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Metropolitan Council - Transportation

Metropolitan Council — Agency Profile

metrocouncil.org/

AT A GLANCE

- 3.1 million residents in the seven-county area in 2017 (55 percent of total state population)
- 888,000 more people from 2010 to 2040 (31% increase) per Council forecasts
- 419,000 more households from 2010 to 2040 (38% increase) per Council forecasts
- 495,000 more jobs from 2010 to 2040 (32% increase) per Council forecasts
- 95.4 million transit rides in 2017
- 2.3 million rides on Metro Mobility in 2017
- 250 million gallons of wastewater treated daily
- 109 communities provided with wastewater treatment in 2017
- Eight treatment plants and 600 miles of regional sewers
- 58 million regional park visits in 2017
- 63 regional parks and park reserves totaling 55,000 acres in the seven-county metropolitan area
- 51 regional trails totaling 389 miles in the seven-county metropolitan area
- 7,200 low-income households provided affordable housing by the Council's Metro HRA in 2017

PURPOSE

The Metropolitan Council is the regional policy-making body, planning agency, and provider of essential services for the Twin Cities metropolitan region. The Council's mission is to foster efficient and economic growth for a prosperous region in partnership with more than 180 communities and seven counties.

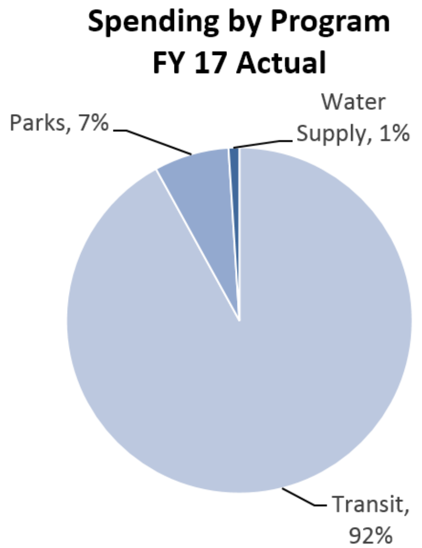
We provide cost-effective transit and wastewater services, assist households with low and moderate incomes to find affordable housing, and support communities as they plan for anticipated growth.

As our region grows and its demographics change, the Council is working in partnership with communities to ensure we are prepared to support the continued growth of our region. As the economic engine of the state, the metro region's health and vitality has a statewide impact. Through our planning activities and the provision of regional services, we contribute to the following statewide outcomes:

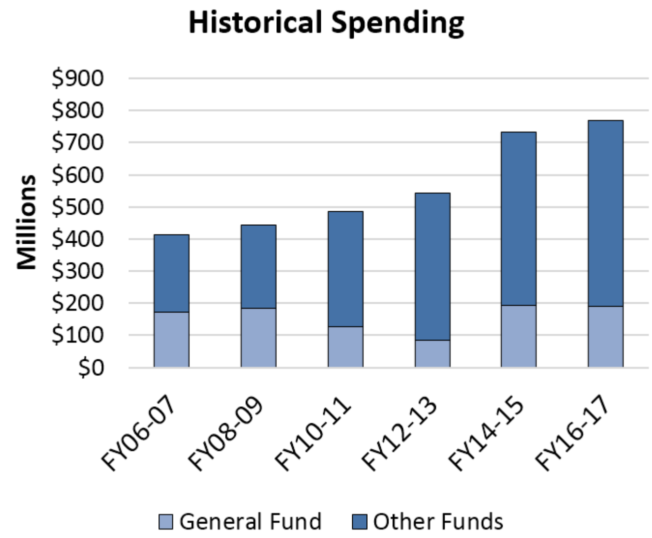
- A thriving economy that encourages business growth and employment opportunities
- A clean, healthy environment with sustainable uses of natural resources
- Sustainable options to safely move people, goods, services, and information
- A livable and attractive place for people of all races, ethnicities, incomes, and abilities to call home and be prosperous

The charts on the next page show appropriations to the Metropolitan Council recorded in SWIFT. The Council's unified operating budget for calendar year 2018 is $1.1 billion. State appropriations for transit and parks operations and water supply planning provided approximately 38 percent of agency funding in CY18. The majority of our operating funding comes from charges for services (wastewater fees and passenger fares), federal funds, property taxes and local funds.

BUDGET



Source: BPAS



Source: Consolidated Fund Statement

STRATEGIES

Our governing body – the 17-member Metropolitan Council – plays a key convening role, bringing together communities to develop policies and a shared vision for the region. To achieve our mission, we carry out planning initiatives and provide essential services to the region.

Planning Initiatives

- Our regional plan, Thrive MSP 2040, is the overarching policy and planning document that defines the regional vision, guides the development of the region through its land use policy, and defines the high level approach outlined in each related policy plans. Development of the document included several years of engagement with residents, local governments, and other partners to create a framework for a shared vision for a prosperous, equitable, and livable region.
- Regional planning initiatives include transportation, parks, water resources, community planning, and housing.

Transportation

- We continue to look for adequate financial resources to support the transit system. As the demand for service grows and service costs increase, revenue is not keeping up. We anticipate that transit demand will increase 80 percent by 2040. At the same time, forecasted growth in motor vehicle sales tax revenues, a major source of transit funding, has flattened and is volatile.
- Our Metro Transit bus and rail systems provide more than 80 million rides every year, getting people to work, school, and services. This contributes to managing road congestion by taking single-occupancy vehicles off metropolitan highways so businesses can move their goods efficiently.
- Our Metro Mobility and Transit Link services transport people unable to use regular-route transit service.
- Our transportation planners play a key role in collaborating with local communities to create our vision for roads, airports, and transit to ensure effective and cost-efficient investments.

Parks

- We partner with 10 parks implementing agencies to plan, acquire land, and develop facilities for regional parks and trails. Our goal is to preserve natural resources and provide recreational opportunities throughout the region.

Clean water and wastewater treatment

- We foster a safe and healthy environment through our award-winning and cost-effective wastewater treatment services, water supply planning, and water quality monitoring initiatives.

Planning and development

- Our Livable Communities grants help fund affordable housing; clean polluted land for redevelopment; and create new models for livable, walkable, connected neighborhoods and transit-oriented developments, stimulating and leveraging private investment and increasing communities' tax base.
- We coordinate local communities' comprehensive plans, providing technical assistance and resources, to ensure coordinated, orderly, and efficient development in the region.

Housing

- Our Housing Policy Plan identifies regional housing needs and priorities, connects housing to other Council system plans, and provides guidance for local housing planning.
- Our Metro HRA provides rent assistance for more than 7,200 low-income residents in nearly 100 communities.

Minnesota Statutes, Chapter 473 (https://www.revisor.mn.gov/statutes/?id=473) provides the legal authority for Metropolitan Council.

