1 billion worth of development put in the ground and announced within 1/2 mile of the 23 Green Line stations, \$2.6 billion near the five downtown Minneapolis stations, and \$2.5 billion near stations on University Avenue and in downtown Saint Paul.
- **Article 3, Section 118** requires the Metropolitan Council to pay for a duplicative "vibration susceptibility" analysis for a select group of private property owners along the Southwest Light Rail Transit project. The study is estimated at over \$200,000. A vibration and ground-borne noise assessment was completed for the Final Environmental Impact Statement (FEIS) and the FTA determined that the analysis is adequate. The Council is taking significant measures to minimize impacts from vibration during construction by: (1) Conducting pre- and post-construction inspections of the CI facility; (2) Limiting construction vibration to 0.5 in/sec and monitoring vibration during construction; (3) Implementing a geotechnical monitoring program during construction, including developing a baseline 30 days in advance of construction; (4) Performing tests for significant vibration-generating equipment prior to commencing construction activities; and (5) Using press-in piling construction methods to minimize vibration. The FEIS assessment did not identify any impacts from vibration during LRT operations. The assessment did identify impacts from ground-borne noise during operations. These impacts are addressed with the implementation of resilient fasteners through the length of the tunnel, which are common mitigation application that act as a cushion between the tracks and the tunnel structure.
- **Article 3, Section 124** repeals the provision establishing that 50 percent of net light rail transit operating costs come from state sources. The effect of this repealer is to shift the state's commitment to light rail operations unto CTIB or metro counties—counties that opted into a local option sales tax to supplement the state's contribution to a metro transit system, not supplant it.

The Metropolitan Council continues to support the Governor's proposal to provide a stable and reliable funding source for transit that supports long-term planning and allows for accelerated expansion of the entire system. The proposed ½ cent metro area sales tax would relieve the state of operating and capital costs while providing \$3 billion over ten years for transit. By 2040, the population of the metropolitan region is expected to grow by

800,000, and 1 in 5 people will be 65 or older. To retain and attract young talent and adequately serve the region's residents in the coming years, we must provide an efficient and accessible transit system.

I am available to discuss these concerns with you and committee members at your convenience.

Regards,

A handwritten signature in black ink, appearing to read 'Adam Duininck', with a stylized, flowing script.

Adam Duininck

Chair, Metropolitan Council