



# Regional Transportation Finance Overview

Transportation Advisory Board



February 21, 2024

[metro council.org](http://metro council.org)

# Today's Topics and Goals



## Provide high level summary of transportation funding information and context

- 2023 state tax changes
- Annual estimated revenue and spending in 2025 and 2025-2050 estimates as will be in the Transportation Policy Plan update
- High level comparisons of revenue and spending across purposes and agencies
- Provide context on available regional transportation funding and allow for consideration of where and how it might best be used

# Highlights



## Transportation Funding is Complicated!

- Many transportation funding sources with different rules
  - Constitutional or statutory formulas
  - Most dedicated to specific purposes with limited flexibility
- Recent legislative changes improve stability and open opportunities
- Increased funding across the board, but not evenly distributed

# Transportation Revenue Changes

## 2023 State transportation legislation provided historic transportation revenue increases

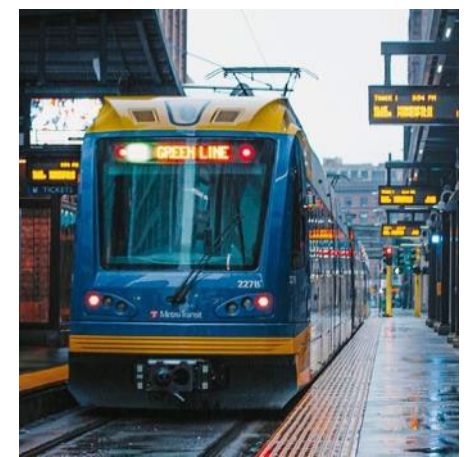
- New  $\frac{3}{4}$  cent regional transportation sales and use tax for:
  - Transit
  - Active Transportation (bicycle and pedestrian)
  - Metro counties transportation
- Indexed/increased gas tax and increased vehicle registration tax for highways (highway user tax distribution fund)
- Statutory dedication of sales tax on auto parts to:
  - MnDOT trunk highways and
  - Transportation Advancement Account (local governments)
- New state delivery fee to Transportation Advancement Account



# Transportation Revenue Changes

## Major federal funding increases in 2021 Infrastructure and Investment Jobs Act (IIJA)

- Increases to federal annual formula funding programs:
  - MnDOT formula funding increases (NHPP, STPBG, bridge, HSIP)
  - Transit formula funding increases (5307, 5339)
  - Region/local formula funds (STPBG, new carbon funding)
- Many competitive funding programs covering new project types:
  - Safety programs
  - Carbon reduction and resilience
  - Reconnecting communities
  - Electric vehicle and charging infrastructure



# Revenue & Spending Categories



## Revenue & Spending Categories

Regional transportation revenues and spending can be described in three general categories:

- **MnDOT Metro District**
- **Regional Transit**
- **Local Governments** (metro counties, cities, townships)

## Regionally Allocated Revenues

Some revenues are available for the Met Council and TAB to allocate to all three categories.

- Regional **federal revenues** available for all modes
- New **regional sales tax** for active transportation

# Purposes & Modes



## MnDOT Metro District

- Primarily for **state highway** capital and operations
- Some transit, bike, and pedestrian spending as part of highway projects, but not usually stand-alone



## Regional Transit

- Includes capital and operations for **all regional transit providers operating and capital**
- Some transit, bike, and pedestrian spending as part of transit projects, but not usually stand-alone

