



Regional Transportation Finance Overview

Transportation Advisory Board



February 21, 2024

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 estimates and 2025-2050 26-year total 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

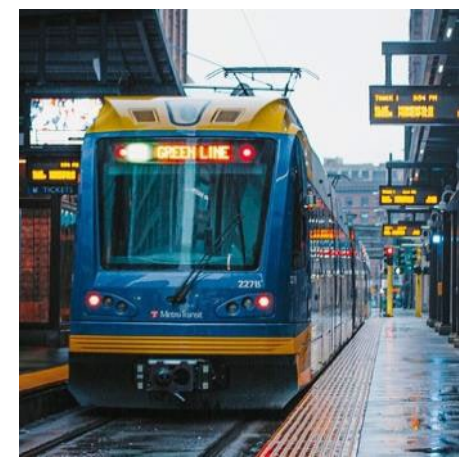
- New $\frac{3}{4}$ cent regional transportation sales and use tax for:
 - Regional Transit
 - Active Transportation (bicycle and pedestrian)
 - Metro counties transportation
- Indexed/increased gas tax and increased vehicle registration tax for highways (highway user tax distribution fund)
- Statutory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



Transportation Revenue Changes

Major federal funding increases in 2021 Infrastructure Investment and 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 bike and pedestrian spending as part of transit projects, but not usually as stand-alone projects

