



Transit Funding Allocation

Committee of the Whole



November 20, 2024

Transit Funding Allocation Policy



Today's Agenda

- Background
- Policy Overview
- Next Steps

Background



Reasons for this policy proposal



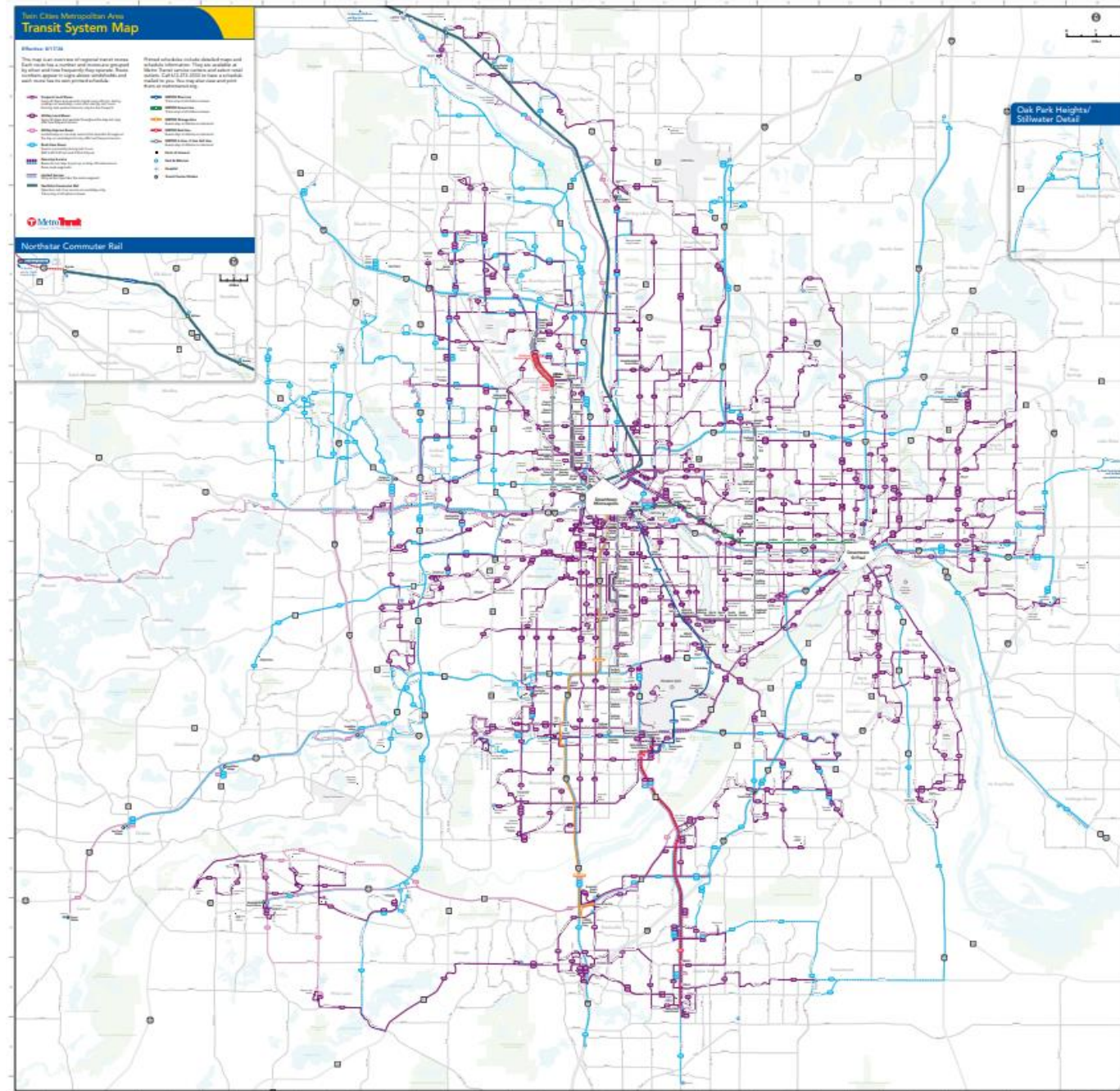
Updated transit funding policy:

Reflects state law changes to transit funding in recent years
Improves transparency in current funding allocation practices
Enables coordinated regional transit services through increased clarity
Unifies policy direction across multiple transit funding sources