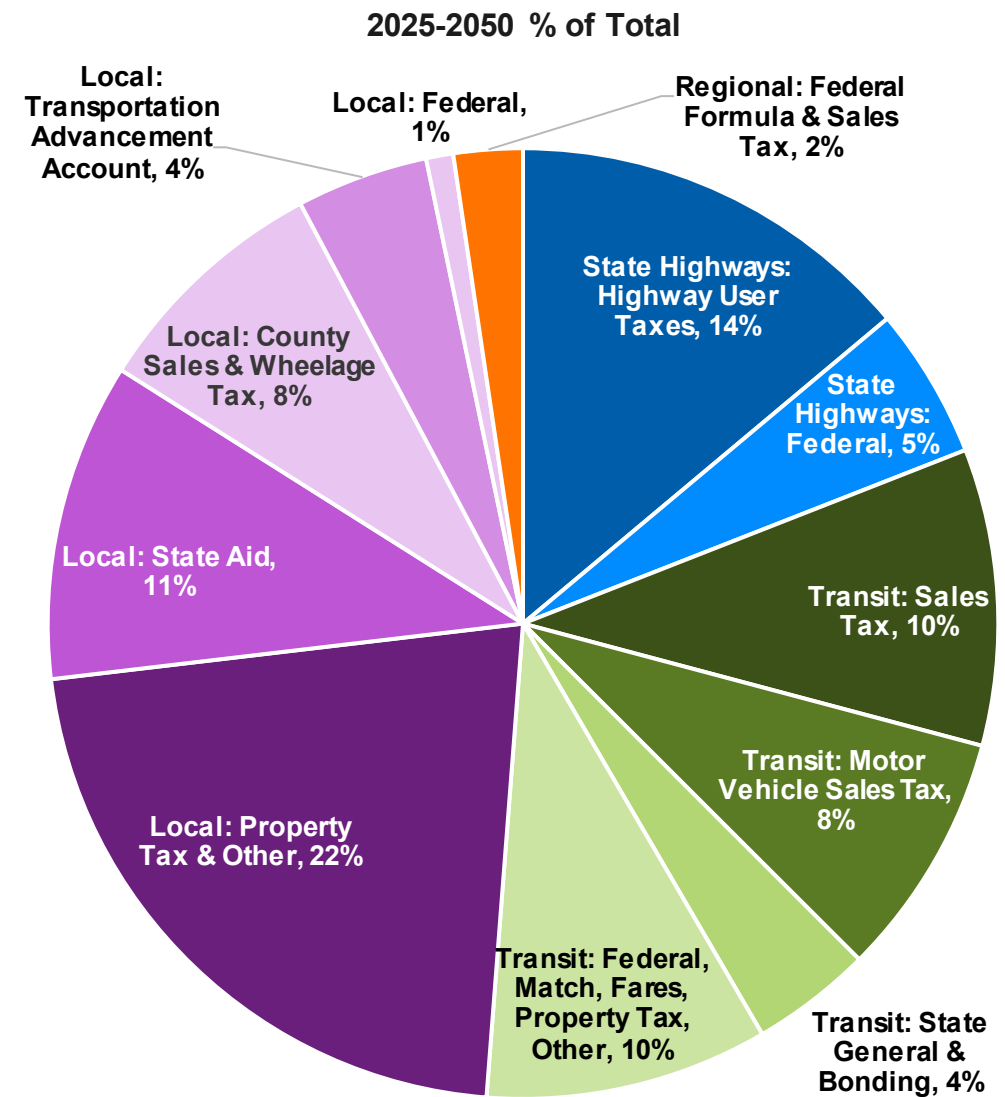


## Local Governments

- Includes capital and operating for local **roadways and bicycle and pedestrian facilities**, both stand-alone and with roadway projects
- Counties provide some **revenue for state highway and transitway capital**

# Total Regional Transportation Revenues

| Category                             | CY 2025 (millions) | 2025 % of Total | 2025-2050 Total (billions) | % of Total  |
|--------------------------------------|--------------------|-----------------|----------------------------|-------------|
| MnDOT Metro State Highways           | \$800              | 17%             | \$32.7                     | 19%         |
| Regional Transit                     | \$1,700            | 36%             | \$55.2                     | 32%         |
| Local Government Transportation      | \$2,100            | 44%             | \$79.6                     | 47%         |
| Regionally Allocated Revenues        | \$150              | 3%              | \$4.0                      | 2%          |
| <b>Total Regional Transportation</b> | <b>\$4.8B</b>      | <b>100%</b>     | <b>\$171 B</b>             | <b>100%</b> |





# Regional Revenue and Spending Key Takeaways

## Key Takeaways

- Local government transportation revenue and spending is almost half of all regional transportation at 47%
- Local property taxes and fees are largest single source of revenue for regional transportation at 22%
- Highway user taxes (for MnDOT and local state aid) together are 25% of revenues but represent multiple taxes, ie gas tax, registration tax, MVST
- Regional transportation revenues are 2-3% of total



# Limited Flexibility



## **Vast majority of transportation revenues cannot be moved from one transportation purpose to another**

- Most flexible funds are the regionally allocated federal revenues (2-3% of all regional transportation revenues)
- 2023 legislative funding actions and new revenue sources largely continued the practice of dedicating transportation revenues among modes and purposes
  - New Transportation Advancement Account offers some flexibility for local governments, though metro counties spending is identified among specific purposes
  - New regional sales tax revenues specified for transit, active transportation, metro counties transportation has some flexibility

# MnDOT Metro District Revenue and Spending



# 2023 State Highway Revenue Changes



- State highway and Metro District revenue estimates developed by MnDOT and used for MN State Highway Investment Plan (MnSHIP) include 2023 increases
- State Highway User Tax Fund (HUTDF) 2023 revenue changes:
  - Gas tax indexed to construction costs beginning 2024, maximum 3% increase, at current 28.3 cents per gallon annual increase  $\approx$  0.85 cents
  - Vehicle registration tax rate increase, depreciation schedule change, electric vehicle \$75 annual registration surcharge
  - Motor vehicle sales tax (MVST) rate increase from 6.5% to 6.875%
  - Statutory auto parts sales tax transfer 43.5% to highway user fund (\$126M in 2025) continued statutory dedication
- 2023 state tax increases resulted in a 20% increase for MnDOT capital spending over previous planning estimates