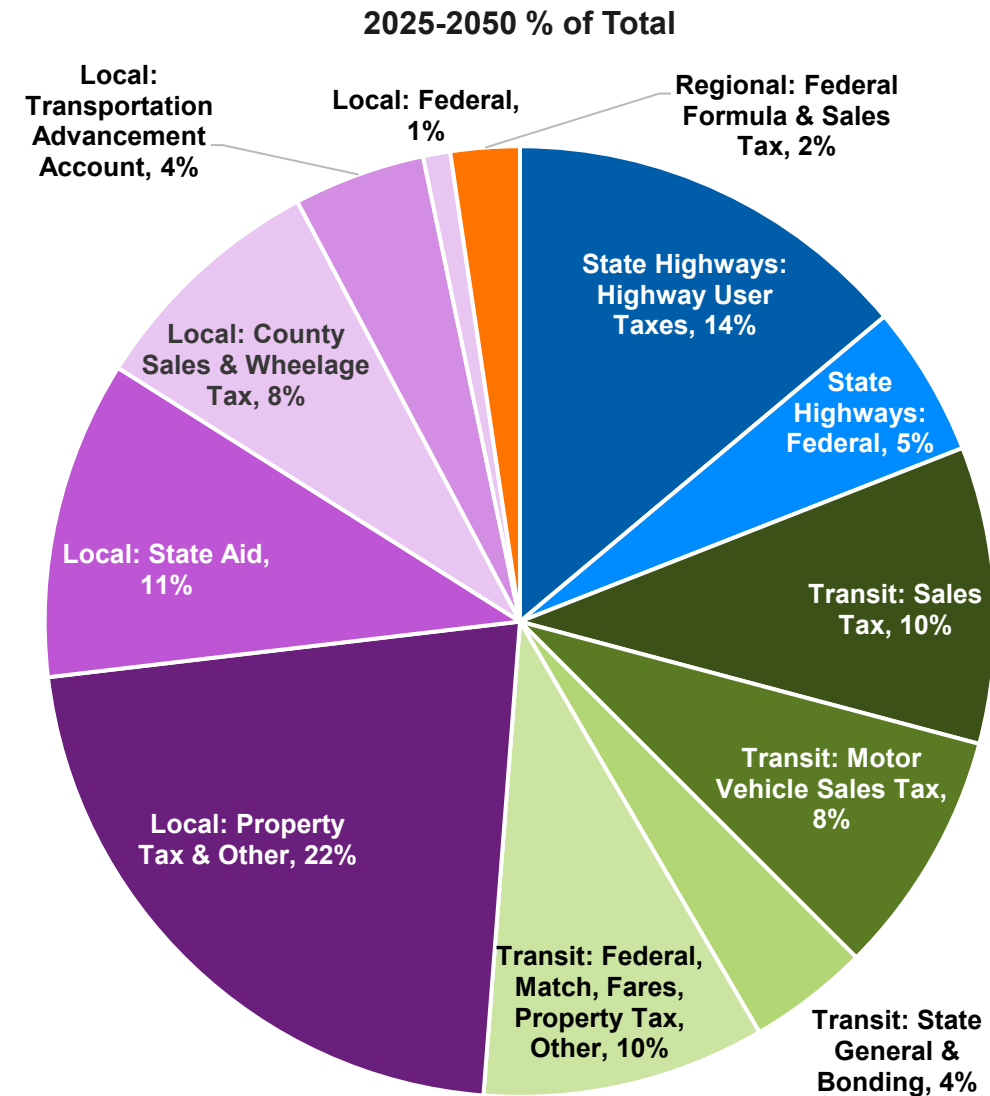


Local Governments

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

Total Regional Transportation Revenues

Category	CY 2025 (millions)	2025 % of Total	2025-2050 Total (billions)	% of Total
MnDOT Metro State Highways (CY2028)	\$840	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%
Total Regional Transportation	\$4.8B	100%	\$171 B	100%



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, current 28.5 cents per gallon to 31.8 effective Jan. 2025
 - 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 17% increase for MnDOT capital spending over previous planning estimates

