



# 2050 TPP Revenue Outlook

TPP Advisory Work Group



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# TPP Fiscal Constraint Requirement



Federally required to include a financial plan that demonstrates how the adopted transportation plan can be implemented :

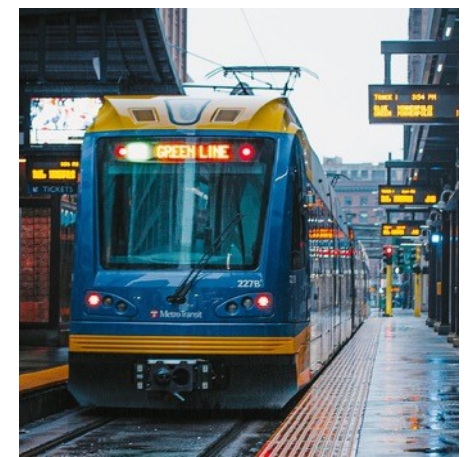
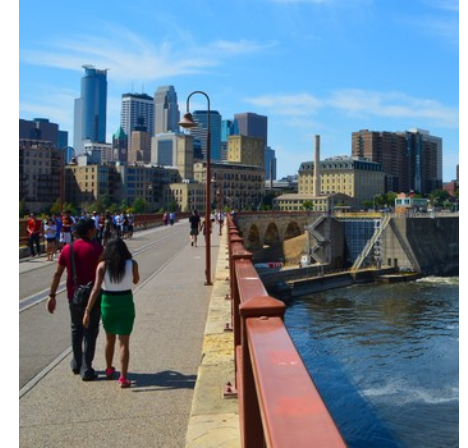
- System-level revenue estimates and planned expenditures to adequately operate and maintain the regional transit and highway (principal and minor arterials) systems
- Funds to implement new regionally significant highway and transitway projects or transportation programs
- Must be in year of expenditure dollars (i.e., revenues and expenditures are inflated)
- Required to evaluate no-build and investment Plan outcomes
- In the 2040 TPP, referred to as the “Current Revenue Scenario”

Federally allowed, but not required, to show projects that would be included in the plan if additional funding were available

- Current plan assumed new revenue sources could occur
- Identified projects that could be implemented and evaluated outcomes
- Projects required a TPP amendment to be considered part of the adopted plan
- In the 2040 TPP, shown as the “Increased Revenue Scenario”

# Recent Revenue Changes

- Major federal funding increases in IIJA realized in 2021:
  - Formula funding increases for highways, transit, MPO funds
  - Many new competitive programs established also covering new goals/project types (i.e., climate focus, resilience, reconnecting communities, electric vehicle charging)
- 2023 State Transportation legislation provided historic funding increases:
  - New metro area transportation sales and use tax for transit, active transportation and county transportation
  - Indexed/increased gas tax and increased vehicle registration tax (to highway user fund)
  - Sales tax on auto parts (to highway user fund and Transportation Advancement Account)
  - Delivery fee (to Transportation Advancement Account)



# 2050 Financial Outlook

## New Revenues Provide Financial Stability and Opportunity for Growth

- The recent revenue increases make it not reasonable to assume new revenue increases will occur, at least for the next 10 years
- Overall, the region's transportation financial position appears very positive and stable
- Increased revenues available across all modes
- Plan will assume new federal formula increases and competitive programs continue (e.g., PROTECT, Carbon Reduction)
- Inflationary factors for major revenue sources through 2050 will be determined in cooperation with MMB, MnDOT and Council finance

Planning work for the spending of the new revenues is still underway at MnDOT, Council, local governments. Available revenues for programs or projects that have not yet been determined for specific purposes will be identified within the TPP.





# 2050 Financial Approach

- Current Revenue Scenario becomes “Funded Plan” or just “the Plan”
  - Major highway and transitway projects that can identify full funding will be in the Plan
  - These identified investments will be evaluated for 2050 performance outcomes
  - Programs with available funding will be described regarding level of funding and processes for decision-making, e.g., Regional Solicitation, Highway Safety Improvement Program, Carbon Reduction Program
- Plan will identify transportation programs or categories of spending where revenue remains available for additional projects to be identified
- Increased Revenue Scenario is replaced with listings of potential projects or funding programs that might utilize available revenue
- Regionally significant projects selected or identified for available funding will need to be amended into the Plan
- No-build scenario and the Funded Plan will be evaluated for 2050 performance outcomes