# MnDOT Metro District Revenue & Spending

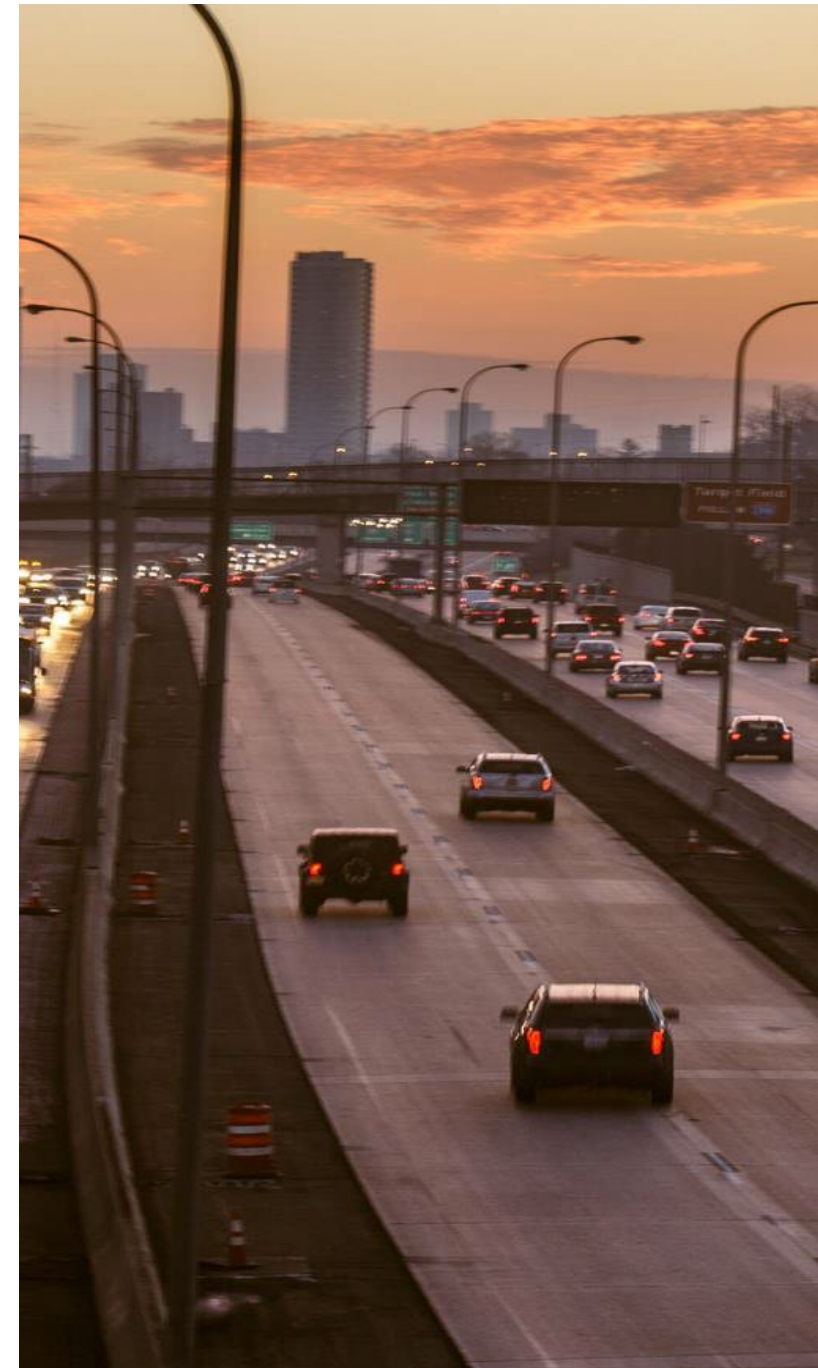


| Revenue (\$ in millions)             | CY 2025       | 2025 % of Total | 2025-2050 Total | % of Total  |
|--------------------------------------|---------------|-----------------|-----------------|-------------|
| Highway User Taxes                   | \$589         | 73%             | \$23,855        | 73%         |
| Federal                              | \$218         | 27%             | \$8,823         | 27%         |
| <b>Subtotal</b>                      | <b>\$807M</b> | <b>100%</b>     | <b>\$32.7B</b>  | <b>100%</b> |
| Spending (\$ in millions)            | CY 2025       | 2025 % of Total | 2025-2050 Total | % of Total  |
| State Road Construction              | \$594         | 74%             | \$24,461        | 75%         |
| State Road Operations                | \$213         | 26%             | \$8,217         | 25%         |
| <b>Subtotal Metro State Highways</b> | <b>\$807</b>  | <b>100%</b>     | <b>\$32.7B</b>  | <b>100%</b> |

# MnDOT Metro District

## Key Takeaways

- MnDOT distributes revenue to districts for two primary purposes: capital (75%) and planning/operations/maintenance (25%)
- Metro District share of MnDOT total revenues:
  - Over past decade capital/construction share declined from 42.6% to roughly 37-38% of total
  - New district target distribution formula will provide Metro District 43.5% of total beginning 2028
  - District planning, operations and maintenance (POM) funding share is 26% of total statewide
- Additional competitive opportunities for project funding
  - State programs such as Corridors of Commerce
  - Federal competitive programs such as RAISE and bridge program



