

Transit Funding Allocation Policy

July 2025

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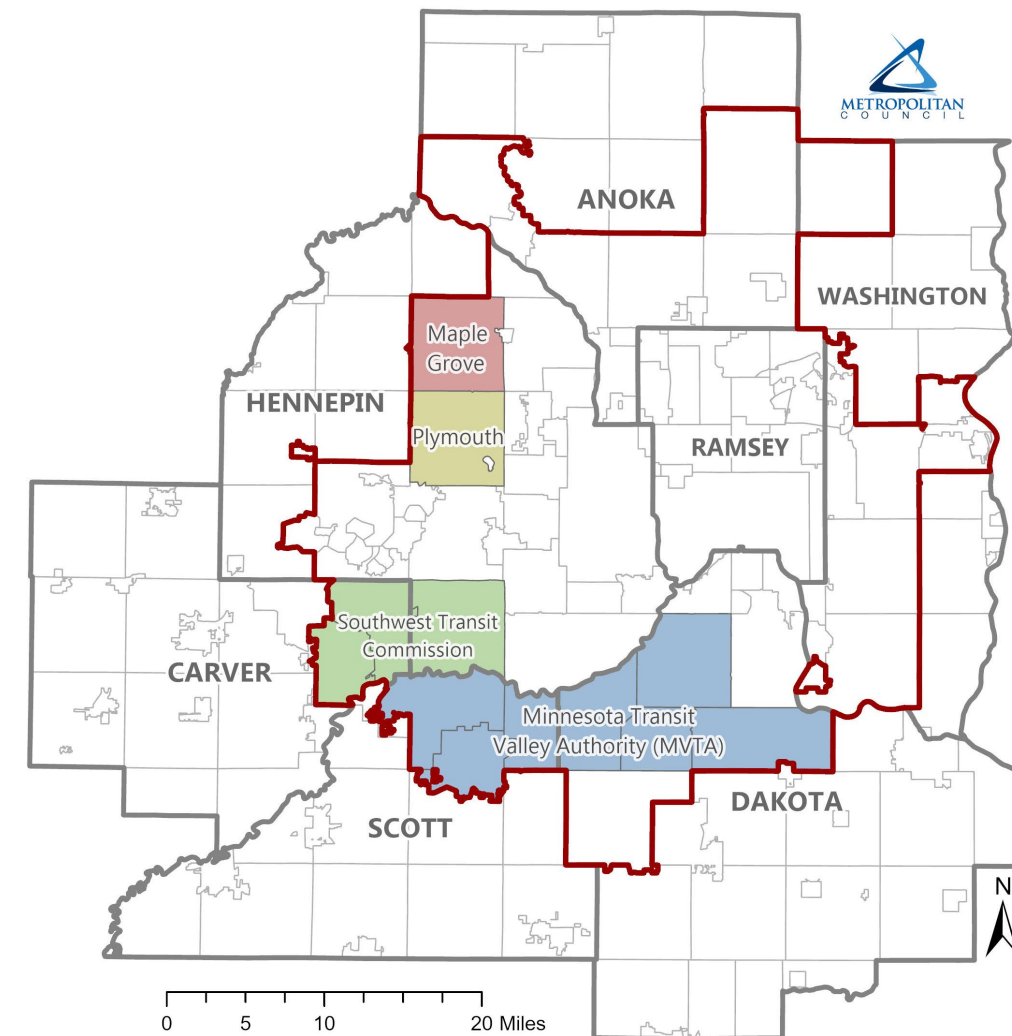
Suburban Transit Providers

Suburban Transit Providers

May 2025

Background

- Replacement Service Municipalities defined in Minnesota Statutes section 473.388, often called “Suburban Transit Providers” (“STPs”)
- Legislature gave temporary permission for cities to “opt out” of Metro Transit’s predecessor in 1980s; at the time property taxes were the primary source of transit operating funds
- 12 cities total; 10 cities operate under joint powers agreements as two transit providers
- Funded by Metropolitan Council primarily through Motor Vehicle Sales Tax (MVST) through formulas set by state law and by Council policy
- Collectively, these cities comprise around 19% of regional population, 12.5% of MVST funding distributions, and 4% of transit ridership