MnDOT Metro District Revenue & Spending

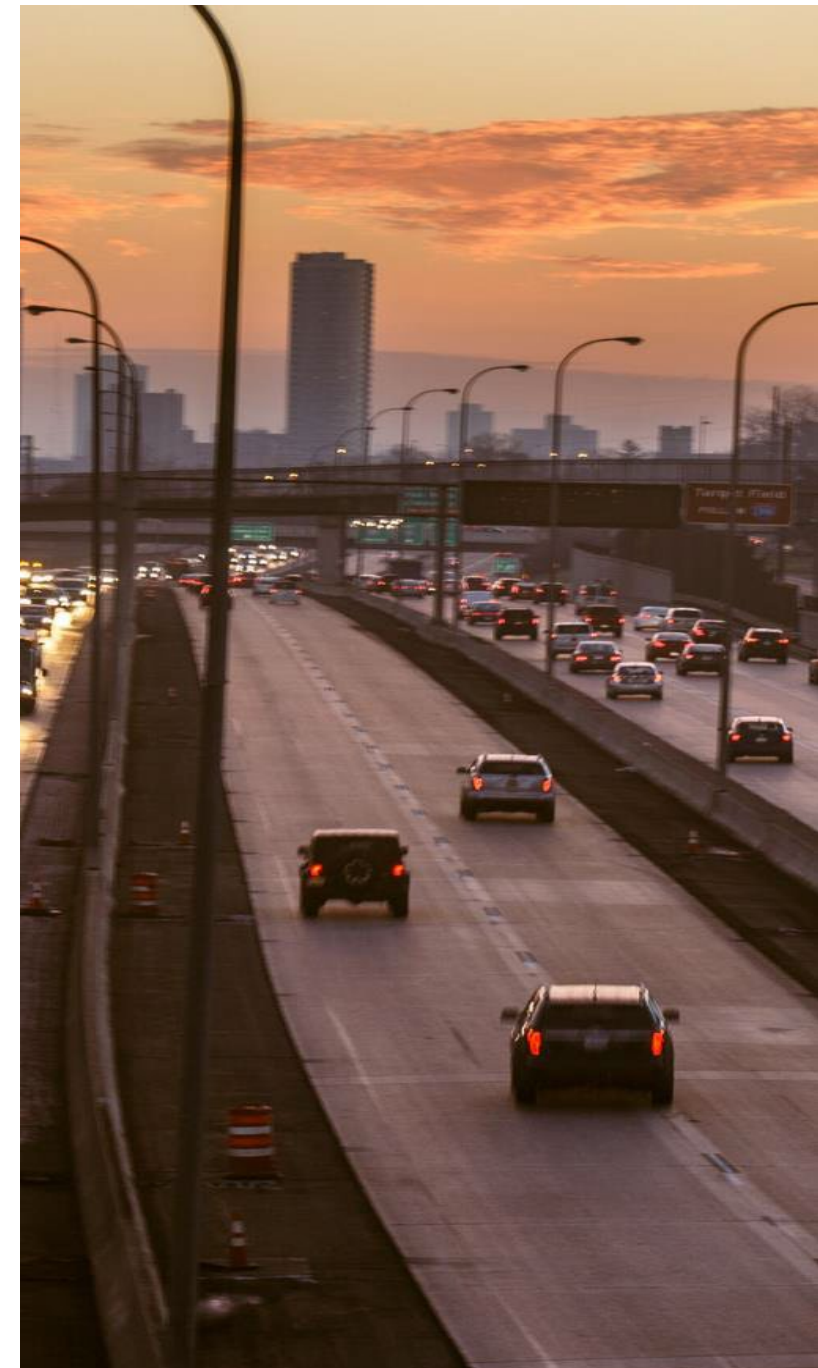


Revenue (\$ in millions)	CY 2028	2030 % of Total	2025-2050 Total	% of Total
Highway User Taxes	\$610	73%	\$23,855	73%
Federal	\$230	27%	\$8,823	27%
Subtotal	\$840M	100%	\$32.7B	100%
Spending (\$ in millions)	CY 2028	2028 % of Total	2025-2050 Total	% of Total
State Road Construction	\$610	74%	\$24,461	75%
State Road Operations	\$230	26%	\$8,217	25%
Subtotal Metro State Highways	\$840	100%	\$32.7B	100%