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20	Forecast Base FY21	Governor's Recommendation FY20	Governor's Recommendation FY21
Expenditures by Fund								
1000 - General	81,626	101,126	121,031	129,820	89,820	89,820	96,004	111,056
1050 - Transit Assistance	257,172	271,535	278,040	293,993	309,312	329,076	319,662	347,976
Total	**338,798**	**372,661**	**399,071**	**423,813**	**399,132**	**418,896**	**415,666**	**459,032**
Biennial Change				111,425		(4,856)		51,814
Biennial % Change				16		(1)		6
Governor's Change from Base								56,670
Governor's % Change from Base								7

Expenditures by Program	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Transit	338,798	372,661	399,071	423,813	399,132	418,896	415,666	459,032
Total	**338,798**	**372,661**	**399,071**	**423,813**	**399,132**	**418,896**	**415,666**	**459,032**

Expenditures by Category	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Grants, Aids and Subsidies	338,798	372,661	399,071	423,813	399,132	418,896	415,666	459,032
Total	**338,798**	**372,661**	**399,071**	**423,813**	**399,132**	**418,896**	**415,666**	**459,032**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General								
Direct Appropriation	81,626	101,126	121,031	129,820	89,820	89,820	96,004	111,056
Expenditures	**81,626**	**101,126**	**121,031**	**129,820**	**89,820**	**89,820**	**96,004**	**111,056**
Biennial Change in Expenditures				68,099		(71,211)		(43,791)
Biennial % Change in Expenditures				37		(28)		(17)
Governor's Change from Base								27,420
Governor's % Change from Base								15

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
1050 - Transit Assistance								
Balance Forward In	73	2	22	17				
Receipts	257,099	271,535	278,035	293,976	309,312	329,076	319,662	347,976
Balance Forward Out		2	17					
Expenditures	**257,172**	**271,535**	**278,040**	**293,993**	**309,312**	**329,076**	**319,662**	**347,976**
Biennial Change in Expenditures				43,326		66,355		95,605
Biennial % Change in Expenditures				8		12		17
Governor's Change from Base								29,250
Governor's % Change from Base								5

(Dollars in Thousands)

	FY19	FY20	FY21	Biennium 2020-21
Direct				
Fund: 1000 - General				
FY2019 Appropriations	**129,820**	**129,820**	**129,820**	**259,640**
Base Adjustments				
Current Law Base Change		(40,000)	(40,000)	(80,000)
Forecast Base	**129,820**	**89,820**	**89,820**	**179,640**
Change Items				
Transit Services for Persons with Disabilities		10,569	25,621	36,190
Rail Services Base Reduction		(4,385)	(4,385)	(8,770)
Total Governor's Recommendations	**129,820**	**96,004**	**111,056**	**207,060**
Dedicated				
Fund: 1050 - Transit Assistance				
Planned Spending	**293,993**	**309,312**	**329,076**	**638,388**
Forecast Base	**293,993**	**309,312**	**329,076**	**638,388**
Change Items				
Transportation Funding Package		10,350	18,900	29,250
Total Governor's Recommendations	**293,993**	**319,662**	**347,976**	**667,638**
Revenue Change Summary				
Dedicated				
Fund: 1050 - Transit Assistance				
Forecast Revenues	**293,976**	**309,312**	**329,076**	**638,388**
Change Items				
Transportation Funding Package		10,350	18,900	29,250
Total Governor's Recommendations	**293,976**	**319,662**	**347,976**	**667,638**

Metropolitan Council

FY 2020-21 Biennial Budget Change Item

Change Item Title: Transit Services for Persons with Disabilities

Fiscal Impact ($000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Expenditures	10,569	25,621	25,621	25,621
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	10,569	25,621	25,621	25,621
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends a general fund base increase of $10.569 million in FY20 and $25.621 million each year ongoing for the Metropolitan Council to continue to provide transit services for persons with disabilities. This will increase the biennial appropriation by 20%. The Governor also recommends changes to statute that would allow the Council and the Department of Human Services (DHS) to share client data, allowing the Council to receive additional federal funds for the Metro Mobility program.

Rationale/Background:

Metropolitan Council operates Metro Mobility which provides rides to certified riders who are unable to use regular-route buses due to a disability or health condition. In addition to general inflationary pressures, Metro Mobility is experiencing growing ridership demand. The mandated service necessary to meet federal and state requirements, and to meet the service needs of the clients, is substantially more expensive to provide than regular transit service. Each year Metro Mobility takes up a larger portion of Metropolitan Council revenues. By 2022, the Metro Mobility budget is anticipated to grow from 14.25% to more than 16.25% of the Council’s Total Transit Operating Budget.

The Council receives an annual base general fund appropriation of $89.82 million for transit services. This funding is first used to meet the state’s commitment to rail, then Metro Mobility. To establish a base appropriation for Metro Mobility of $57.166 million, the FY19 commitment to rail was subtracted from the total base appropriation. The Council built operating reserves in 2017-2018 that help mitigate the need for additional state funding in FY20. The new base for Metro Mobility will be $82.787 million.

The Council’s state general fund appropriation request for the FY22-23 biennium reflects the implementation of a data-sharing program between the Council and the DHS that would enable the Council to receive federal funds for Medical Assistance and DHS Waivered service clients transported by Metro Mobility. This change item assumes that the Council receives $8 million per year starting in FY22, reducing its state general fund appropriation request by a comparable amount. If the federal revenues end up being lower than this estimate, the future state general fund appropriation request would increase.

Proposal:

This proposal would provide additional general funds to maintain Council services for persons with disabilities. Although the existing program does not change, the number of persons with disabilities relying on these mandatory services continues to grow.

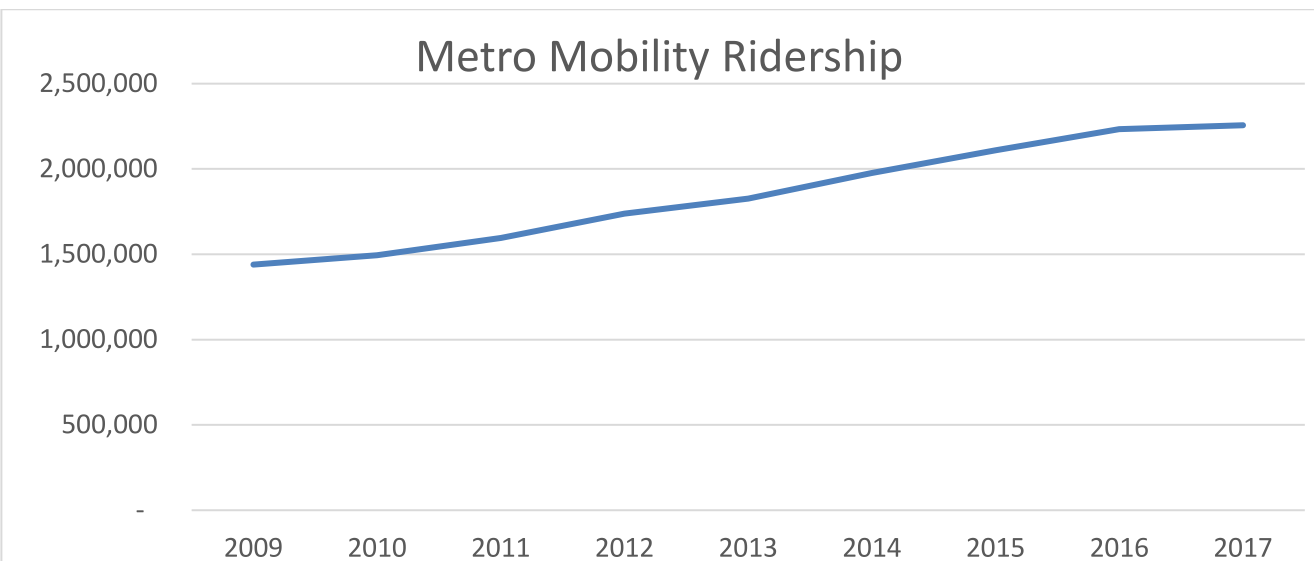
Key assumptions that impact the cost of the proposal:

- Base funding level is the Council's Proposed State Fiscal Year 2019 Budget
- CY 2019 Beginning Fund Balances projected in the Council's 2018 3rd Quarter Financial Report
- Current law and current program structure, with data sharing legislation enacted during the 2019 Legislative Session
- Current fare structure
- Metro Mobility fares grow 6.2% annually to reflect increasing ridership
- Metro Mobility Service Provider contract costs grow 8.324% annually due to 2% growth in contract costs compounded by 6.2% ridership
- All other expenses grow by an annual inflation rate of 3.15%

Equity and Inclusion:
This change item will benefit residents who are unable to use fixed-route buses due to a disability or health condition. Recognizing that our region cannot compete economically if we are leaving a growing share of our population behind, the Metropolitan Council incorporated an "equity" outcome into *Thrive MSP 2040*, the comprehensive development guide required by state statute. The *Thrive MSP 2040* equity outcome commits the Metropolitan Council to creating real choices in where we live, how we travel, and where we recreate for all residents, across race, ethnicity, economic means, and ability. This outcome also commits the Metropolitan Council to fully engaging communities in decision-making in accordance with the Metropolitan Council's *Public Engagement Plan*. This includes engaging Metro Mobility customers to ensure the service meets their needs.

IT Related Proposals:
Not applicable.

Results:
Metro Mobility ridership has increased 57 percent between 2009 and 2017, or an annual average of 6 percent.



Statutory Change(s):
Minnesota Statutes 13.461, 13.72, and 473.386

Metropolitan Council

FY 2020-21 Biennial Budget Change Item

Change Item Title: Transit Sales Tax Increase

Fiscal Impact ($000s)	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Special Revenue Fund (DOR)				
Expenditures	261	636	659	682
Revenues	261	636	659	682
Other Funds (Met Council)				
Expenditures	28,739	70,064	72,541	75,118
Revenues	28,739	70,064	72,541	75,118
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs (DOR)	**3.1**	**7.1**	**7.3**	**7.6**

Recommendation:

The Governor recommends enactment of a 1/8 cent sales tax in the seven-county metropolitan area to maintain and expand the regional bus and transitway system. Revenues from the sales tax, along with the Minnesota Department of Transportation proposal to increase the motor vehicle sales tax rate from 6.5 percent to 6.875 percent and state general obligation bonds would:

- Eliminate a structural deficit in the regional bus system
- Build out 10 Bus Rapid Transit (BRT) lines
- Increase service in the region's busiest transit corridors by 40 percent
- Increase regional transit ridership by 30-40 percent
- Begin the electrification of the regional fleet by adding at least 150 electric buses
- Improve the transit customer experience through investments in safety, shelters and technology

The Minnesota Department of Revenue will administer this tax for the Metropolitan Council, including working with retailers in the jurisdiction, updating tax collection systems, and compliance. The department will recover administrative costs from the revenue raised by the tax in its local sales tax administration account in the state special revenue fund.

Rationale/Background:

Today, more than three million people call the metropolitan region their home – 55 percent of the entire state. By 2040 the region is expected to add an additional 700,000 people and 500,000 jobs. As the region's population grows and changes, demand for reliable transit options will increase. That growing population will include more people of color, millennials, and seniors – all these cohorts use transit at higher rates than their peers.

Since 2011, the Metropolitan Council has provided 600 million transit rides, many of them connecting people to work or school. A reliable, safe and comprehensive transit system is a key part of our region's economic competitiveness, and our ability to attract and retain businesses, workers, and people. Ridership has steadily increased over the past decade; however, that trend has stagnated in the past several years. When looking more closely at ridership trends, while bus ridership is declining, ridership on rail and arterial BRT has been increasing. Put simply, when we invest in transit, ridership follows.

Over the past several years, investment in transit has failed to keep up with the growing demand for services. Further, existing revenues will not be sufficient to maintain existing service levels. In the next biennium alone, the regional bus system is facing a deficit over $53 million and more than $250 million over the next 10 years.

While the Council has managed some of the deficit with one-time savings, smart fiscal management, and $70 million in onetime general funds, without new investment, our region will continue to fall behind peer regions.

Proposal:
The Metropolitan Council is proposing that the state enact an 1/8 cent sales tax in the seven-county metropolitan area and invest the revenues - $770 Million over 10 years - to fund the structural deficit in the regional bus system, and build and operate an expanded, integrated regional transit system. An aggressive investment in BRT would mean nearly 40 percent more bus service in our region's busiest transit corridors. This would significantly increase transit access to nearly 500,000 jobs along 10 corridors.

This investment in BRT complements the expansion planned for the next 10 years in the long-term regional transportation plan including Green Line extension (SWLRT), Blue Line extension (Bottineau LRT), Orange Line BRT, Gold Line BRT, and Rush Line BRT. It would also support an additional 3-5 percent investment in regular route bus.

In total, these investments would lead to a 30-40 percent increase in regional transit ridership in the greater Minneapolis-Saint Paul region over the next 10 years.

Accomplishing this plan is dependent on:
- MnDOT's proposal to increase the motor vehicle sales tax from 6.5 percent to 6.875 percent;
- State GO Bonds;
- Continued financial support from the county transit sales tax collections in the region.

The Minnesota Department of Revenue will administer this tax for the Metropolitan Council. The administrative costs contained in this proposal are shown in the Expenditure Overview, Financing by Fund, and Change Summary fiscal reports contained in the Minnesota Department of Revenue's operating budget book.

Equity and Inclusion:
More than 30 percent of transit riders are transit dependent, meaning they can't afford a car. In addition to serving low-income populations, people of color also use transit at higher rates than white people. Investments in these transit corridors helps people who rely on public transit, giving them the ability to live and work throughout the region, and access opportunities. If everyone is going to have a seat at the table in One Minnesota, we need to properly fund transit, so everyone can get to the table.