# Regional Transit Revenue and Spending



# 2023 Transit Revenue Changes

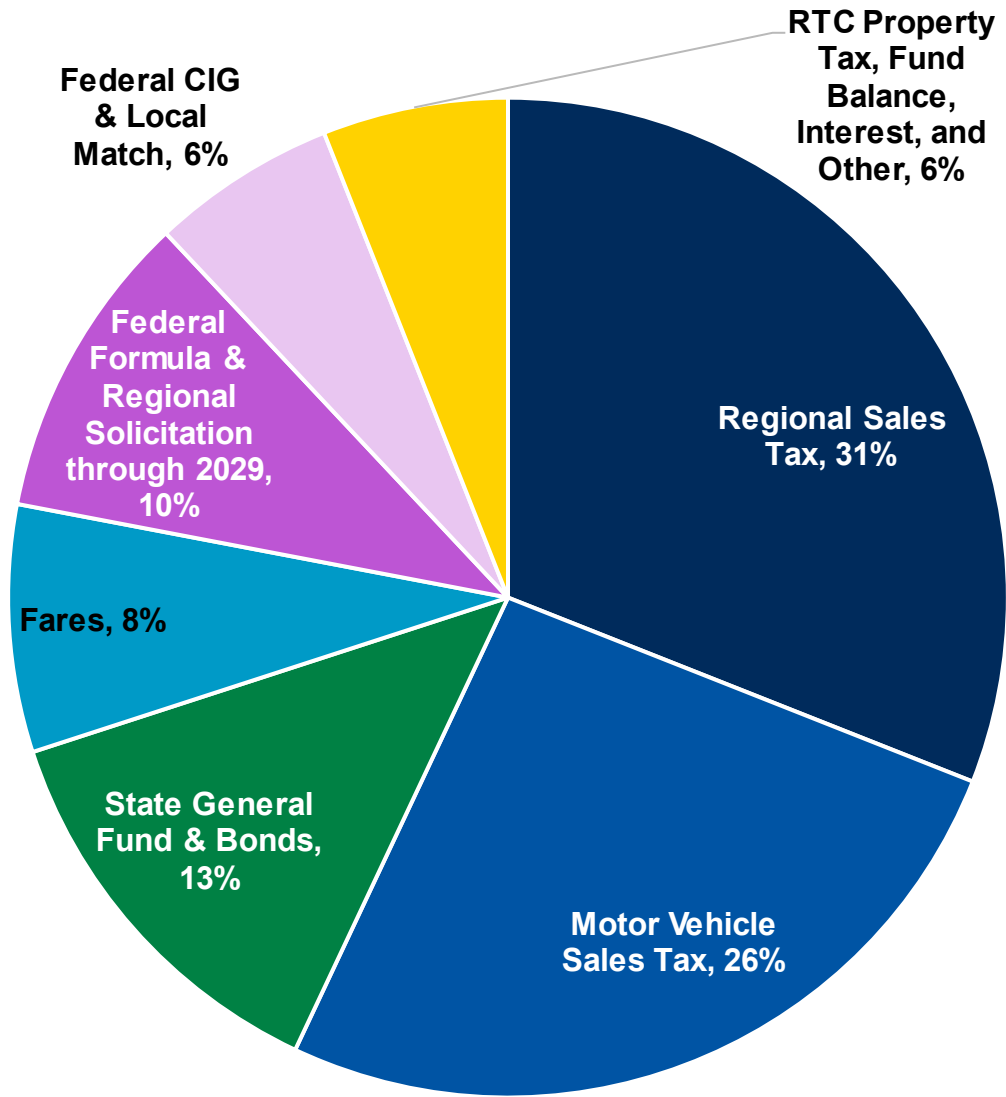


- MVST rate increase from 6.5% to 6.875%, offset by decrease in metro share from 36% to 34.3%; overall change  $\approx$  neutral
  - Regional transit MVST \$368M in 2025; \$14.3B 2025-2050
- 2023 Legislature authorized new funding source: 3/4-cent Metro Area Transportation Sales and Use Tax for regional transit, active transportation and metro counties transportation purposes
  - Council receives 83% of revenues distributed 95% to transit purposes and 5% to TAB for Active Transportation
  - Transit regional sales tax revenues estimate \$449M in 2025, \$17.3B 2025-2050
  - Sales tax legislation specified 13 required investment areas
- Metro counties no longer responsible for 50% share of transitway operations shifts costs to Council; \$45M shift in 2025, \$3.5B 2025-2050



# Regional Transit Revenue

| Revenue (\$ in millions)                      | CY 2025        | 2025 % of Total | 2025-2050 Total | % of Total  |
|---|----------------|-----------------|-----------------|-------------|
| Regional Sales Tax                            | \$449          | 27%             | \$17,310        | 31%         |
| Motor Vehicle Sales Tax                       | \$368          | 22%             | \$14,319        | 26%         |
| State General Fund & Bonds                    | \$163          | 10%             | \$7,051         | 13%         |
| Fares   | \$82           | 5%              | \$4,302         | 8%          |
| Federal Formula                               | \$198          | 12%             | \$5,490         | 10%         |
| Federal CIG (New Starts)                      | \$100          | 6%              | \$1,666         | 3%          |
| County Sales Tax & RRA (for CIG projects)     | \$244          | 15%             | \$1,750         | 3%          |
| Regional Transit Capital Property Tax & Other | \$63           | 4%              | \$2,458         | 4%          |
| Fund balance & interest earned                | \$0            | 0%              | \$842           | 2%          |
| <b>Subtotal</b>                               | <b>\$1,667</b> | <b>100%</b>     | <b>\$55.2B</b>  | <b>100%</b> |