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



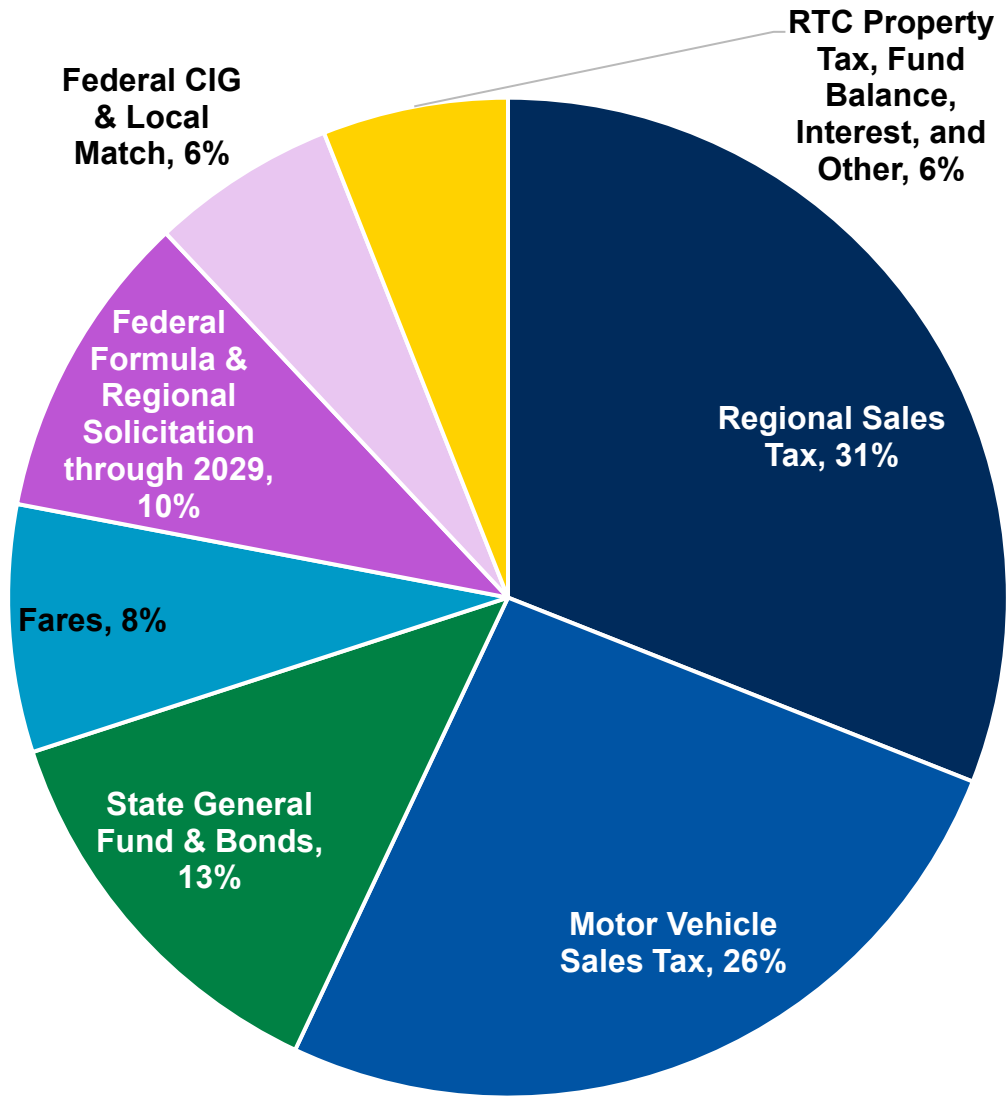
2023 Transit Revenue Changes



- 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 \$450M 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%
Subtotal	\$1,667	100%	\$55.2B	100%