Sets basis for further updates mid-2025 for 2026, including

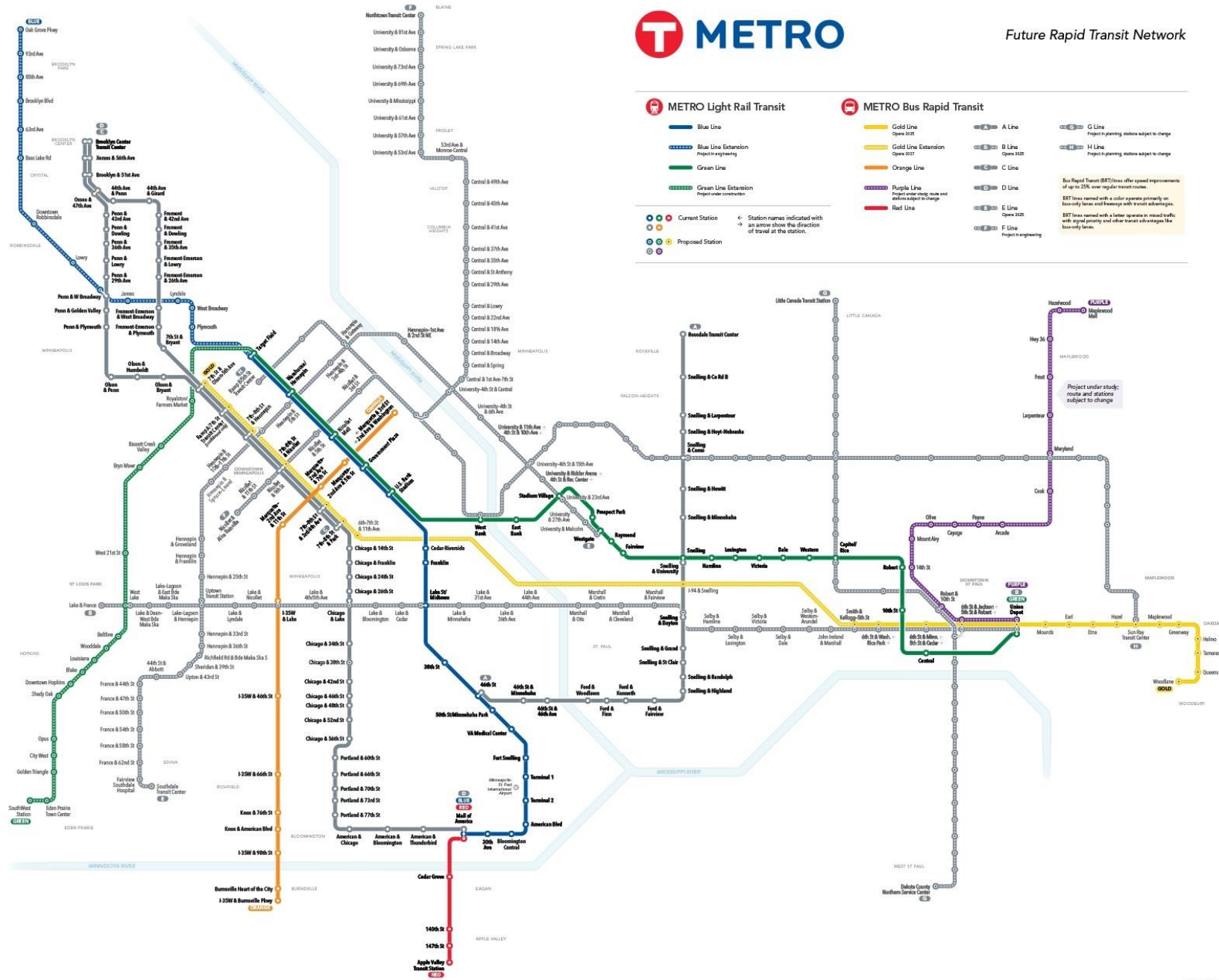
- Allocation of sales tax funding
- Revised allocation of federal funding, and recipient relationships
- Requirements for coordinated regional transit systems

Existing Regional Bus and METRO System



METRO System Plan

METRO line	Opening/Status
Gold Line	2025
B Line	2025
E Line	2025
Green Line Ext	2027
F Line	Engineering
G Line	Planning
H Line	Planning
Blue Line Ext	Engineering
Purple Line	Planning



Transit Funding Sources

Source/More Info: [2050 TPP](#)

- Regional Solicitation
- Sec. 5307 Formula Funds
- Other Formula funds
- USDOT Discretionary/Competitive programs including CIG
- Congressionally directed