# Regional Transit Revenue

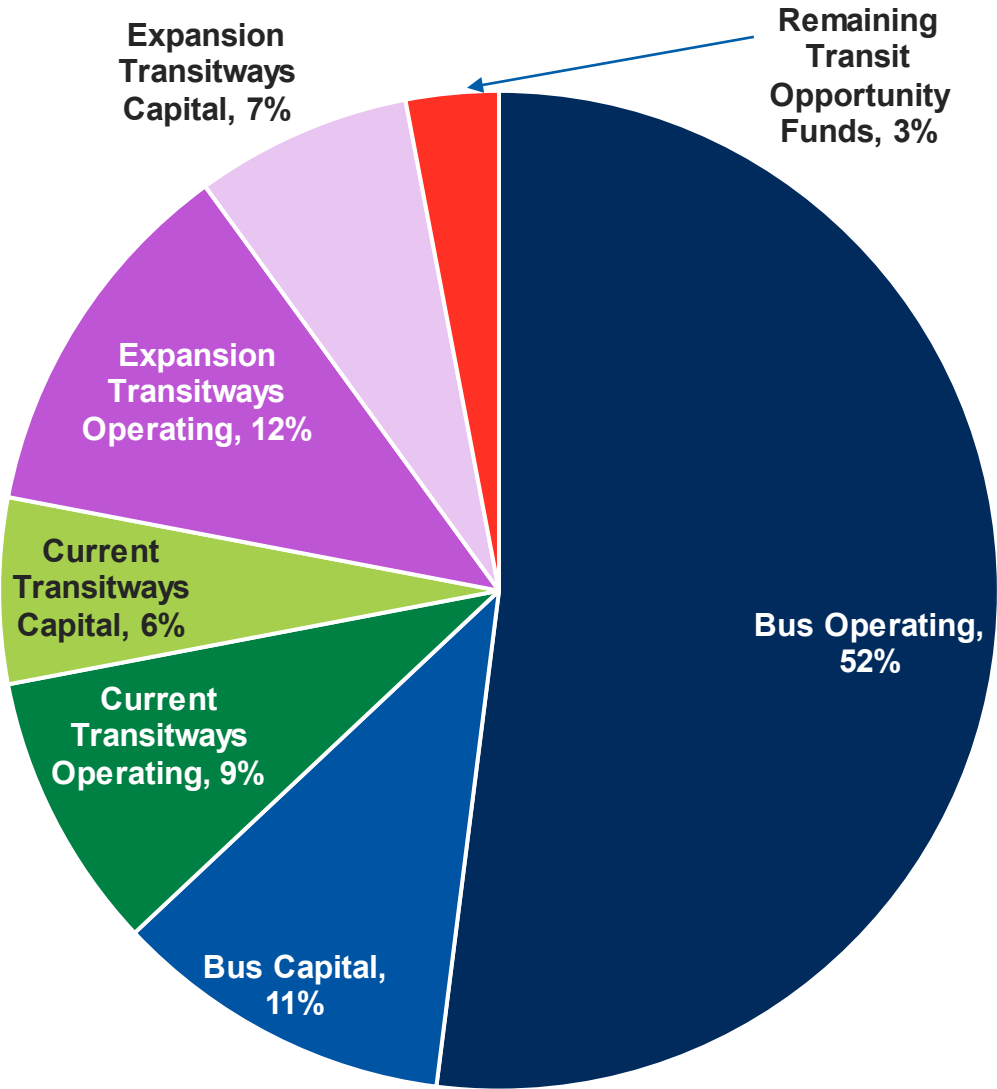


## Key Takeaways

- Total transit revenues are almost \$1.7B in 2025; \$55B 2025-2050
- New regional sales tax for transit and MVST are largest revenue sources for transit
  - Sales tax contributes 27% in 2025, 31% 2025-2050
  - MVST contributes 22% in 2025, 26% 2025-2050
- State general fund for Metro Mobility statutory obligation beginning 2026; estimated at 12% of total transit revenues 2025-2050
- Fare revenues grow over time 5% of total in 2025, 8% of total 2025-2050
- Federal CIG and county revenues at 6% of total for dedicated transitway capital (Green Ext, Gold, Blue Ext, Purple, Riverview)

# Regional Transit Spending

| Spending                               | CY 2025<br>(millions) | 2025 %<br>of Total | 2025-<br>2050<br>(billions) | % of<br>Total |
|--|-----------------------|--------------------|-----------------------------|---------------|
| Bus Operating                          | \$684                 | 41%                | \$28.7                      | 52%           |
| Bus Capital                            | \$250                 | 15%                | \$6.2                       | 11%           |
| Current Transitways<br>Operating       | \$143                 | 9%                 | \$5.2                       | 9%            |
| Current Transitways<br>Capital         | \$21                  | 7%                 | \$3.4                       | 6%            |
| Expansion Transitways<br>Operating     | -                     | -                  | \$6.6                       | 12%           |
| Expansion Transitways<br>Capital       | \$447                 | 21%                | \$3.7                       | 7%            |
| Remaining Transit<br>Opportunity Funds | \$122                 | 7%                 | \$1.5                       | 3%            |
| <b>Subtotal Regional<br/>Transit</b>   | <b>\$1.7B</b>         | <b>100%</b>        | <b>\$55.2B</b>              | <b>100%</b>   |