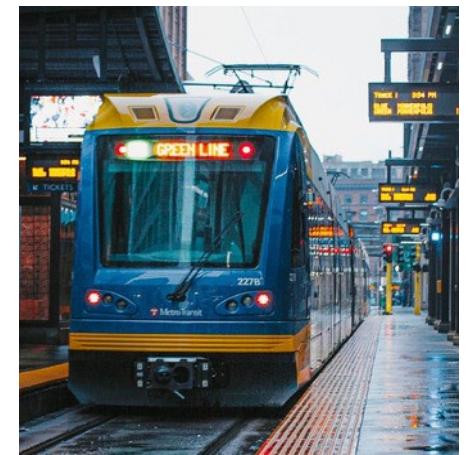
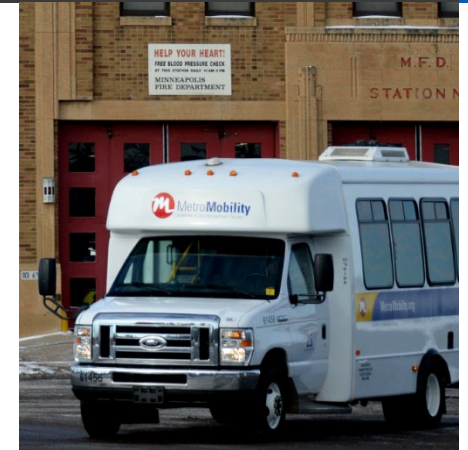


 Transit Capital Levy Community

Funding Allocation Policy

Part 1 policy- [adopted by Metropolitan Council on 12/11/2024](#)

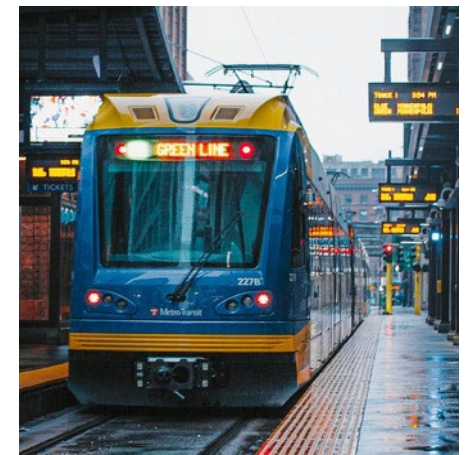
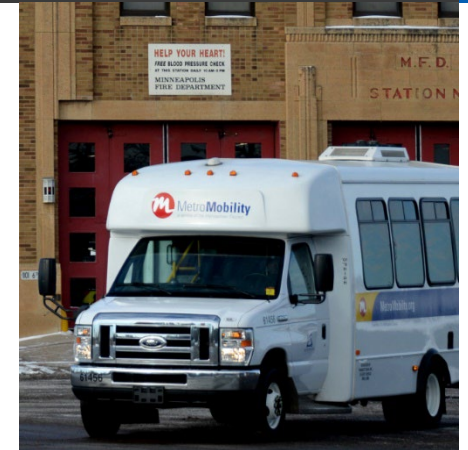
- Established general principles and methods to allocate revenues
 - 25-year forecast
 - Annual budget adoption
- Enacted Metro Mobility funding revisions per state law
 - Isolates Metro Mobility federal formula earnings to program purposes
 - State-funded program (capital and operating) beginning July 1, 2025
- Reflected current practice (2001-present) for federal section 5307 urbanized area funding allocation amongst providers
- Set interim 2025 sales/use tax funding to Suburban Transit Providers (STPs)