Federal



13% of 2025-2050 Revenues

- Motor Vehicle Sales Tax
- General Fund Appropriations
- Capital Investment
 - Cash
 - Bonds
- DHS Waiver Revenue
- MnDOT Northstar 8.05%

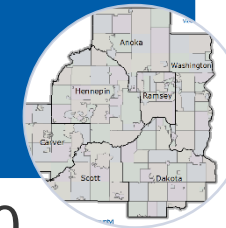
State



39% of 2025-2050 Revenues

- Transit Capital Levy
- Transportation Sales/Use Tax
 - Council/TAB
 - Metropolitan Counties
- County transportation taxes
 - Sales taxes
 - RRA levies
- Sherburne Northstar 8.05%

Local



38% of 2025-2050 Revenues

- Fare Revenue
- Advertising Revenue
- Interest income
- Other

Operating/ Other



10% of 2025-2050 Revenues

2023 State Transportation Bill



Continued current funding, established new funding source

1. Base appropriations and transit debt service bonding
2. State investment in transit capital projects
 - >\$130M Capital investment advanced METRO capital projects progress (Blue Line, BRT lines)
 - Capital investment cash/bonds, general fund appropriation
3. New, sustainable revenue source
 - $\frac{3}{4}$ cent sales tax for metropolitan transportation, started October 1, 2023; est. \$450M/year
 - 17% to metropolitan area counties
 - 83% to Metropolitan Council
 - 5% to active transportation (by TAB)
 - 95% to transit operations, maintenance, capital preservation
 - Addressed longstanding structural operating deficit
 - Reshaped operating costs of region's transitway system

Sales Tax Provides Funding Stability



2023 bill: sustainable transit funding

Transportation sales/use tax **resolves Council's structural operating deficit** previously filled by one-time state or federal resources

- ~\$200 million annually
- ~\$8 billion over 30 years
- ~33% of sales/use tax revenues

Replaces former state (50%) share of *expanding* METRO system:

- Augments \$32.65M appropriation for existing rail system
- ~\$100M annually by 2032
- ~\$3B over 30 years
- ~15% of sales tax

Funds capital maintenance for LRT/BRT (previously underfunded) from federal funds, sales tax, regional transit capital

Sales Tax Replaces County Funds



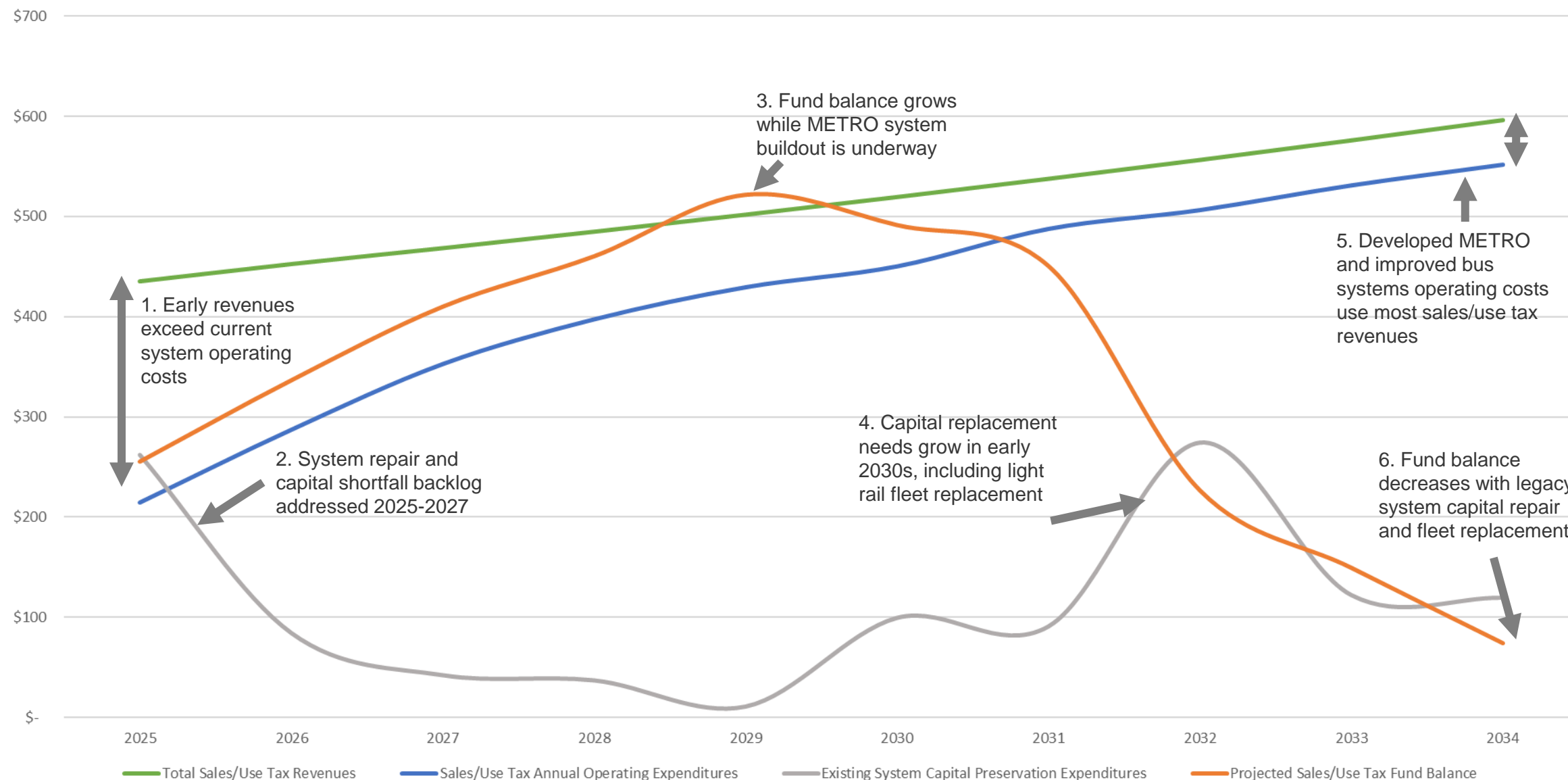
Transitway operating and capital maintenance revisions in state law