Regional Transit Revenue

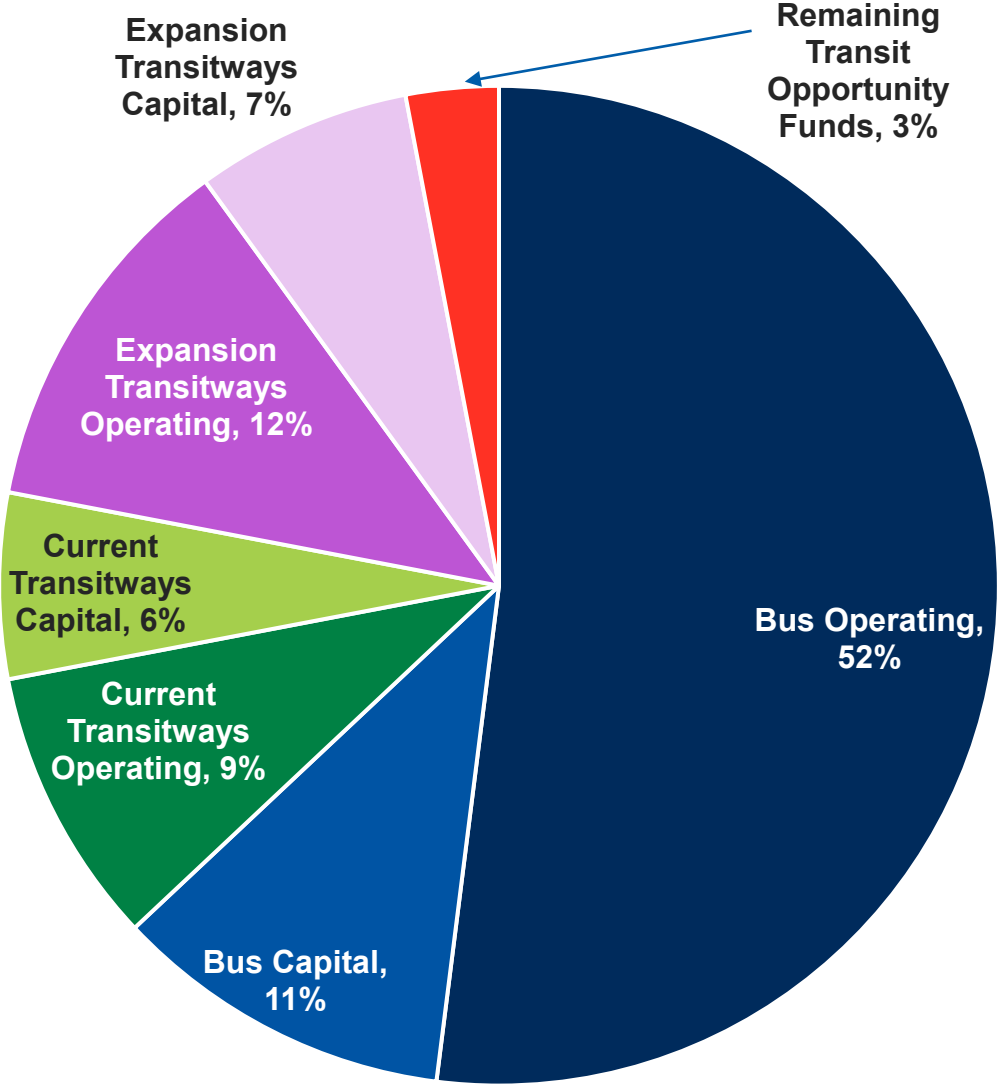


Key Takeaways

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



Regional Transit Spending

Key Takeaways

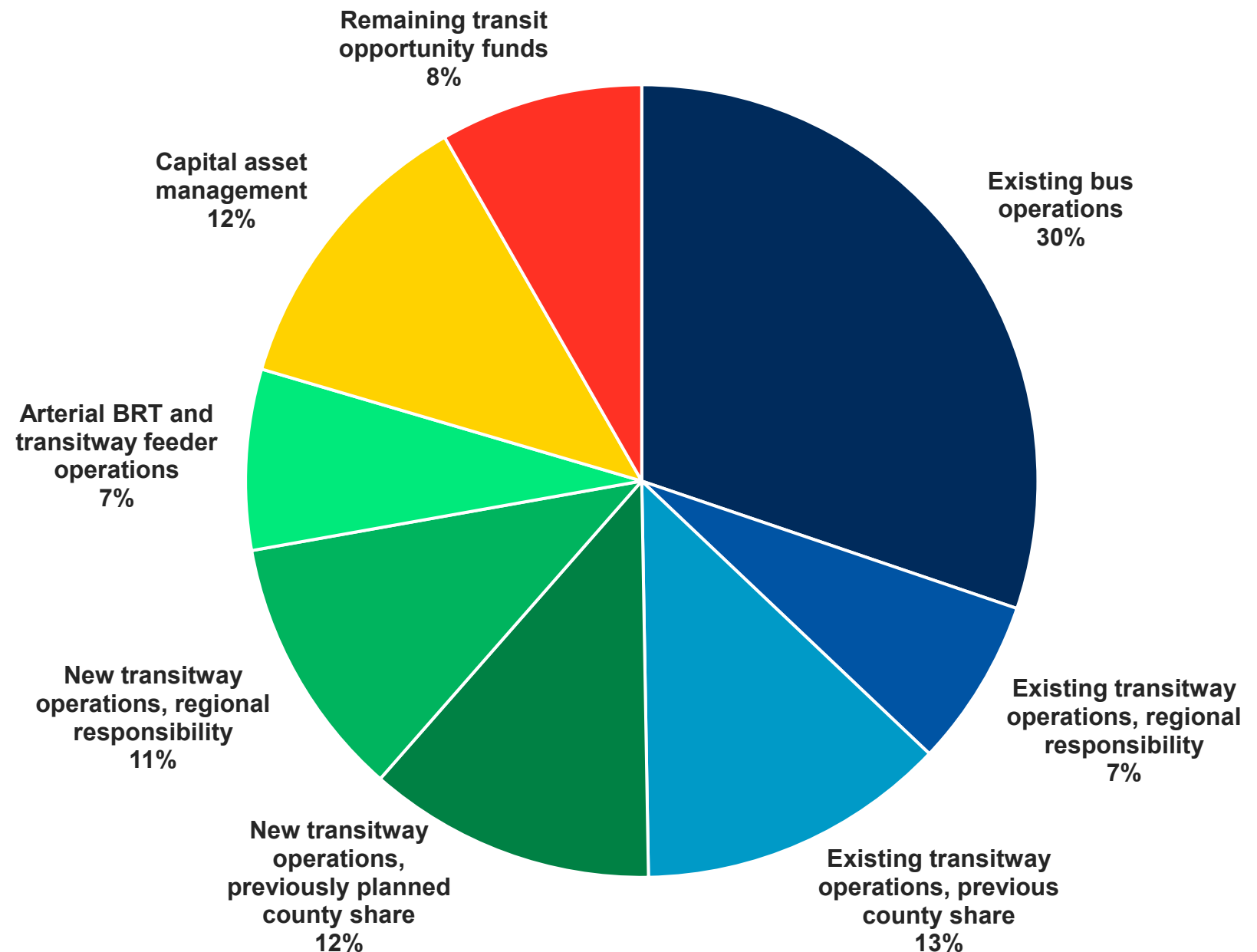
- Regular route bus, including arterial BRT, requires over 63% of all spending
 - 52% for bus operations
 - 11% bus capital/asset management
- Current and new dedicated transitway operations at 21% of total spending 2025-2050
- Existing transitway capital asset management requires 6% of total spending, 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)