2025 Policy Completion

Part 2 Policy Components

1. Incorporate new state law and forecasts, apply 25-year projection as directed in policy
2. Allocate equivalent transit debt service property levy (RTC) to suburban transit providers, in years Council is authorized by the legislature to issue RTC bonds
3. Update Federal 5307 allocation basis, and federal transit recipient relationships
4. Allocate transit sales/use tax funds to STPs (473.388 cities) on an ongoing basis
5. Policy provisions related to use of sales and use tax funds



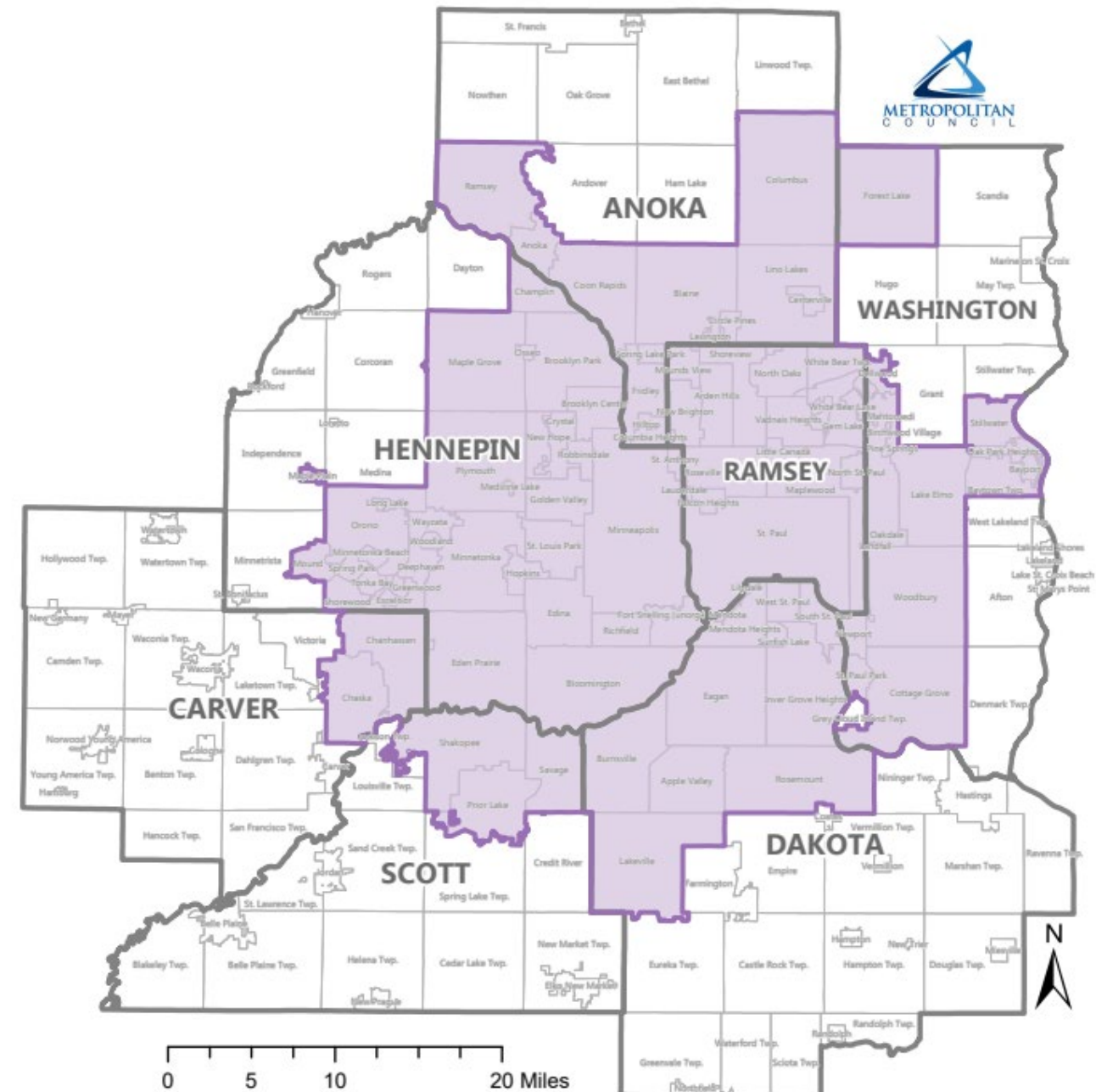
Transit Capital Debt Service Levy

Allocation of RTC Funding

- Regional Transit Capital (RTC) bonds paid by transit debt service property levy, approx. \$55 million per year in levy communities regionwide
- Metro Mobility shift from RTC to state + federal capital funding enables city-level allocation

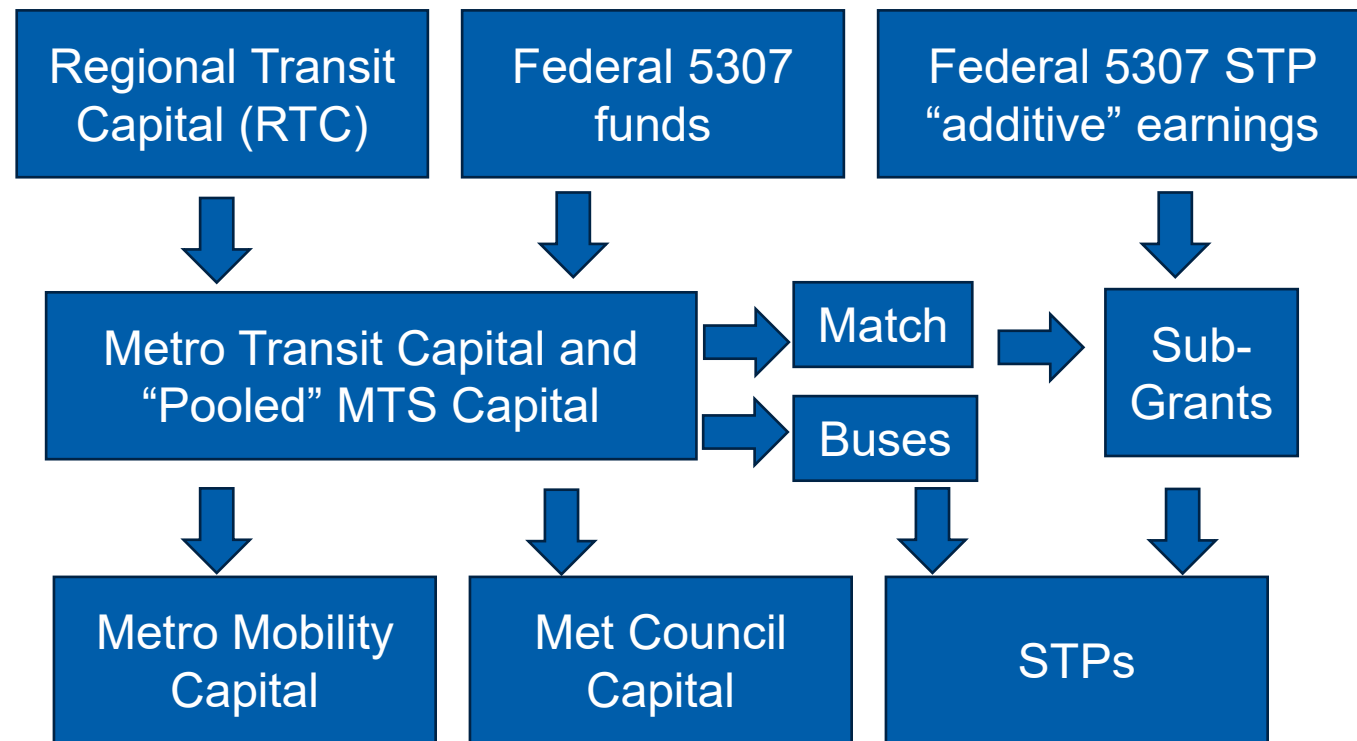
Proposed approach:

- Allocate funds to STPs, equivalent to transit debt service levied in each community
- Council would retain RTC, and issue equivalent funds from other sources to city property levy
- Issued only in years Council authorized by legislature to issue RTC bonds
- Approximately \$13 million annually to STPs, less any share of funds offsetting property tax refunds



Transit Capital Funds (Levy + Fed. 5307)

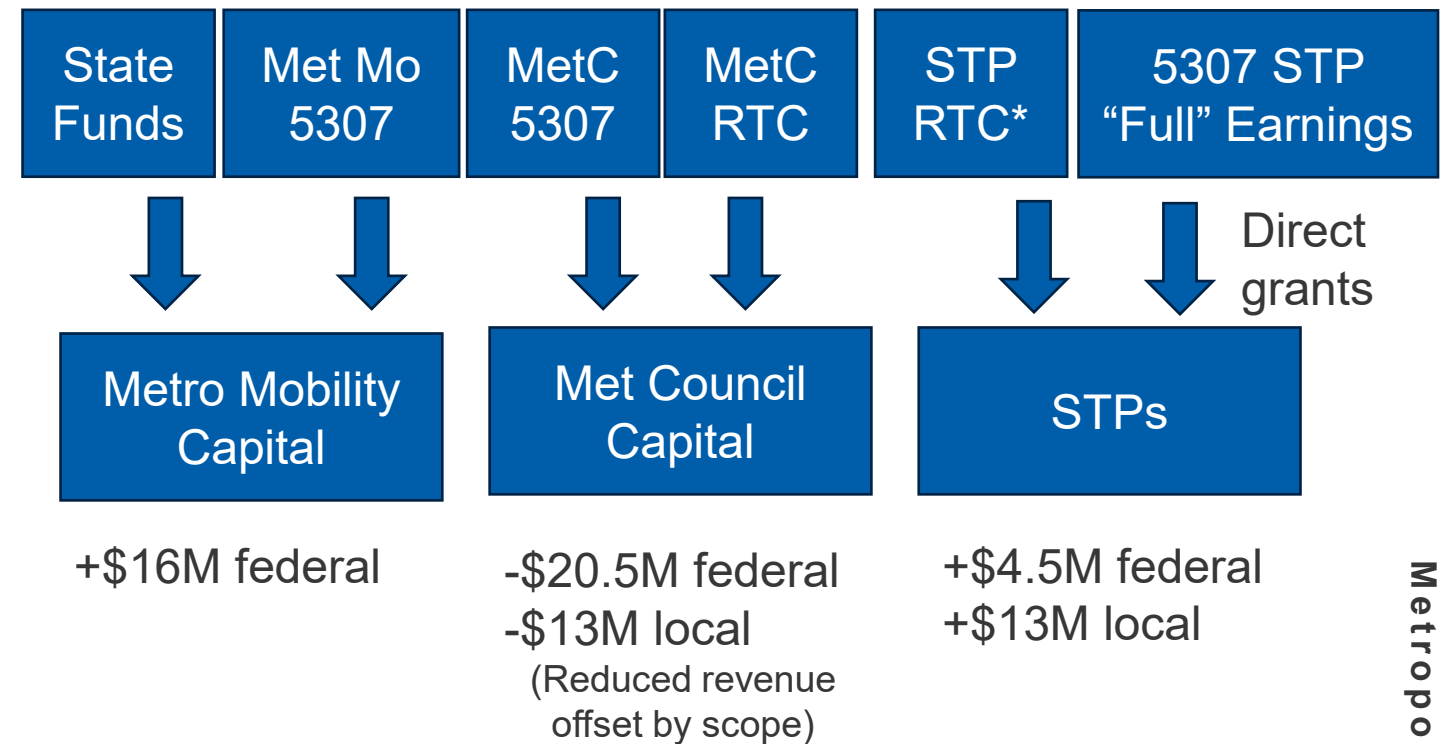
Current Model



Current Model Challenges

- “Pooled” funding less predictable/consistent year-over-year. Depends on fleet plans and STP requests
- Metro Mobility funds now dedicated to program
- May risk incentivizing unproductive service/grants
- Council holds federal compliance risk by STPs