Results:
- 10 new Bus Rapid Transit (BRT) lines
- 40 percent service increase in the region's busiest transit corridors
- 30-40 percent increase in regional transit ridership
- 150 electric buses
- Improved transit customer experience

Statutory Change(s):
MS 297B.02

Transportation

FY 2020-21 Biennial Budget Change Item

Change Item Title: Transportation Funding Package

Fiscal Impact ($000s)	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**
General Fund				
Expenditures	40	130	170	180
Revenues	227,654	223,614	224,604	226,334
Highway User Tax Distribution				
Revenues	177,802	720,781	875,852	907,993
Transfers Out	177,802	720,781	875,852	907,993
Trunk Highway Fund				
Expenditures	102,373	417,547	506,628	525,076
Transfer In	102,373	417,547	506,628	525,076
County State Aid Fund				
Revenues	(3,952)	(3,340)	(2,752)	(2,284)
Expenditures	52,623	227,410	277,227	287,889
Transfer In	56,575	230,750	279,979	290,173
Municipal State Aid Fund				
Expenditures	14,861	60,612	73,543	76,221
Transfer In	14,861	60,612	73,543	76,221
Transit Assistance Fund				
Expenditures	10,350	18,900	19,800	20,500
Revenues	7,548	17,660	19,248	20,516
Transportation Fund				
Expenditures	0	(13,052)	(13,715)	(14,352)
Revenues	(13,052)	(13,715)	(14,352)	(14,859)
DNR Transfers				
Expenditures	3,826	4,172	4,341	4,377
Transfer In	3,993	11,872	15,702	16,523
Net Fiscal Impact = (Expenditures – Revenues)	(211,927)	(229,281)	(234,606)	(237,809)
FTEs (DNR)	**6.25**	**6.25**	**6.25**	**6.25**
FTEs (MnDOT)	**0**	**50**	**75**	**100**
***HUTD Transfers out include transportation funds only.**				

Recommendation:

The Governor recommends the state commit to a major transportation investment plan to fund the estimated $6 billion dollar gap that exists between funding needs and available revenues over the next 10 years. The Governor proposes filling the $6 billion gap in road and bridge funding by:

- Initiating a 20 cent gas tax increase, including fuel in distributor storage at the start time of each increase (phased-in over two years in October and April in FY20 and FY21)
- Indexing the gas tax to inflation (beginning in FY23)
- Increasing the registration tax, effective January 1, 2020 (increase tax rate from 1.25 percent to 1.5 percent and base tax fee from $10 to $45; change the depreciation schedule; amend base value calculation by removing destination charge and hold harmless provision of statute)
- Increasing the motor vehicle sales tax from 6.5 percent to 6.875 percent, effective December 1, 2019
- Authorizing $2 billion in trunk highway bonds over 8 years starting in 2022

The gas tax, registration tax, and motor vehicle sales tax increases will fund roads and bridges for the state trunk highways, county state aid highways, and municipal state aid streets. In the FY22-23 biennium, when revenue changes are completely phased in, the increased revenue from the gas tax, motor vehicle sales tax, and registration fees are forecast to increase available resources for each transportation fund by 30 percent.

To help lower- and middle-income Minnesotans pay for transportation investments, the governor proposes an increase to the Working Family Credit of $100 for each single or head of household recipient and $200 for each married filing jointly recipient. This proposal is described in the Tax Aids, Credits and Refunds section. In addition, while the gas tax increase would impact how our rate compares to neighboring states, the existing qualifying service station tax credit would ensure Minnesota service stations within 7.5 miles of the state border receive refunds that effectively reduce the rate to not more than three cents per gallon above the rate of the neighboring state.

Other Components:

In addition to the new funding above, the Governor recommends:

- Returning the auto parts sales tax, 9.2 percent motor vehicle rental tax, and 6.5 percent sales tax on motor vehicle rentals currently deposited into the Highway User Tax Distribution (HUTD) Fund as of FY2018 back to the General Fund beginning in FY2020. This results in an increase to the General Fund of $395 million in FY20-21 and $404 million in FY22-23.
- Restoring the motor vehicle lease sales tax to the pre-2018 distribution levels. This results in $32 million returned to the General Fund, annually.
- In total, the General Fund would receive $459 million in FY20-21 and $468 million in FY22-23.

General fund revenues are reduced by $8 million in the FY20-21 biennium due to increased petroleum refunds and income tax interactions with the registration tax. General fund expenditures decrease by $170,000 for the biennium for increased aid to counties with casinos under M.S. 270C.19 (https://www.revisor.mn.gov/statutes/cite/270C.19) due to the increase in gas tax.

Authorization for the sale of $2 billion in trunk highway bonds over 8 years starting in 2022 ($250 million per year). Debt service for these bonds is estimated to be $22.2 million for the FY22-23 biennium.

Several components in this proposal require changes to the Minnesota Licensing and Registration System (MNLARS). Costs associated with changes to MNLARS will be funded through the Department of Public Safety's MNLARS budget recommendation.

Rationale/Background:

Minnesota cannot preserve and improve quality and performance of the state's transportation systems under the combined limitations of current investment levels and current lifecycle replacement practices. The consequences of underinvesting in the state's transportation system will include deterioration in service, increases in congestion, failing infrastructure and diminished ability to remain economically competitive. This is because transportation systems facilitate the efficient movement of people and goods and create the opportunity for economic development, enhanced productivity, job formation and sustainable growth. Without additional investment, the transportation system will not be able to expand to accommodate expected population and job growth. In addition, alternatives to driving alone must play a larger role in satisfying growing transportation demand - roads, transit and other transportation modes must work together as one system.

Road and Bridge Funding

The 2018 Minnesota Statewide Highway Investment Plan (MnSHIP) determined additional funding was needed for transportation, due largely to aging infrastructure and construction costs exceeding the growth of existing revenues. Overall, the department faces a $6 billion gap in revenue over the next ten years above current fund balance projections to fund needed investments in state road construction. Of this total gap, roughly $4 billion is needed for preservation and modernization, and $2 billion is needed for strategic expansion.

Without additional revenue, there will be:

- Increasing deterioration of pavement and bridges on state system. The percent of highway pavement considered in poor condition (rough driving surface) and the percent of bridge deck pavement considered in poor condition it is estimated to increase significantly in the next 20 years.
- Very little expansion to address population and economic growth
- Reductions in high priority products and service delivery

In addition, more operations and maintenance dollars are recommended, calculated at 5 percent of new Trunk Highway Fund revenues. This additional funding will be spent on snow plowing, fixing pot holes and guard rails, etc. Investing in operations and maintenance is needed due to declining asset conditions, increased snow and ice requirements, and the need for more timely maintenance.

Proposal:

Road and Bridge funding components

New revenues and bonding would be identified to help close the funding gap over the next ten years. The goal is an integrated transportation system that optimizes the movement of people and goods across the state. With new funding, we can:

- Improve asset management - preserve and modernize the existing system
- Invest in strategic mobility enhancements, including MnPASS and other intelligent transportation tools
- Complete strategic expansion on key corridors throughout the state
- Complete Main Street improvements

The benefits for Minnesotans will include:

- Reduced wear and tear on their cars
- Fewer stops at the fuel pump due to smoother roads and reduced congestion
- Fewer accidents
- More time doing what they need to do
- Reduced impacts on our environment

MnDOT has identified pavement and bridge needs as well as mobility projects that are not currently being addressed through its 10-year work plan. These unmet needs and projects will be given priority. These funds will provide for capital costs of construction as well as project development and engineering activities with contractor support, allowing the department to utilize this funding in the most efficient manner.