Rail/BRT operating cost relief to metropolitan counties

- Replaces metropolitan county BRT and rail (50% to 100%) operating cost obligations
- Metropolitan counties may reinvest operating cost savings of:
 - \$50M annually 2025
 - Growing to \$150M by 2032
 - >\$5 billion over next 30 years
 - ~25% of Council share of sales tax
- Metropolitan Counties also direct 17% of 3/4 cent sales tax funds
 - ~\$100M annually
 - ~\$5 billion over next 30 years

2024 State Transit Finance Report

Sales/Use Tax Revenues, Capital Expenditures, Operating Expenditures and Fund Balance, 2025-2034 (\$, millions)



Source: Report prepared for legislature biannually, completed October 2024

Key Assumptions:

1. State base and capital investment funding continues
2. 10% increase in regionwide bus services
3. No sales tax capital spend on new LRT or BRT lines (only fed/state/county)

Additional upcoming state reporting:
 Transit financial review
 Operating reserves
 Pilot program reports

Overview: Funding Allocation Policy



Allocation Principles and Process



Guiding Principles and Allocation Process

- Maintain transit assets in a state of good repair
- Sustain existing and future operations of the METRO system and the regional bus system
- Invest in expanding regional transit service
- Innovate and improve transit, including by funding required uses in state law

To support allocation decisions, Council will

- Develop and maintain long-range financial forecasts of revenues and expenditures
- Use target fund balances to prepare for future obligations
- Specify sources and uses of funds in its operating and capital budgets
- Consult with regional transit providers

Forecasting Approach

Forecasts will include:

- Forecasted revenues and expenditures
 - 25-year time horizon
 - Updated annually for Council budget development
- Allocation to transit providers
 - Share of funding to 473.388 replacement service municipalities
 - Goal: stable, reliable, and enduring allocation basis (not annual)
 - Revise periodically or with significant changes to sources
- Policy sets interim allocation for 2025 as longer term forecast and allocation in development



State Transit Funding Allocation

Revised Policy

- General fund appropriations
 - As directed by law, then to light rail and commuter rail, then
 - Regional bus and planning services
- Motor Vehicle Sales Tax
 - As directed by law, then state obligations not funded by state general fund appropriations, then
 - Regional bus and planning services
- Special Transportation Services funds isolated to program purposes (Metro Mobility and Metro Move)

Background/Purpose

- Adopted 2018, revised 2023
- Allocates state funding to transit programs and providers
- Allocates policy-directed share of MVST (12.8%) to replacement service municipalities (4.3%)
- Update reflects Metro Mobility transition to state forecasted base program starting SFY26

Sales/Use Tax Funding Allocation (New)

