

May 6, 2019

Representative Frank Hornstein  
Chair, Transportation Finance and Policy  
Room 545, State Office Building  
St. Paul, MN 55155

Senator Scott Newman  
Chair, Transportation Finance and Policy  
Room 3105, Minnesota Senate Bldg.  
St. Paul, MN 55155

Chairs Hornstein and Newman,

I am looking forward to working with both of you to deliver a budget that will move Minnesota forward with a strong investment in transit.

A diversified and sustainable funding package is critical for the metropolitan area to preserve and grow our transit system as we prepare for the 700,000 new residents who will be living here with us in the next 20 years. The recently released "Return on Investment in the Regional Transit System" report, commissioned by the Minneapolis Chamber and East Metro Strong, concluded that if our region builds a comprehensive transit system, 81% of the benefits will accrue to street and highway users. Put another way, an investment in transit will significantly benefit every metro resident and visitor and will enhance our region's prosperity while retaining and attracting young talent. Governor Walz's vision reflects these principles and will create a transformational investment in the entire transit system.

I appreciate the vision and shared enthusiasm the House has taken toward regional transit investment. Unfortunately, the Senate position does not follow suit. In fact, the Senate bill disregards the looming structural funding issue facing Metro Transit's regular route bus system while it adds additional mandated Metro Mobility service without an accompanying appropriation – an unfunded mandate.

Currently all Metro Mobility service, the entire state's 50% share of light rail operations, the entire state's 50% share of commuter rail operations and a share of regional bus operations are funded with General Fund dollars. Besides some one-time General Funds provided in the previous biennium, the Motor Vehicle Sales Tax (MVST) is the main revenue source for metropolitan area bus service. MVST revenues are volatile and forecasts show that in the long term MVST will not provide enough to even preserve and maintain current service levels. Based on the February 2019 MVST forecast, metropolitan area bus is facing a 10 year, \$200M forecasted structural deficit.

With current Metro Mobility demand on a path to consume nearly our entire base appropriation by FY 2021, no General Fund dollars will be left for these other transit services. Expanding Metro Mobility without an appropriation only accelerates the consumption of our General Fund appropriation. When this inevitably happens, light rail and commuter rail operations will be forced onto Motor Vehicles Sales Tax (MVST). Since light rail operations are a statutory requirement, those operations will be given priority and metropolitan area bus - including the Suburban Transit Provider service – will suffer and exacerbate the structural deficit.

Governor Walz and the House position recognize the pressure Metro Mobility is applying on our regional transit system. To address it, they both separate Metro Mobility from the current transit funding program and fund its \$36M biennial deficit with General Fund appropriations. They also provide a base adjustment to begin to address the anticipated \$72M deficit forecasted for FY 2022 -23.

These investments protect the regional bus system from forced service reductions that are completely unrelated to their operations.

I am concerned with the Senate position that ends the state's commitment to fund its 50% of operation expenses for future light rail transit lines and prohibits state funds from being used for the capital costs of a light rail project. The Metropolitan Council and our partners on projects have relied on state law as pending projects like the METRO Blue Line Extension and the Riverview Corridor were developed over the course of decades. Current state law provides that the state will pay for 50 percent of operating costs after federal money and fares are used. Eliminating this commitment jeopardizes future projects, and this has real impacts on the state's ability to attract federal funding for our transit system and for the mobility of our growing metropolitan region.

I also have concerns regarding the Senate position that reallocates revenues from MnPASS lanes. The proposed changes mean the Metropolitan Council would be last in line for revenues to use for expansion and improvement of bus transit services in the corridor. Changing the current distributions of MnPASS proceeds will result in lost revenues to the Council of \$760,000 in the upcoming biennium, increasing to an estimated \$865,000 in FY 2022-23. MnPASS provides a critical transit advantage in our region and it is essential to our future regional growth that we prioritize opportunities to create this kind of effective and efficient transit solution. This proposed reduction in revenues would be in addition to the substantial financial pressures created by the Senate position on Metro Mobility.

I appreciate your inclusion of the Metropolitan Council / Department of Human Services data sharing language. This language is common to the House, Senate and the Governor's budget and is a critical component to help address some of the future financial pressure created by increased Metro Mobility demand.

Both the House and Senate bills contain numerous other provisions that I believe will provide opportunities for consensus. There are two provisions that are included in the Governor's budget and House bill that are priorities for the Metropolitan Council. The first is additional regional transit bonding authorization. The legislature has authorized these bonds for nearly 30 years and this request is consistent with previous authorizations. They are primarily used as the local 20% match to the 80% federal funds used to replace the Metro Transit bus fleet, the Metro Mobility bus fleet and the Suburban Transit bus fleet. The second provision is a technical correction that inadvertently prohibited the Metropolitan Council from financing federal funds with Grant Anticipation Notes (GANs). Bipartisan support exists for advancing both provisions.

Again, I look forward to working with both of you and am available to discuss these issues with you and the conference committee members at your convenience.

Regards,

A handwritten signature in black ink that reads "Nora Slawik". The signature is written in a cursive, flowing style.

Nora Slawik  
Chair, Metropolitan Council