MnDOT proposes to utilize the increased operating appropriations for our highest-priority products and services. Some of these include:

- Snow and Ice - keeping the roads clear of snow and ice
- System Roadway Structures Maintenance – repair potholes (pavement repair)
- Bridges and Structures Inspection and Maintenance
- Intelligent transportation systems for improved safety and mobility

The Governor’s proposal provides constitutionally dedicated funding increases that can be relied on over the long term and can only be used for transportation purposes. Returning auto parts and other taxes to the general fund results in the availability of funding for other state priorities.

Department of Natural Resources Funding Components

The Governor's proposal provides constitutionally dedicated funding increases that can be relied on over the long term and can only be used for transportation purposes. Returning auto parts and other taxes to the general fund results in the availability of funding for other state priorities.

The Department of Natural Resources (DNR) receives a portion of the unrefunded gasoline tax, which has supported the state's recreational motorized vehicle activities and forest roads since 1961. This funding is dedicated to the DNR with the broader goal that the unrefunded gasoline proceeds should support programs related to non-highway gasoline use.

This revenue enables additional investment in Minnesota's water recreation facilities and services. The proposal funds $3.35 million annually for increased operations and maintenance of public water access sites and state trails ($1.35 million) and increasing boating access site rehabilitation ($2 million). Additionally, this proposal increases grants to local sheriff offices by $300,000 annually to reimburse for search and rescue efforts.

This proposal also increases revenues to DNR's forest road account by $170,000 in FY20, $506,000 in FY21, $670,000 in FY22, and $705,000 in FY23. The state and counties (with a land commissioner) split this revenue 52% and 48% respectively. This increase funds additional graveling, grading, and drainage projects to maintain the state's 2,340-mile forest road network used by the forest industry, emergency responders and outdoor enthusiasts.

Transit Funding Components

Revenue from the motor vehicle sales tax is split between the HUTD (60 percent) and the Transit Assistance Fund (40 percent). The Metropolitan Council receives 90 percent of the motor vehicle sales tax revenue in the Transit Assistance Fund and MnDOT receives the remaining 10 percent for greater Minnesota transit.

Over the long-term, greater Minnesota transit revenues will increase from the proposed increased MVST rate. However, restoring the motor vehicle lease sales tax to the pre-2018 distribution levels results in a short-term reduction in revenue. To offset the decrease in revenue between FY20-23, MnDOT is amending internal accounting practices to allow additional spending of the motor vehicle lease tax revenue in the current year (current accounting practices involve carrying forward all of this revenue each year, and planning spending in the subsequent year).

Equity and Inclusion:

A safe, reliable and multimodal system of transportation is vital to ensuring equity and inclusion by connecting communities statewide. This needed funding will also provide additional contracting opportunities to certified small businesses and opportunities to work towards enterprise-wide goals of equity and inclusion.

IT Related Proposals:

N/A

Results:

Currently, Minnesota's total state gasoline taxes are 28th highest in the country, including District of Columbia. Since 2013, Minnesota has dropped from 19th highest state gasoline taxes, as a result of other states increasing their gasoline tax rate. Over a 10-year period, the inflation-adjusted tax on gasoline is projected to add an additional 28 cents to the price of a gallon of gasoline.

These investments would provide additional long-term sustainable and dedicated funding. MnDOT would plan to rehabilitate the system for the 21st century by:

- Improving an additional 1,800 miles of pavement and repair or replace an additional 300 bridges on state highways
- Accelerate progress toward the state goal of zero highway deaths with targeted installation of rumble strips, median barriers, lighting and other safety improvements. The Minnesota Toward Zero Death program has helped decrease injuries and deaths on the highway
- Keep roadside infrastructure in a state of good repair

In addition, MnDOT has operating performance measures that will be impacted by this proposal. All are anticipated to decline without additional funding; and this would reduce the decline. They include:

- Snow Plowing Performance – meet clearance targets
- Smooth Roads – percent of pavement patching addressed
- Percent of projects let in the year scheduled

Statutory Change(s):

Gasoline Tax: M.S. 296A.07 and M.S. 296A.08
Vehicle Registration Taxes: M.S. 168.013
Motor Vehicle Sales Tax: M.S. 297B.02
Motor Vehicle Lease Sales Tax: 297A.815
General Fund Transfers: M.S. 297A.94 and 297A.64

Metropolitan Council

FY 2020-21 Biennial Budget Change Item

Change Item Title: Regional Transit Bonding Authority

Fiscal Impact ($000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Expenditures	0	50	520	820
Revenues	0	(40)	(400)	(640)
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	90	920	1,460
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends the Metropolitan Council's authority to issue bonds under M.S. 473.39 be increased by $92,300,000 to implement the Council's transit capital improvement program.

Rationale/Background:

The Metropolitan Council is given authority to issue general obligation bonds to implement the Council's transit capital improvement program in M.S. 473.39. Council bonding authority is used primarily for bus and paratransit vehicle replacement as a local match for Federal Appropriations. This one-time authority is subject to the volume limitations in this section and when exhausted, the Council requests additional authority. The Council is requesting $92,300,000 in additional authority.

Proposal:

In addition to the authority previously granted in M.S. 473.446, the proposal allows the Council to issue certificates of indebtedness, bonds, or other obligations under this section in an amount not exceeding $92,300,000 for capital expenditures as prescribed in the council's transit capital improvement program and for related costs, including the costs of issuance and sale of the obligations. Of this authorization, after July 1, 2019, the council may issue certificates of indebtedness, bonds, or other obligations in an amount not exceeding $45,400,000 and after July 1, 2020, the council may issue certificates of indebtedness, bonds, or other obligations in an additional amount not exceeding $46,900,000.

Council transit bonds are repaid through a property tax authorized in M.S. 473.446. Higher levies will increase property taxes on all property. They result in higher homeowner property tax refunds, increasing costs to the state general fund. Higher levies also increase income tax deductions, reducing revenues to the state general fund. The net impact on the general fund is $90,000 in FY 2021, and $2.38 million in FY 2022-23. The fiscal impact is represented in the Tax Aids, Credits and Refunds budget pages.

Results:

The Council will implement its transit capital improvement program.

Statutory Change(s):

Minnesota Statutes, Section 473.446

Metropolitan Council

FY 2020-21 Biennial Budget Change Item

Change Item Title: Rail Services Base Reduction

Fiscal Impact ($000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Expenditures	(4,385)	(4,385)	(4,385)	(4,385)
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	(4,385)	(4,385)	(4,385)	(4,385)
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends a general fund base decrease of $4.385 million in FY20 and $4.385 million each year ongoing for the Metropolitan Council to continue to provide rail transit services. The base reduction for rail will decrease the biennial appropriation for rail by 13%.