New Policy Direction

- For active transportation by TAB (5%)
- For Metropolitan area transit operations, capital, and capital maintenance uses (95%)
 - As directed by law
 - For regional bus and planning services
 - 2025 interim allocation to suburban transit providers (see next slide)

Background/Purpose

- Sets policy direction for sales/use tax funds

473.388 Replacement Service Municipalities (Suburban Providers)



2025 Interim Funding Allocation

- 2025 sales/use tax collections allocated based on share of 2023 regional ridership
- Continues interim allocation basis used for 2023-2024
- Total support: \$17 million of 2025 sales tax collections
- Transition to actual disbursements, “advance” option to help support providers’ budget development
- Plymouth/Maple Grove may use 2025 supplemental assistance for active transportation (per Minnesota Statutes 473.4465 Subd.2(2)(12))
- **Interim 2025 allocation enables ongoing consultation, policy development, and allocation policy by mid-2025, effective 2026**
 - Ongoing allocation basis for transit funding across sources
 - Consider and develop other revisions to policy and business practices to address evolving needs and provider/Council interests

Federal Funding Allocation (New)

New Policy

- As designated recipient of federal funds, Council allocates Sec. 5307+5340 funds
 - To Metro Mobility/Metro Move based on revenue miles of service
 - To transit providers based on service factors and infrastructure formula earnings as reported to FTA in accordance with principles established in business item 2001-49
 - Remaining funds, other formula programs to Council transit programs
- Use of federal formula funds prohibited for initial buildout of guideway capital projects

Background/Purpose

- Policy primarily reflects current practices, with limited additions (as underlined)
- With transition to forecast program, isolates Metro Mobility/Metro Move federal formula earnings for program purposes only
- Formalizes practice for funding allocation beyond principles adopted in 2001
- Future revision planned will address
 - Recipient relationships
 - Allocation of federal Urbanized Area Formula funds to transit providers
 - Replace business item 2001-49 principles

Next Steps



Ongoing Policy Development

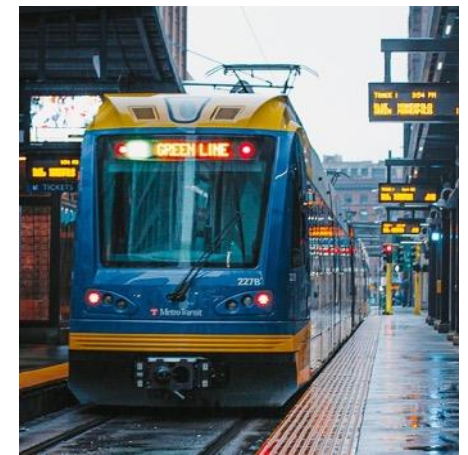
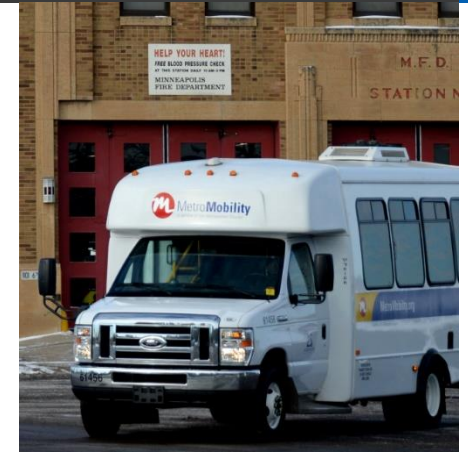
Part 1 Adoption, Part 2 Development

Adopt part 1 policy

- Establishes general principles and methods to allocate revenues
- Captures Metro Mobility funding revisions effective SFY2025
 - Update state allocation policy
 - Isolate federal formula earnings to program uses
- Reflects current practice for federal funding allocation amongst providers
- Sets baseline for sales/use tax funding including 2025 interim allocation to 473.388 cities

Part 2 policy development

- Reflect long-range forecast results, incorporate new forecasts
- Ongoing allocation basis to transit providers
 - Ongoing sales tax allocation
 - Transit debt service property levy
 - Federal formula factor changes
 - Recipient relationships
 - Active transportation uses by 473.388 cities
- Other applicable requirements for supplemental financial assistance
- Goal: Adopt mid-2025, effective 2026



Policy Adoption and Implementation



Council actions to consider part 1 policy

- Committee of the Whole November 20
- Transportation Committee November 25
- Management Committee December 11 (11/27 cancelled)
- Metropolitan Council December 11

Interested members of the public may address the Council on this policy at the November 25 Transportation Committee meeting and the December 11 Management Committee meeting.