# Regional Transit Spending

## Key Takeaways

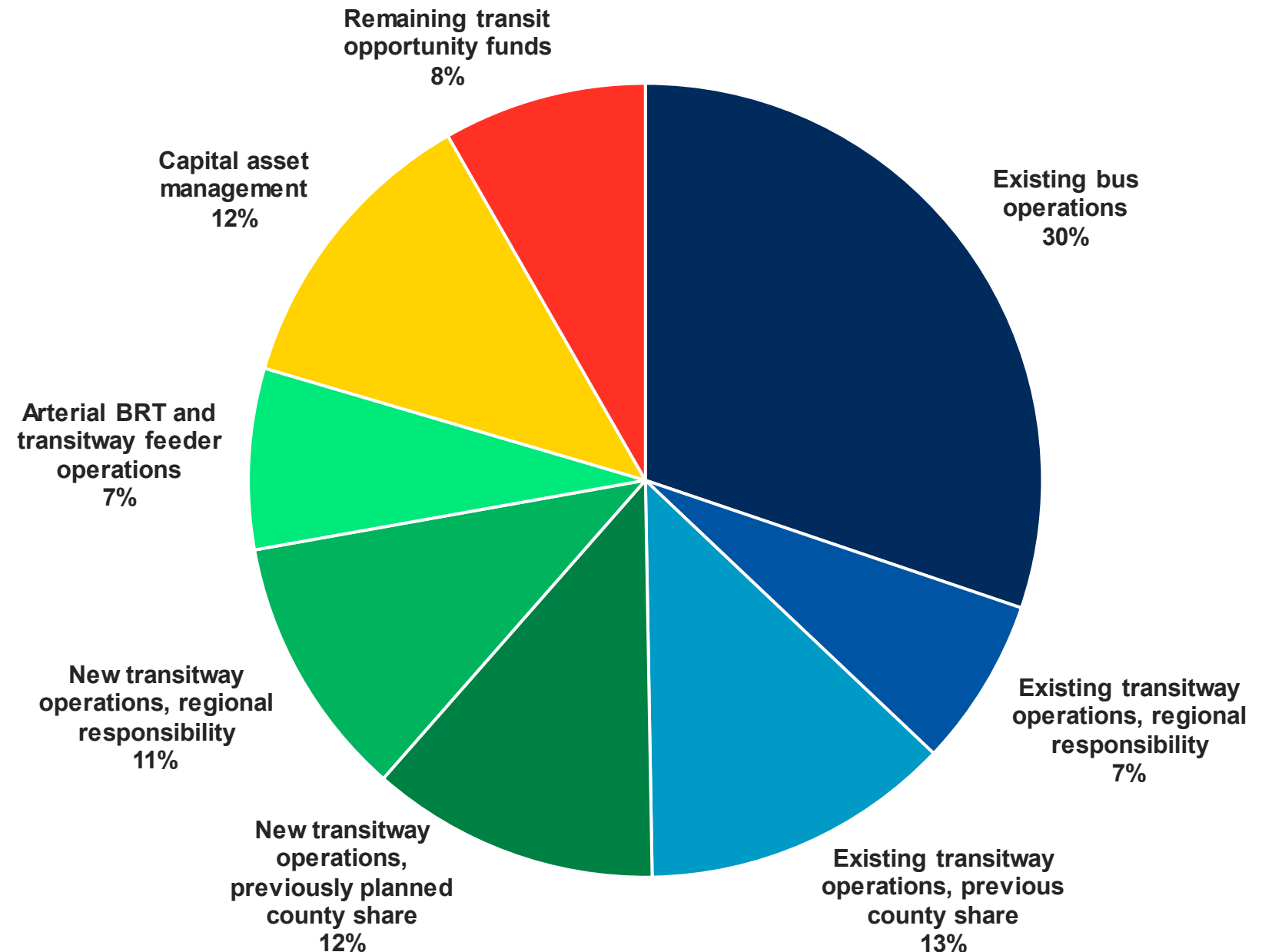
- Regular route bus, including arterial BRT, requires over 63% of all spending
  - 52% for bus operations
  - 11% bus capital/asset management
- Current and new dedicated transitway operations at 21% of total spending 2025-2050
- Existing transitway capital asset management requires 6% of total spending, includes \$1.7B for replacement and rehabilitation of rail vehicles
- Dedicated transitway expansion capital at 7% of total spending (assumes Gold Line, Green Line Ext, Blue Line Ext, Purple Line and Riverview)
- Approximately \$1.5B in unallocated regional sales tax funds remain for allocation 2025-2025



# How is the regional transit sales tax being used?

## Takeaways

- Majority of new sales tax allocated to bus operations (30%) and capital asset management (12%) deficits
- 25% allocated to previous county share of transitway operations (13% existing and 12% planned transitways)
- 8%, \$1.5 B, in sales tax funds remain to be allocated 2025-2050



# Local Government Transportation Revenue and Spending



# 2023 Local Government Revenue Changes



## New Transportation Advancement Account created to receive:

- New state retail delivery fee of 50 cents per retail delivery over \$100
- Phased-in share of sales tax on auto parts revenues; phase-in begins 2024 at 3.5%, completes in 2033 at 56.5% of the proceeds
- Total statewide revenues to Transportation Advancement Account are approximately \$79M in 2025; \$280M in 2033 at full phase-in