# Revenues and Spending Categories



- TPP Transportation revenues and spending identified in three major categories:
  - **State Highways**
  - **Regional Transit**
  - **Local Government Transportation**
- **State Highways** are revenues available for expenditure by MnDOT on the region's trunk highway system
- **Regional Transit** revenues are available for expenditure by all regional transit providers for the bus and rail system (including dial-a-ride and micro transit)
- **Local Government Transportation** revenues are available for use by counties, cities, townships for local roadways, active transportation (bicycle/pedestrian), regional transit and state highway expenditures, as determined by the local entity
- Regional Solicitation revenues are included in Transit and Local Government Transportation revenues and spending



# Regional Solicitation Funding



- Regional Solicitation Evaluation will determine how these funds are distributed across Roadways, Transit, Bicycle & Pedestrian and other potential uses (Travel Demand Management/VMT reduction, GHG reduction opportunities)
- Current analysis uses the historic distribution as follows:
  - 55.5% Roadways, \$65.6M in 2028 (included in Local revenues, not MnDOT);
  - 30% Transit, \$33.5M in 2028
  - 14.5% Bike/Ped, \$16.2M in 2028 (included in Local revenues)
  - PROTECT funding is included in Roadways about \$3.5M annually
  - Carbon funding is to be determined in 2026 and on \$6.8 M in 2028

# State Highway Revenues 2023 Changes



- State highway revenue estimates developed by MnDOT and used for MN State Highway Investment Plan (MnSHIP) include 2023 increases
- State Highway User Tax Fund (HUTDF) revenue with 2023 changes:
  - Gas tax indexed to construction costs beginning 2024, maximum 3%, at current 28.3 cents per gallon increase annually could be 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
- State tax increases resulted in a 17% increase over previous planning estimates through 2050



# MnDOT Metro District Revenues



- MnDOT primarily distributes funding to districts for two purposes: construction and operations and maintenance.
- Over the past decade, the Metro District share of construction revenues has been in decline, falling from roughly 42% of statewide construction funding to current financial estimates, which show the Metro District receiving roughly 37-38% of available statewide construction funding.
- District, Council, and local agency staff are currently participating in a MnDOT-led effort to re-evaluate how districts receive state and federal funds. It is anticipated that this work will result in a higher proportion of funding being available to the metro area. These decisions are expected to be made later in fall 2023.
- Current estimates show Metro District construction funding at approximately \$550M in 2025 and nearly \$1.2B annually by 2050. Metro District is estimated to receive over \$21B for capital purposes 2025-2050.
- The Metro District also receives approximately 26% of agency planning, operations and maintenance (POM) funding. POM funding is estimated at approximately \$225M annually 2025 and totaling about \$8B for 2025-2050.

# Transit Revenues 2023 Changes



- MVST rate increase to from 6.5% to 6.875%, however metropolitan transit share decreased from 36% to 34.3%; overall change essentially neutral for transit
  - MVST regional transit revenue estimate \$367M for 2025; \$14.3B for 2025-2050
- 2023 Legislature authorized new funding source: 3/4-cent Metro Area Transportation Sales and Use Tax for transit, active transportation and county transportation purposes
  - Council receives 83% of revenues distributed 95% to transit purposes and 5% for Active Transportation to TAB
  - Transit regional sales tax revenues estimate \$449M for 2025, \$17.3B for 2025-2050
- Counties' 50% share of transitway operations shifts to Council in statute; \$50M shift for 2025 and \$3.5B for 2025-2050



# Estimated Transit Revenues

Revenue Source:	2025 (millions)	2025-2050 (Billions)
Federal Formula	\$158	\$5.8
Federal - Regional Solicitation	\$31	\$.8
Motor Vehicle Sales Tax	\$367	\$14.3
State General Fund	\$114	\$6.7
State Bonds	\$48	\$1.0
RTC (Council property tax)	\$55	\$2.1
Fares	\$78	\$3.9
Local/Other	\$8	\$.4
New Regional Sales Tax	\$449	\$17.3
<b>TOTAL</b>	<b>\$1,328M</b>	<b>\$52.3B</b>

# Required Investment Areas for Transit Sales Tax



1. Improvements to regular route bus service levels
2. Safety improvements, including additional TRIP personnel
3. Maintenance & improvements to accessibility at transit stops and transit centers
4. Transit shelter replacement and improvements
5. Planning & project development for expansion of ABRT
6. Operations and capital maintenance of ABRT
7. Planning & project development for expansion of highway BRT and bus guideway lines
8. Operations and capital maintenance of highway BRT and bus guideways
9. Zero-emission bus procurement and associated costs in conformance with the Council's zero-emission and electric transit vehicle transition plan
10. Demand response micro-transit service provided by the Council
11. Financial assistance to replacement service providers to provide for service, vehicle purchases, and capital investments related to demand response micro-transit service
12. Financial assistance to political subdivisions and tax-exempt organizations under section 501(c)(3) of the Internal Revenue Code for active transportation
13. Wage adjustments for Metro Transit hourly operations employees