New Model

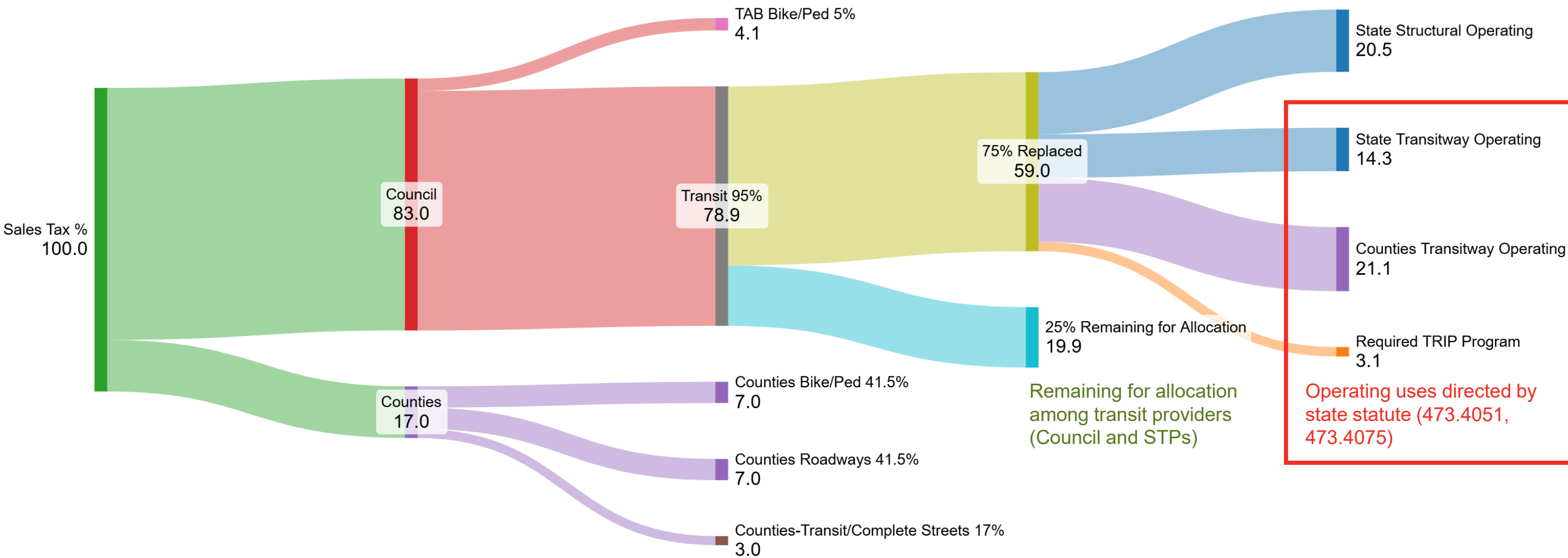


New Model Benefits

- Increased direct contributions to providers
- Greater independence/autonomy for providers
- More predictable funding based on actual transit property levy and federal formula unit values
- Providers fully accountable for federal compliance

Sales and Use Tax- Percentages

2026-2050 Uses



Approximately 75% of sales and use tax transit funding is legislatively directed/replaced other funding.
Approximately 25% of funding is available for allocation to transit providers for transit purposes identified in law.