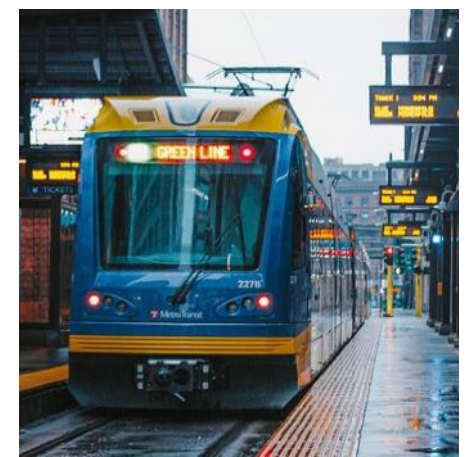
Local Government cont.

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

CY 2024 TAA Est Distribution	Share at 50% pop -50% \$ needs
Anoka	12.3%
Carver	6.5%
Dakota	15.2%
Hennepin	34.3%
Ramsey	17.5%
Scott	6.7%
Washington	7.7%
	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 (millions)	2025 % of Total	2025-2050 (billions)	% of 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%
Total Revenues	\$2.06B	100%	\$79.6B	100%

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%
Total Spending	\$2.1B	100%	\$79.6B	100%

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
MnDOT Metro State Highways				
State Road Construction	594	74%	24,461	75%
State Road Operations	213	26%	8,217	25%
Subtotal Metro State Highways	807		32,679	
Regional Transit				
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%
Subtotal Regional Transit	1,667	100%	55,188	100%
Local Government Transportation				
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%
Subtotal Local Gov't Transportation	2,055	100%	79,633	100%
Regionally Allocated Funds				
Federal (all modes)	122	82%	3,119	77%
Regional Active Transportation	27	18%	911	23%
Subtotal Regional	150	100%	4,030	100%
TOTAL Regional Transportation Spending				
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%
Total Regional Spending	4,678	100%	171,531	100%

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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