# Transportation Sales Tax Opportunities



## Baseline Opportunities

- Structurally Balance Existing Services vs Fiscal Cliff
- Complete Council Capital Build Out of METRO Transitway Vision
- Bus Fleet Plan including electrification
- Rail Fleet Replacement Plan and Rail Fleet, Systems and Track Overhauls
- Non-Fleet Capital Maintenance and State of Good Repair (SOGR)
- Capital Preservation of New Services
- Financially Responsible 30 Year Cash Flow Management
- Allows development of Long-Term Transportation Vision with Council, Partners and Community



# Local Government Revenue 2023 Changes



- New Transportation Advancement Account created to receive two revenues:
  - New 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 2033 at 56.5% of the proceeds
  - Total revenues to Transportation Advancement Account are approximately \$79M in 2025; \$278M in 2033 at full phase-in
- Transportation Advancement Account shared as follows:
  - 36% to seven metro area counties (\$28M in 2025; \$100M in 2033)
  - 10% to all counties (metro county share approx. 25%; \$2M in 2025)
  - 15% to Large cities (metro cities share approx. 70%; \$8M in 2025)
  - 27% Small cities (assume no metro share)
  - 11% to Town roads (10% metro share; \$1M in 2025)
  - 1% to Dept. of Human Services for food delivery grants



# Local Government Revenue 2023 Changes Cont.



- $\frac{3}{4}$ -cent Metro Area Transportation Sales and Use Tax is shared 17% to metro counties and distributed with metro counties 36% share of Transportation Advancement Account
- \$97M from sales tax funds in 2025; \$3.7B for 2025-2050
- Total to metro counties from Transportation Advancement and Sales Tax is \$125M in 2025; \$222M in 2033 at full phase-in of sales part revenues; \$6.5B for 2025-2030
- Revenue distributed among 7-counties 50% by population share and 50% CSAH needs calculation
- Counties must use the revenues:
  - 41.5% for Active Transportation & Safety studies (\$51M in 2025; \$92M in 2033)
  - 41.5% for repair, maintenance or roadway replacement without adding capacity (\$51M in 2025; \$92M in 2033)
  - 17% for transit purposes, complete streets, or greenhouse gas mitigation (\$21M in 2025; \$38M in 2033)

# Other 2023 Changes

- Council 83% share of regional sales tax funds requires 5% to be allocated by TAB for Active Transportation purposes
- TAB will allocate \$24M in 2025; \$911M for 2025-2050
- TAB determining process and timeline as part of the Regional Solicitation Evaluation contract
- Counties are no longer required to pay 50% of the operating costs of Transitways
  - Allows \$45M in 2025 of existing county sales tax funds may be used for other transportation purposes
  - Costs are shifted to the Council/Metro Transit to fund from transit share of regional sales tax funds





# Estimated Local Government Transportation Revenues

Revenue Source:	2025 (millions)	2025-2050 (Billions)
State Highway User Taxes	\$426	\$16.0
Federal - Reg Sol & Other Federal	\$104	\$3.4
County Wheelage Tax	\$42	\$1.2
County Transportation Sales Tax	\$235	\$8.8
Property Tax/Fees/Other	\$906	\$34.9
<b>TOTAL Pre-2023 Sources</b>	<b>\$1,714M</b>	<b>\$64.4B</b>
New Regional Sales Tax	\$97	\$3.7
Metro counties auto parts sales tax	\$28	\$2.8
County, Large city, Township auto parts sales tax	\$11	\$1.1
5% Active Transportation Sales Tax	\$24	\$0.9
Transitway Operations Shift from Co. to Transit	\$45	\$3.5
<b>SUBTOTAL New Sources</b>	<b>\$205M</b>	<b>\$12.0B</b>

# Key Takeaways and Discussion



## Key Takeaways

- Plan has significant increased revenues, eliminate Increased Revenue as an evaluation “Scenario”
- New revenues have opportunities for identifying new projects or investing more in existing programs
- Collaboration important, crossover between investment categories
- Council, MnDOT, and Counties are biggest benefactors of new revenues

## Questions?





Thank You

**Amy Vennewitz**

MTS Deputy Director Finance and Planning