Sales and Use Tax Allocation Basis

Allocation Basis

1. 2026-2050 revenues and current 2050 TPP obligations
2. Funding assigned to replace operating funding affected by 2023 session laws and 2025 session outcomes, and operating costs of required Transit Rider Investment Program (75.53% of transit-directed sales tax revenue)
3. Remaining funds available for distribution (24.47%)
4. Three options developed for discussion toward a recommendation late summer 2025
 1. Population (4.55% STPs)
 2. Current MVST distributions (3.03% STPs)
 3. Ridership (0.96% STPs)
5. Example: Maple Grove comprises 2.22% of region's population ($2.22\% \times 24.47\% = 0.54\%$ of transit sales tax revenues), or \$2.346 million in 2026 +40% over 2025.

Distribution options for allocated transit funding (24.47%)

Population	Current MVST	Ridership
<ul style="list-style-type: none">• 18.6% STPs• 81.4% Council• STPs: \$19.6M est. 2026	<ul style="list-style-type: none">• 12.36% STPs• 87.64% Council• STPs: \$13.1M est. 2026	<ul style="list-style-type: none">• 3.93% STPs• 96.1% Council• STPs: \$4.2M est. 2026

Policy Provisions on Sales Tax Funds



Uses of Sales Tax Funding

All transit providers to use sales tax allocations for transit purposes per state law:

- Capital preservation, including bus replacement and rail maintenance, support facilities, technology, fare equipment, other capital needs (in combination with federal, local sources and use of debt service, as applicable)
- Capital expansion and operating uses per local priorities
- Match to federal competitive pursuits including Regional Solicitation
- Other purposes as allowed by state law [[473.4465 subd. 2 \(2\)](#)]

Active transportation (AT) uses per state law [473.4465 Subd.2(2)(b)(12)].

- 473.388 cities to indicate any share of sales tax funds for active transportation purposes; remainder allocated to the 473.388 city's transit provider
- Procedures and process to be developed for 2026 implementation

Fare collection system agreements will be required to define fare system roles/responsibilities and cost participation/mechanisms. Development and implementation likely to follow fare system upgrade implementation focus into 2026

Summary

2026 Funding Estimates by 473.388 Provider (\$MM)

- Preliminary estimate of 2026 funding based on current forecasts and estimates (subject to change)
- Formula-based RTC, Federal, Sales tax funds replace pooled capital funding for STPs

Population-based distribution option

473.388 Provider	MVST (No % change)	Federal Total	RTC	Sales Tax	Total
Maple Grove	\$5.1	\$1.0	\$1.6	\$2.4	\$10.12
MVTA	\$28.3	\$5.3	\$6.5	\$10.7	\$50.71
Plymouth	\$7.5	\$1.0	\$2.1	\$2.7	\$13.34
SW Transit	\$13.5	\$2.2	\$3.0	\$3.9	\$22.53
473.388 Total	\$54.4	\$9.5	\$13.2	\$19.6	\$96.70

Motor Vehicle Sales Tax-based distribution option

473.388 Provider	MVST (No % change)	Federal Total	RTC	Sales Tax	Total
Maple Grove	\$5.1	\$1.0	\$1.6	\$1.2	\$8.99
MVTA	\$28.3	\$5.3	\$6.5	\$6.8	\$46.85
Plymouth	\$7.5	\$1.0	\$2.1	\$1.8	\$12.44
SW Transit	\$13.5	\$2.2	\$3.0	\$3.2	\$21.83
473.388 Total	\$54.34	\$9.5	\$13.2	\$13.1	\$90.11

Note: Ridership-based distribution not shown

Next Steps

Ongoing Policy Discussion and Development

- Transit provider discussions continuing
- 7/14 Transportation Committee info item
- 7/16 TAB info item
- 7/24 TAB Transit Planning technical group
- Public and provider input July-mid August 2025
- Revised (final) policy late August
- Metropolitan Council approval Sep. 2025
- 2026 budgeting based on final allocation policy
- New allocations effective on 2026 collections