

## Management Committee

Meeting date: December 13, 2017

For the Metropolitan Council meeting of December 13, 2017

**Subject:** Adoption of Policy 3-2-7 State Transit Funding Allocation

**District(s), Member(s):** All

**Policy/Legal Reference:** MS Sections 16A.88, 297B.09 and 473.388

**Staff Prepared/Presented:** Nick Thompson, Director, MTS (651-602-1754); Paul Conery, Director of Budget and Operations (651-602-1374)

**Division/Department:** Transportation

### Proposed Action

That the Metropolitan Council adopts Policy 3-2-7 State Transit Funding Allocation.

### Background

The State of Minnesota provides funding for metropolitan area transit operations through general fund Appropriations and 36 percent of the money collected and received under MS Chapter 297B Sales Tax on Motor Vehicles. The Council is responsible for allocating state funding among regional transit providers and services.

The existing regional revenue allocation procedure includes language governing allowable expense budget growth, budgeting of MVST, other income, operating reserve balances and operating versus capital expenses. Although the procedure accomplishes its financial objective of allocating state revenues in an equitable manner, and is regionally considered basically fair, it restricts the freedom of individual transit providers to manage their services or incent them to improve efficiencies or increase non-state revenues.

### Rationale

Council Policy 3-2-7 State Transit Funding Allocation provides individual transit providers the freedom to manage their services by replacing the existing regional allocation procedure, and allocating a portion of available state funding to Replacement Service Municipalities. It shares the benefits and risks of state funding with all providers and sets the expectation for timely and accurate reporting.

### Thrive Lens Analysis

The policy promotes prosperity and represents the efficient and effective stewardship of transit funding based on balancing investments among existing services in the region. It promotes stewardship by incenting all providers to improve efficiencies and maximize alternate funding sources because they retain 100% of the benefit of their actions.

### Funding

There is no impact on total state funding for the regional transit system.

### Known Support / Opposition

There are varying degrees of support.

## Transportation Committee

Meeting date: December 11, 2017

For the Metropolitan Council meeting of December 13, 2017

**Subject:** Adoption of Policy 3-2-7 State Transit Funding Allocation

**District(s), Member(s):** All

**Policy/Legal Reference:** MS Sections 16A.88, 297B.09 and 473.388

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**State Transit Funding Allocation**

Section/Number: 3-2-7	Total Pages: 2
Dept. Responsible: Fiscal Services	Effective Date: 01/01/2018
Special Note:	Last Revision Date: 12/13/2017
	Last Review Date:
	Revision No.

**I. Policy**

The Metropolitan Council shall allocate funds it receives from the State of Minnesota for metropolitan area transit operations to Council activities and replacement service municipalities established under Minnesota Statutes (MS) Section 473.388.

State General Fund Appropriations are allocated:

As directed in law, then  
 State obligations to Metro Mobility, Blue Line, Green Line and Northstar CR operations, then  
 Regional bus and planning services.

Motor Vehicle Sales Tax Revenues are allocated:

As directed in law, then  
 State obligations not funded by State General Fund Appropriations, then  
 Regional bus and planning services.

Replacement Service Municipalities defined under MS Section 473.388 are collectively allocated:

Financial assistance under MS Section 473.388 Subdivision 4, and  
 Supplemental financial assistance in an amount equal to 4.3% percent of:

- 1) 14.5% of total statewide MVST revenues, plus
- 2) State General Fund Appropriations not directed in law, minus
- 3) State funding needed to meet federal and state obligations.

Payment of supplemental financial assistance not directed in Statute shall be held back from any transit service provider not in compliance with established reporting requirements.

**II. Purpose of policy**

This policy establishes the responsibilities and expectations for the allocation of funding received from the State of Minnesota for metropolitan area transit operations.

**III. Background and reasons for policy**

The State of Minnesota provides funding for metropolitan area transit operations through General Fund Appropriations and 36% of the money collected and received under MS Chapter 297B Sales Tax on Motor Vehicles. The transit system in the metropolitan area includes the services provided by the Council and replacement service municipalities. The Council is responsible for allocating funding among all service providers.



For the period between January 1, 2018 and June 30, 2019, the minimum supplemental financial assistance to be allocated to replacement service municipalities is defined in MS Section 473.388 Subdivision 4a as 0.35 percent of the total state revenues generated from taxes imposed under MS Chapter 297B.

Allocation of supplemental financial assistance between individual replacement service municipalities shall be in the manner determined by agreement of the replacement service municipalities. The allocation methodology may specify eligibility based on a municipality’s transit service operating reserve. Absent an agreement between the replacement service municipalities, the Regional Administrator shall determine the amount to be allocated to a replacement service municipality.

#### **IV. Implementation/Accountability**

The Regional Administrator shall establish the framework and accountability for the effective implementation of the policy.

The Council shall publish the State Transit Funding Allocation policy, implementing procedures, financial information and reporting requirements on the Council’s website.

Implementing Procedures:

- 3-2-7a State Transit Funding Allocation

Links:

#### *Revision/Review Tracking*

Date	Revision No.	Review Only – No changes
	1	