## Transportation Advancement Account is shared as follows:

- **36% to seven metro area counties (\$28M in 2025; \$100M in 2033)**
- 10% to all counties (metro county share approx. 22%; \$1.7M in 2025)
- 15% to Large cities (metro cities share approx. 70%; \$8M in 2025)
- 27% Small cities (assume 10% metro share; \$2M in 2025)
- 11% to Town roads ( 3% metro share; \$.3M in 2025)
- 1% to Dept. of Human Services for food delivery grants

# 2023 Local Government Changes Cont.



- $\frac{3}{4}$ -cent regional sales tax 17% to metro counties;
  - \$97M in 2025; \$3.7B 2025-2050
  - must be spent similar to TAA revenues
- Total to metro counties from TAA and regional sales tax:
  - \$125M in 2025; \$222M in 2033 at full phase-in
  - \$6.5B 2025-2050
- Counties must use the revenues:
  - 41.5% for Active Transportation & Safety studies (\$52M in 2025; \$2.7B 2025-2050)
  - 41.5% for repair, maintenance or roadway replacement without adding capacity (\$52M in 2025; \$2.7B 2025-2050)
  - 17% for transit purposes, complete streets, or greenhouse gas mitigation (\$21M in 2025; \$1.1B 2025-2050)



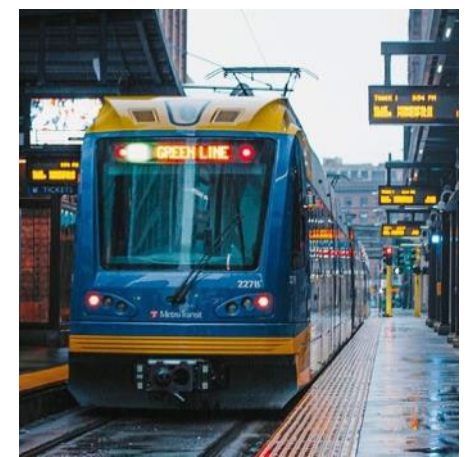
# Local Government cont.

- New revenue TAA and sales tax distributed among 7-counties 50% by population share and 50% by county roadway needs calculation

| CY 2024 TAA<br>Est Distribution | Share at<br>50% pop -50% needs |
|---------------------------------|--------------------------------|
| Anoka                           | 14.0%                          |
| Carver                          | 7.0%                           |
| Dakota                          | 17.3%                          |
| Hennepin                        | 31.6%                          |
| Ramsey                          | 13.7%                          |
| Scott                           | 7.4%                           |
| Washington                      | 9.0%                           |
|                                 | 100.0%                         |

- Counties no longer required to pay 50% of the net operating costs of current or new dedicated transitways

- Shifts \$45M in 2025, \$3.5B 2025-2050 of county transportation sales tax revenues for other county transportation purposes
- Spending shifted to the Council/Metro Transit using regional sales tax funds; requires 25% of sales tax 2025-2050



# Local Government Revenues

## Key Takeaways

- Property tax largest revenue source at 47%
- State-aid from gas tax, registration tax, MVST second largest source at 23%
- Metro counties have authorization for special transportation taxes
- Cities are more reliant on property tax for transportation funding

| Revenue  | CY 2025<br>(millions) | 2025 % of<br>Total | 2025-2050<br>(billions) | % of<br>Total |
|--|-----------------------|--------------------|-------------------------|---------------|
| State Aid (CSAH & MSA)                               | \$494                 | 24%                | \$18.6                  | 23%           |
| Property Tax & Other local fees                      | \$951                 | 47%                | \$37.6                  | 47%           |
| County Transportation Sales Tax                      | \$336                 | 16%                | \$13.0                  | 16%           |
| County Wheelage Tax                                  | \$42                  | 2%                 | \$1.3                   | 2%            |
| Metro Counties 17% of Regional Sales Tax             | \$97                  | 5%                 | \$3.7                   | 5%            |
| Metro Share Transportation Advancement Account Taxes | \$28                  | 1%                 | \$4.0                   | 5%            |
| Federal (includes Reg. Sol. thru 2029)               | \$106                 | 5%                 | \$1.6                   | 2%            |
| <b>Total Revenues</b>                                | <b>\$2.06B</b>        | <b>100%</b>        | <b>\$79.6B</b>          | <b>100%</b>   |

# Local Government Spending

## Key Takeaways

- Local government spending about two thirds capital, one third operating
- Local government spending previously about:
  - two thirds cities 65%
  - one third by counties 35%
- New county revenues will shift spending shares in future to:
  - 60% cities
  - 40% counties
- Counties still to determine allocation of new revenues among allowable purposes

| Spending   | CY 2025 (millions) | 2025 % of Total | 2025-2050 (billions) | % of Total  |
|--|--------------------|-----------------|----------------------|-------------|
| Transportation Capital                           | \$1,223            | 60%             | \$45.6               | 57%         |
| Transportation Operating                         | \$658              | 32%             | \$24.6               | 31%         |
| Transfer for Regional Transitway Capital         | \$49               | 2%              | \$1.8                | 2%          |
| New county TAA & Regional Sales Tax spending TBD | \$125              | 6%              | \$7.7                | 10%         |
| <b>Total Spending</b>                            | <b>\$2.1B</b>      | <b>100%</b>     | <b>\$79.6B</b>       | <b>100%</b> |