Rationale/Background:

The Council receives an annual base general fund appropriation of $89.82 million for transit services. This funding is first used to meet the state's commitment to rail, then Metro Mobility. To establish a base appropriation for rail ($32.654 million) and Metro Mobility ($57.166 million), the FY19 commitment to rail was subtracted from the total base appropriation. The new general fund base for rail will be $28.269 million.

MS 473.4051 subd. 2 provides that, after operating revenue and federal money have been used to pay for light rail transit operations, 50 percent of the remaining operating costs must be paid by the state. The Counties in which the light rail line resides have proportionally shared the remaining 50 percent of operating costs. The proposed base general fund reduction will shift a portion of the state's funding share for light rail transit to the Motor Vehicle Sales Tax where it will compete with bus funding pressures.

Proposal:

This proposal reduces the proportion of general funds available to meet the state's funding commitment to rail.

IT Related Proposals:

Not applicable.

Results:

The METRO Green Line LRT, METRO Blue Line LRT, and Northstar Commuter Rail all broke ridership records in 2017. Ridership on METRO Green Line his 13.1 million rides for an increase of 3.5% over 2016. Metro Blue line ridership increased nearly 4% for 2016 to 2017 and Northstar Commuter rail increased nearly 12%.

Statutory Change(s):

None.

Program: Transit

metrocouncil.org/

AT A GLANCE

- In calendar year 2017
  - 95.4 million total regional transit rides
  - 81.9 million Metro Transit rides
  - 2.3 million Metro Mobility rides
- Metro Green Line (Central Corridor)
  - Service initiated June 2014
  - Attracted $2.7 billion in development within one-half mile of the line
  - Created more than 5,400 jobs
- Metro Blue Line (Hiawatha)
  - 15,000 housing units developed within one-half mile of the line

PURPOSE & CONTEXT

Transportation is the engine of our regional – and state – prosperity. A reliable, affordable, and efficient transportation system promotes a competitive economy, safety and security, a healthy environment, and a livable region.

As our region continues to grow and adds more vehicles to our transportation system, transit is an ever-more critical component to our transportation system. Transit provides a sustainable, efficient, and effective option to address increasing roadway congestion and improve air quality. It is one of the most important assets to businesses looking to attract and retain employees. Our transportation planners continuously look for new and innovative ways to provide more efficient service that meets customer needs and to leverage the opportunities of emerging technologies to enhance the customer experience and improve service performance.

Transit functions are funded by passenger fares, advertising revenues, state appropriations, Motor Vehicle Sales Tax (MVST), local (county) sales taxes, federal revenue, and other local sources.

SERVICES PROVIDED

The Metropolitan Council is responsible for the state's largest public transit system, which provides nearly 100 million rides each year on bus and rail in the region. Metro Transit, which operates Northstar Commuter Rail, light rail, and bus services, provides the bulk of those regional rides. Metro Transit has been at the forefront of improvements in our regional transit system, creating communities that are more equitable, economically competitive and sustainable. The American Public Transportation Association (APTA) named Metro Transit the 2016 System of the Year, recognizing the service for its safety, vehicle and facilities maintenance and operations, and record ridership.

Metropolitan Council also operates several services for people unable to access or use regular bus or rail route service. Metro Mobility provides rides to certified riders who are unable to use regular-route buses due to a disability or health condition. Transit Link is the Twin Cities dial-a-ride bus service for the general public, where regular-route transit service is not available. The Council also offers a regional commuter vanpool program, Metro Vanpool, which provides financial assistance for vanpools of five to 15 people, including a volunteer driver. This program is targeted to commuters going to and from work destinations throughout the region in areas not well served by the regular-route transit network.

In 2017, the region provided 95.4 million rides, through Metro Transit, the Council's additional transit options, and the suburban transit providers. Metro Transit provided 81.9 million of those rides, and Metro Mobility provided 2.3 million rides. The Council:

- operates and maintains bus, light rail, and commuter rail services;
- adds new and expands existing bus routes to meet growing demand, and adjusts existing routes when necessary to meet market needs;
- develops a network of rail and bus "transitways" with service mode and alignment selected and implemented based on an extensive alternatives analysis and local input. Transitways include bus and rail transit that enable efficient, reliable travel times and an improved passenger experience on high-demand corridors in the region; and
- work with MnDOT, counties, and cities to increase the travel speed of transit through initiatives including bus-only shoulders, ramp meter bypasses, and signal priority.

The Metropolitan Council transit program financing by fund presented in the state's budget system is further categorized in the Council's financial system as follows:

Metropolitan Council - Transportation

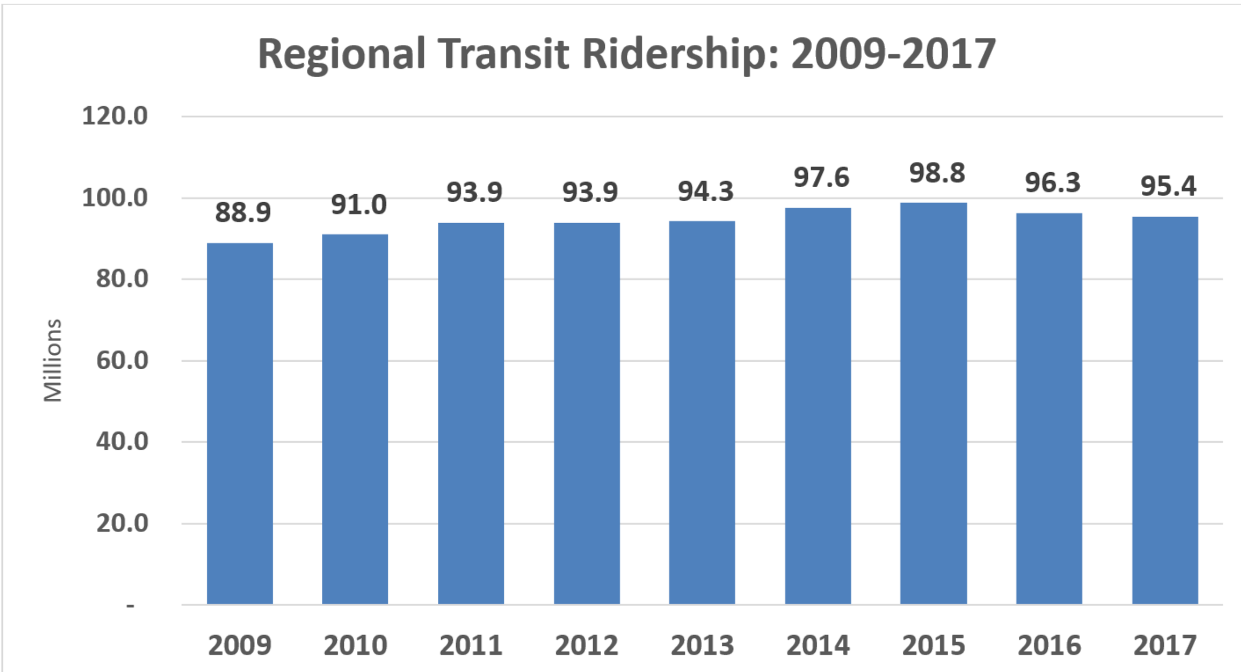
	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY20**	**FY21**
1000 - General								
Direct Appropriation	**81,626**	**101,126**	**121,031**	**129,820**	**89,820**	**89,820**	**96,004**	**111,056**
Expenditures								
Transit Service for Persons with Disabilities:								
Metro Mobility	46,714	58,120	75,175	64,966	57,166	57,166	67,735	82,787
					57,166	**57,166**	**67,735**	**82,787**
Biennial Change in Expenditures								**36,190**
Other Transit Services:								
Regular Route Bus Service (Metro Transit Bus)	11,591	21,686	21,611	30,820	-	-	-	-
Contracted Bus Service (Transit Link, Fixed Route)	-	-	-	-	-	-	-	-
Pass-Through (STP, TMO)	1,200	1,000	2,145	1,380	-	-	-	-
Transportation Planning	-	-	211	-	-	-	-	-
Light Rail Transit	22,121	20,320	18,326	25,402	25,402	25,402	21,017	21,017
Commuter Rail	-	-	3,563	7,252	7,252	7,252	7,252	7,252
					32,654	**32,654**	**28,269**	**28,269**
Biennial Change in Expenditures								**(8,770)**
Total Expenditures	**81,626**	**101,126**	**121,031**	**129,820**	**89,820**	**89,820**	**96,004**	**111,056**
Biennial Change								**27,420**
Estimated Regional Allocation in Total Expenditures	3,283	4,420	5,635	6,593	3,492	3,562	3,284	3,406

