March 22, 2017

Representative Paul Torkelson, Chair
House Transportation Finance Committee
381 State Office Building
100 Rev. Dr. Martin Luther King, Jr. Boulevard
St. Paul, MN 55155

Chair Torkelson and Members of the House Transportation Finance Committee:

In advance of your committee mark-up of HF 861 (as amended by the delete-all H0861DE2), I would like to share with you my concerns about the bill regarding metropolitan area transit.

HF 861 provides the Metropolitan Council $37,546,000 in FY2018 and $22,530,000 in FY2019 from the state general fund to pay for metropolitan area transit. This is a substantial reduction of the general fund appropriation that is necessary to preserve and maintain our current transit service in the metropolitan area. Reducing metropolitan area transit's general fund base by the anticipated growth in MVST leaves an approximately $55 million budget shortfall in the FY2018-2019 biennium, and the shortfall will grow larger in the FY2020-2021 biennium.

Faced with a shortfall of this magnitude, Metro Transit will need reduce service and increase fares. Even with a fare increase of 25 cents, we estimate that HF 861 will force Metro Transit to cut regular route service by at least 12 percent by January 1, 2018. The service cuts and fare increases will result in a nearly 15 percent loss in ridership, or roughly 10 million rides. The impacts will be worse if MVST does not meet forecasted amounts.

Additionally, by eventually shifting metropolitan area transit funding off the general appropriation and onto MVST without additional financial support, this move forces Metro Mobility service, which is currently funded by the general fund appropriation, on to metro area transit specific MVST funds. This approach further erodes our ability to fund current regular route transit service because Metro Mobility is federally-mandated ADA service that also has a legislatively established service footprint beyond ADA requirements. Under the American with Disabilities Act and state law, Metro Mobility cannot refuse rides to qualified riders. While Metro Mobility has been rated as one of the most efficient services of its type in the nation, the service is still very expensive, with an average trip subsidy over $23 per ride.

Beyond the impacts of HF 861 on bus service, HF 861 has negative effects on transitways as well. While HF 861 funds operations for current transitways, it accomplishes this by shifting what was previously the state's 50 percent share for the Blue Line and Green Line operations to the Counties Transit Improvement Board (or metro area counties if CTIB dissolves) and their local option sales tax to pay 100% of these operations and the Northstar and Red Line service as well. This approach shifts approximately $67 million over the biennium to cover what is currently a statutory responsibility of the state.

This provision redirects funds that are levied and collected locally to be used specifically to supplement transitway development and operations, not supplant them. Even setting aside the policy provisions designed to stop future transitways discussed below, this change in transitway financing alone would severely limit future transitway projects, including the Gold Line, the Orange Line, future highway bus rapid transit projects, and future arterial bus rapid transit projects.

I have several policy concerns with HF 861 as well:

- **Article 4, Sections 75 and 76** prevent regional railroad authorities and cities or counties from spending any funds for studying, project development, or construction of a light rail project unless the legislature specifically authorizes the project.

  Since this language prevents the study of light rail, the bill curtails transitway development by requiring legislative authorization before an alternatives analysis (AA) is completed or a locally preferred alternative (LPA) is selected, even if the locally preferred alternative turns out to be a mode other than light rail. The primary purpose of studying transit options through the alternatives analysis process is to determine what, if any, transit solution is feasible and would be most effective within a corridor. Cities, counties, and regional rail authorities typically conduct the alternatives analysis process, not the Metropolitan Council or MnDOT. Importantly, the AA process does not pre-suppose light rail will be the option selected, but this language in HF 861 seems to prohibit any local funds from studying alternatives for a corridor if the result (the locally-preferred alternative) could be LRT.

  In essence, the legislature becomes the central transit planning agency for the metro region and takes away that responsibility from local governments, regional rail authorities, the Metropolitan Council, and MnDOT.

- **Article 4, Section 77** pertains to the Metropolitan Council's budgeting process. This section requires the Metropolitan Council budget include certain transit financial planning information and that the state general fund appropriations that reflect the state general fund base appropriations. Under current law, the Metropolitan Council presents its budget to the Legislative Commission on Metropolitan Governance (LCMG) every year. The LCMG provides legislators the opportunity to exercise this budgetary oversight and seek additional information about the Metropolitan Council budget today.

- **Article 4, Section 78 and Section 88** direct the Metropolitan Council to set a farebox recovery objective of 40 percent in the Transportation Policy Plan by December 31, 2017. This goal is not achievable for all services based on our research of farebox recovery ratios across the United States. Every two years the Council conducts a Transit System Performance Evaluation (TSPE) where we analyze performance measures to evaluate how the region's transit system is performing. Fare recovery is one of the measures used in this evaluation. In the TSPE we compare our region's fare recovery ratio to that of other comparable regions across the country (comparable regions are those with a similar population, transit system size, and similar mix of service types.) No comparable region has a fare recovery ratio for fixed route services above 38 percent. As fares continue to rise, there is a point at which the fares become so high that the system experiences a decline in fare recovery rather than an increase, as high fares cause too many riders to flee the system. Furthermore, the Transportation Policy Plan is not the mechanism that sets transit fares, so setting a fare objective and identifying strategies to meet that objective in the TPP will not in itself adjust fares. To adjust fares, the Council is required to adhere to a federally-regulated process that happens outside the TPP.