# Regionally Allocated Revenues



# Regionally Allocated Funds



## Regional Federal Funds

- Federal transportation law allocates some federal funds to Metropolitan Planning Organizations in large metro areas for allocation
  - Surface Transportation Block Grant (STBG) funds, including Transportation Alternatives funds
  - Congestion Mitigation Air Quality (CMAQ) funds
  - Carbon Reduction Program funds
  - \$125M annually, almost \$3B 2025-2050
- Regional Planning MOU specifies Council, TAB and MnDOT roles in allocation
- MOU to be revised to include CRP funds and results of Regional Solicitation Evaluation

# Regionally Allocated Funds



## Federal Funds cont.

- MnDOT also provides other federal funds to the Council and TAB for allocation
  - PROTECT funds for climate resiliency projects
  - Bridge funds for on and off-system bridges
  - Highway Safety Improvement Program (HSIP) funds
- Federal funds in our region are allocated through the Regional Solicitation to:
  - help implement the TPP's goals and objectives through transportation investments
  - provide funds for regional and local priorities
  - help fund projects that do not have other adequate funding sources

# Regionally Allocated Funds



## Regional Sales Tax for Active Transportation

- New \$.75 regional sales tax authorized in 2023 transportation legislation, 83% to Council and 5% of this share to TAB to allocate for Active Transportation purposes
- Approximately \$24M annually and over \$900M 2025-2050
- Working group established to bring options and recommendations to TAB on allocation of regional active transportation funds

# Summary Total Regional Transportation Spending

| Summary of MnDOT Metro State Highways, Regional Transit, Local Government Transportation and Regionally Allocated Funds Spending |              |             |                |             |
|--|--------------|-------------|----------------|-------------|
|  |              |             | 2025-2050      |             |
| Regional Transportation Spending   | CY 2025      | % of Total  | Total          | % of Total  |
| <b>MnDOT Metro State Highways</b>  |              |             |                |             |
| State Road Construction  | 594          | 74%         | 24,461         | 75%         |
| State Road Operations  | 213          | 26%         | 8,217          | 25%         |
| <b>Subtotal Metro State Highways</b>   | <b>807</b>   |             | <b>32,679</b>  |             |
| <b>Regional Transit</b>  |              |             |                |             |
| Bus Operating  | 684          | 41%         | 28,646         | 52%         |
| Bus Capital  | 250          | 15%         | 6,248          | 11%         |
| Current Transitways Operating  | 143          | 9%          | 5,182          | 9%          |
| Current Transitways Capital  | 468          | 28%         | 3,378          | 6%          |
| Expansion Transitways Operating  | -            |             | 6,581          | 12%         |
| Expansion Transitways Capital  | -            |             | 3,688          | 7%          |
| Remaining Transit Opportunity Funds  | 122          | 7%          | 1,465          | 3%          |
| <b>Subtotal Regional Transit</b>   | <b>1,667</b> | <b>100%</b> | <b>55,188</b>  | <b>100%</b> |
| <b>Local Government Transportation</b>   |              |             |                |             |
| Transportation Capital   | 1,223        | 60%         | 45,622         | 57%         |
| Transportation Operating   | 658          | 32%         | 24,566         | 31%         |
| Transfer for Regional Transitway Capital   | 49           | 2%          | 1,750          | 2%          |
| New County Opportunity Funds (TAA & Tr. Sales Tax)   | 125          | 6%          | 7,696          | 10%         |
| <b>Subtotal Local Gov't Transportation</b>   | <b>2,055</b> | <b>100%</b> | <b>79,633</b>  | <b>100%</b> |
| <b>Regionally Allocated Funds</b>  |              |             |                |             |
|  | CY 2030      |             |                |             |
| Federal (all modes)  | 122          | 82%         | 3,119          | 77%         |
| Regional Active Transportation   | 27           | 18%         | 911            | 23%         |
| <b>Subtotal Regional</b>   | <b>150</b>   | <b>100%</b> | <b>4,030</b>   | <b>100%</b> |
| <b>TOTAL Regional Transportation Spending</b>  |              |             |                |             |
| MnDOT Metro State Highways   | 807          | 17%         | 32,679         | 19%         |
| Regional Transit   | 1,667        | 36%         | 55,188         | 32%         |
| Local Government Transportation  | 2,055        | 44%         | 79,633         | 46%         |
| Regionally Allocated Funds   | 150          | 3%          | 4,030          | 2%          |
| <b>Total Regional Spending</b>   | <b>4,678</b> | <b>100%</b> | <b>171,531</b> | <b>100%</b> |



# Key Takeaways and Discussion



## Key Takeaways

- Region has significant increased revenues, from 2023 state legislation
- Regional transit, metro counties and MnDOT benefactors of new revenues
- New revenues provide opportunities for identifying new types of spending, new projects and/or investing more in existing programs
  - Regional transit funds still to allocate
  - Metro counties to determine spending for new revenue
- Collaboration among funding partners is important, develop shared investment priorities

# Questions?

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