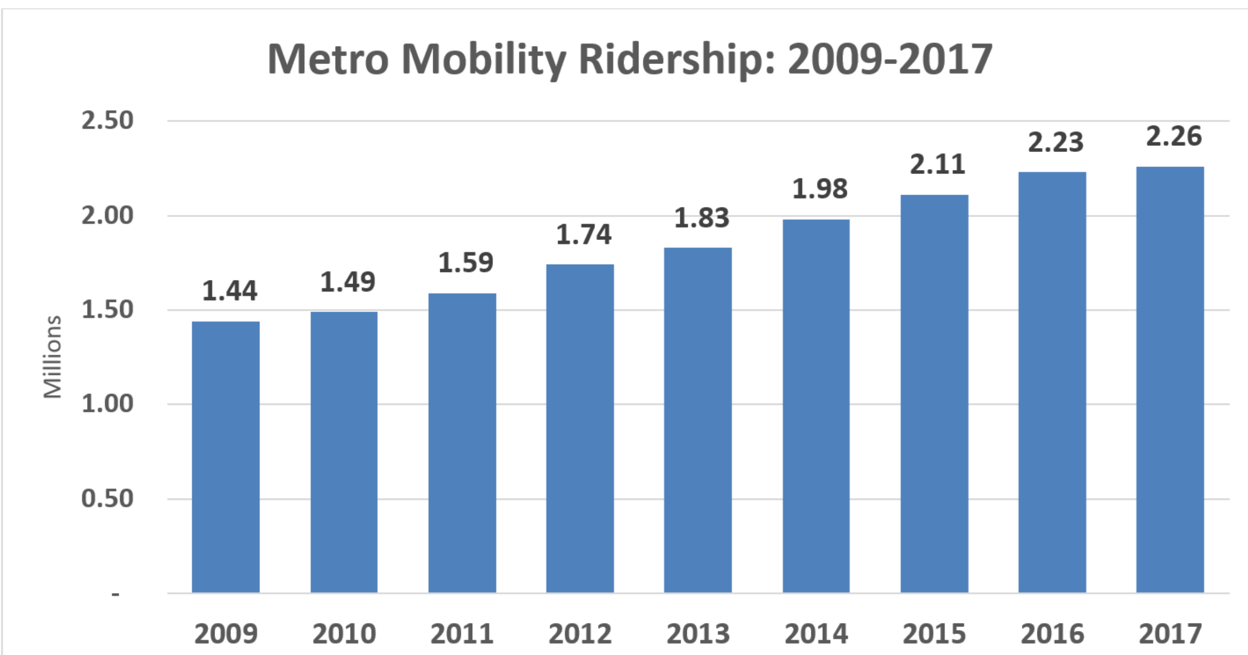
Regional Administration provides administrative support services (e.g. Human Resources, Information Technology, Contracts and Procurement, etc.) to all Metropolitan Council divisions. Costs associated with these support services are allocated to divisions using basis approved in the Council's Federal Cost Allocation Plan to assure equitable distribution. Amounts shown for Regional Administration in the table above are estimated based on the proportional general fund share of total revenues for each program using the Council's calendar year actual results and budget.

RESULTS

Transit Ridership

Ridership measures transit system accessibility, quality, and system growth. Growth in ridership is an indication that more people are able to meet their mobility needs using transit. Existing transit ridership shown below includes all transit providers in the region. The second chart shows Metro Mobility ridership that is growing at faster rates than other transit.





Source: Metropolitan Council

Transit ridership continues to break records on a monthly and yearly basis. In 2017, the METRO Green Line LRT, METRO Blue Line LRT, and Northstar Commuter Rail line all broke ridership records. Among those highlights:

- 2017 ridership includes a record 13.1 million rides on the METRO Green Line, which has seen ridership grow every year since its 2014 opening. Ridership increased 3.5% from 2016 to 2017.
- METRO Green Line broke a record for the highest single-day ridership ever on Aug. 31, 2017, providing more than 68,000 rides.
- METRO Blue Line ridership increased nearly 4% from 2016 to 2017.
- Northstar Commuter Rail Line ridership increased nearly 12% from 2016 to 2017.

Rapid bus introduces a faster trip and an improved experience

Metro Transit opened the region's first arterial rapid bus line in June 2016. The A Line operates along Snelling Avenue, Ford Parkway and 46th Street, connecting the METRO Blue and Green lines and several other destinations. The corridor includes the A Line and Route 84 from Rosedale on the north end, to the A Line southern terminus at the 46th Street LRT station and the Route 84 southern terminus at Shepard Rd and Davern Street. Rapid bus is a package of transit enhancements that adds up to a faster trip and an improved experience. A Line's ridership success has been driven by strong connections to the light rail system, shopping destinations, and colleges and universities on the corridor. Among those highlights:

- Corridor ridership for the A Line and Route 84 grew 32% in the first year of A Line operations, compared to the year prior to June 11, 2016 when A Line service was launched.
- A Line provided more than 1.5 million rides in 2017.
- A Line averages 20-25% faster travel times than the previous Route 84 bus route.

The A Line is the first of several planned arterial rapid bus lines that will bring faster, more frequent service to the region's busiest transit corridors.