- **Article 4, Section 79** amends the formula to allocate more MVST funds to suburban transit providers and less MVST funds to Metro Transit. This change will reduce funding to Council-provided services, dollar-for-dollar. Already, suburban providers receive more funding when based on the number of rides served. In 2016, Metro Transit bus, light rail, and commuter rail provided 85 percent of regional ridership but received 74 percent of regional operating dollars. In 2016, suburban transit providers provided 5.4 percent of regional ridership while receiving 8.5 percent of regional operating dollars. In general, suburban providers have a higher subsidy per passenger and lower farebox recovery relative to comparable Metro Transit services. This MVST shift is on top of the $1.5 million from the transportation priorities fund in FY2018 for a demonstration project.

- **Article 4, Section 80** prevents the Metropolitan Council from issuing Certificates of Participation or other obligations backed by MVST. HF861 already shifts the Metropolitan Council’s transit funding off the general fund onto MVST. This section further restricts the Council's use of MVST by prohibiting the Council from using these constitutional funds as debt service for large transit capital purposes. This proposed language in HF 861 is contradictory to the intended purpose of the MVST revenue source for the Metropolitan Council (operations and capital) and is contradictory to how MnDOT uses its 60 percent share of these same MVST receipts to secure debt for Trunk Highway Bonds.

- **Article 4, Section 81** prevents the Metropolitan Council from spending any funds for study, project development, or construction of a light rail project unless the legislature authorizes the project. While most funding for light rail lines is funding from local or federal partners, this section would prevent the Metropolitan Council from using Council funds on these projects as well.

- **Article 4, Section 82, Section 83, and Section 89** place new requirements on current and future light rail construction projects. Section 82 requires the Council to establish design criteria for co-location of freight rail and light rail that is subject to an independent audit, and an alternatives analysis process. This requirement duplicates existing requirements. Currently, the design criteria are established early in the design phase and is based on input from LRT operations and freight rail operations, state requirements, Federal Railroad Administration (FRA) requirements, and current standards of practice. The design criteria are used in the development of the plans and specifications for the safe operation of LRT.

  Section 83 requires the Metropolitan Council (or MnDOT) to perform an alternatives and benefit analysis before beginning environmental analysis or preliminary engineering. An alternatives analysis is already a part of the planning process for New Starts projects.

  Section 89 applies Section 82 and Section 83 to Southwest and Bottineau, the two light rail projects currently in project development. I would respectfully remind that SWLRT and BLRT are only two of five New Starts projects nationally authorized to complete final engineering. The Federal Transit Administration's policy is that project sponsors need to demonstrate forward progress on their projects. If HF861 goes into effect, SWLRT would go back to 2008 to revisit the alternatives analysis and would go back to November 2013 when the governor directed the Council to look again at freight rail and light rail co-location, signaling to the FTA that the project is going in reverse rather than demonstrating forward progress.

- **Article 4, Section 84** prevents the Metropolitan Council and local units of government from planning on a state share for the capital costs of a light rail transit project, unless funds are made available by law. History shows the state's 10 percent share has leveraged significant economic benefit for the State of Minnesota. For example, the existing Green Line employed 5,500 construction workers over the years that generated $256 million worth of payroll. These workers came from 61 Minnesota counties and brought their paychecks home to main street Minnesota. Since construction began on the Green Line in 2010, there has been $5.1 billion worth of development put in the ground and announced within 1/2 mile of the 23 Green Line stations, $2.6 billion near the five downtown Minneapolis stations, and $2.5 billion near stations on University Avenue and in downtown Saint Paul.

- **Article 4, Section 104** repeals the provision establishing that 50 percent of net light rail transit operating costs come from state sources. The effect of this repealer is to shift the state's commitment to light rail operations unto CTIB or metro counties—counties that opted into a local option sales tax to supplement the state's contribution to a metro transit system, not supplant it.

I continue to support the Governor's proposal to provide a stable and reliable funding source for transit that supports long-term planning and allows for accelerated expansion of the entire system. The proposed ½ cent metro area sales tax would relieve the state of operating and capital costs while providing $3 billion over ten years for transit. By 2040, the population of the metropolitan region is expected to grow by 800,000, and 1 in 5 people will be 65 or older. To retain and attract young talent and adequately serve the region's residents in the coming years, we must provide an efficient and accessible transit system.

I am available to discuss these concerns with you and committee members at your convenience.

Regards,

Adam Duininck
Chair, Metropolitan Council