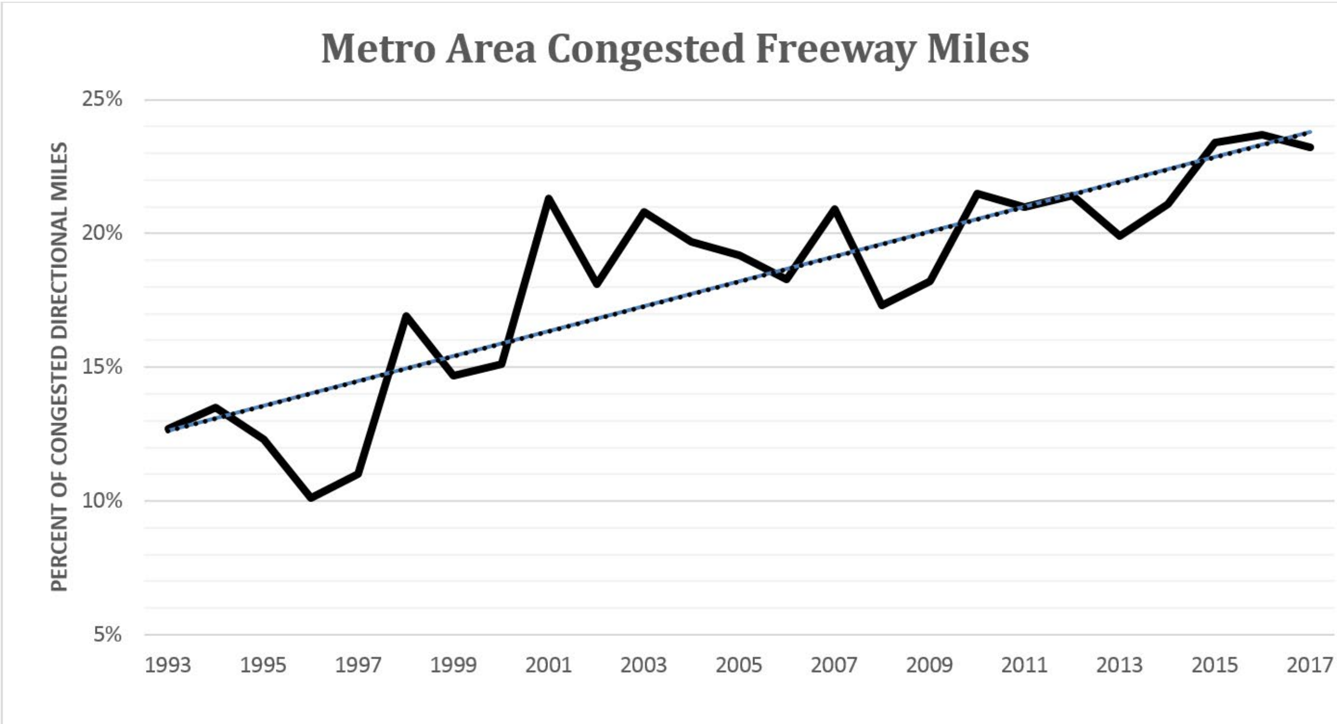
- In 2017, Metropolitan Council broke ground on the C Line which will substantially replace Route 19, running primarily on Penn Avenue and Olson Memorial Highway.
- Metropolitan Council is currently planning for the D Line, which will replace Route 5, the region's single busiest bus route. During rush hour, Route 5 buses make up less than 2% of vehicle traffic but carry more than 20% of people traveling through the Route 5 corridor by automobile or bus.

Hours of Delay Caused by Congestion

Transit is one of several system-wide options to help ease congestion and enhance ease of movement throughout the region for our residents and businesses. Transit benefits all road users, not just transit riders**.** Metro congestion affects metro-area residents, workers from outside the metro area, businesses shipping or receiving goods, and travelers moving through the metropolitan area.

The number of hours spent in congestion is an indicator of roadway performance and of transportation-related impacts to air quality. Traffic congestion causes problems for travelers and shippers including extra travel time, unreliable travel time, and increased fuel costs. Congestion also impacts air quality through increased carbon dioxide (CO2) emissions.

The table shows the percent of directional freeway miles considered to be congested and shows that this measure of congestion had increased over time. Congestion is defined as vehicle speeds less than 45 miles per hour. If vehicle speeds are less than 45 miles per hour northbound on 35W in south Minneapolis from 7:30am to 9:30am, that section of freeway is considered to be congested.



Source: MnDOT Regional Transportation Management Center

Minnesota Statutes 473.371 through 473.449 (https://www.revisor.mn.gov/statutes/cite/473.371) prescribe the Metropolitan Council's roles and responsibilities in transit.

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20	Forecast Base FY21	Governor's Recommendation FY20	Governor's Recommendation FY21

Expenditures by Fund

	FY16	FY17	FY18	FY19	Forecast Base FY20	Forecast Base FY21	Governor's Rec. FY20	Governor's Rec. FY21
1000 - General	81,626	101,126	121,031	129,820	89,820	89,820	96,004	111,056
1050 - Transit Assistance	257,172	271,535	278,040	293,993	309,312	329,076	319,662	347,976
Total	**338,798**	**372,661**	**399,071**	**423,813**	**399,132**	**418,896**	**415,666**	**459,032**
Biennial Change				111,425		(4,856)		51,814
Biennial % Change				16		(1)		6
Governor's Change from Base								56,670
Governor's % Change from Base								7

Expenditures by Activity

	FY16	FY17	FY18	FY19	Forecast Base FY20	Forecast Base FY21	Governor's Rec. FY20	Governor's Rec. FY21
Met Council Transit	338,798	372,661	399,071	423,813	399,132	418,896	415,666	459,032
Total	**338,798**	**372,661**	**399,071**	**423,813**	**399,132**	**418,896**	**415,666**	**459,032**

Expenditures by Category

	FY16	FY17	FY18	FY19	Forecast Base FY20	Forecast Base FY21	Governor's Rec. FY20	Governor's Rec. FY21
Grants, Aids and Subsidies	338,798	372,661	399,071	423,813	399,132	418,896	415,666	459,032
Total	**338,798**	**372,661**	**399,071**	**423,813**	**399,132**	**418,896**	**415,666**	**459,032**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General								
Direct Appropriation	81,626	101,126	121,031	129,820	89,820	89,820	96,004	111,056
Expenditures	**81,626**	**101,126**	**121,031**	**129,820**	**89,820**	**89,820**	**96,004**	**111,056**
Biennial Change in Expenditures				68,099		(71,211)		(43,791)
Biennial % Change in Expenditures				37		(28)		(17)
Governor's Change from Base								27,420
Governor's % Change from Base								15
1050 - Transit Assistance								
Balance Forward In	73	2	22	17				
Receipts	257,099	271,535	278,035	293,976	309,312	329,076	319,662	347,976
Balance Forward Out		2	17					
Expenditures	**257,172**	**271,535**	**278,040**	**293,993**	**309,312**	**329,076**	**319,662**	**347,976**
Biennial Change in Expenditures				43,326		66,355		95,605
Biennial % Change in Expenditures				8		12		17
Governor's Change from Base								29,250
Governor's % Change from Base								5