

HF2508 - 0 - "Metro Transit Fare Revenue Schedule "

Chief Author: **Bob Barrett**
 Committee: **Transportation Policy and Finance**
 Date Completed: **03/29/2016**
 Agency: **Metropolitan Council**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
 Reductions shown in the parentheses.

State Cost (Savings)		Biennium			Biennium	
Dollars in Thousands		FY2015	FY2016	FY2017	FY2018	FY2019
General Fund	-	-	24,655	31,318	46,020	
Trunk Highway	-	-	(24,655)	(31,318)	(46,020)	
Total	-	-	-	-	-	-
Biennial Total				-		-

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2015	FY2016	FY2017	FY2018	FY2019
General Fund	-	-	-	-	-	-
Trunk Highway	-	-	-	-	-	-
Total	-	-	-	-	-	-

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium
Dollars in Thousands		FY2015	FY2016	FY2017	FY2018
					FY2019
General Fund	-	-	24,655	31,318	46,020
Trunk Highway	-	-	(24,655)	(31,318)	(46,020)
Total	-	-	-	-	-
Biennial Total			-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund	-	-	24,655	31,318	46,020
Trunk Highway	-	-	-	-	-
Total	-	-	24,655	31,318	46,020
Biennial Total			24,655		77,338
2 - Revenues, Transfers In*					
General Fund	-	-	-	-	-
Trunk Highway	-	-	24,655	31,318	46,020
Total	-	-	24,655	31,318	46,020
Biennial Total			24,655		77,338

Bill Description

House File 2508 establishes a fare revenue schedule for Metro Transit and all other transit systems operated by the Metropolitan Council (Bus, Light Rail, Commuter Rail, Metro Mobility, Contracted Regular Route, Transit Link Dial-a-Ride). The schedule requires that, by the specified dates, annual fare revenues collected from all Council transit systems must equal the stated percentage of the Councils total cost to operate all transit systems:

December 31, 2016,	30 percent
December 31, 2017,	35 percent
December 31, 2018	40 percent
December 31, 2019	45 percent
December 31, 2020 and each December 31 thereafter,	50 percent

The bill also requires that if total fare revenues collected by the Council during the calendar year do not meet the percentage required, the Council must pay a penalty equaling half of the total revenue shortfall. The penalty payment must be made to the Commissioner of Management and Budget by March 1 of the year following a fare revenue shortfall. The Commissioner of Management and Budget must deposit all penalties into the trunk highway fund.

The bill does not establish a fare revenue schedule or penalties for transit service operated by the suburban opt out communities (Maple Grove, Plymouth, Minnesota Valley Transit Authority, Southwest Transit Commission).

Assumptions

The fiscal impacts summarized above are based on the following assumptions:

1. That the Council would increase passenger fares for transit service on all the transit systems it operates by 70 percent on January 1, 2017 and by another 70 percent on January 1, 2020. For local, non-peak bus service, the current fare of \$1.75 would increase by \$1.23 on January 1, 2017 to \$2.98 and would increase by \$2.08 on January 1, 2020 to \$5.06 per trip. For local peak bus service, the current fare of \$2.25 would increase by \$1.58 on January 1, 2017 to \$3.83 and would increase \$2.67 on January 1, 2020 to \$6.50 per trip. For peak express bus service, the current fare of \$3.00 would increase by \$2.10 on January 1, 2017 to \$5.10 and would increase by \$3.57 on January 1, 2020 to \$8.67 per trip.
2. That the Council would make no reductions in existing transit service operated by the Council.
3. That the Council would not be able to meet the fare revenue schedule for 2016 and subsequent years and would have a penalty imposed in each year.
4. That the Council would not have the financial resources available to pay the penalty and would request a general fund appropriation from the state to cover the penalty.

Expenditure and/or Revenue Formula

	2016	2017	2018	2019	2020
Local Non-Peak Fare	\$1.75	\$2.98	\$2.98	\$2.98	\$5.06
Local Peak	\$2.25	\$3.83	\$3.83	\$3.83	\$6.50
Express Peak	\$3.00	\$5.10	\$5.10	\$5.10	\$8.67
Ridership Change (millions)		(22.5)	5.3	5.3	(17.8)
Ridership Projection (millions)	90.7	68.2	73.5	78.8	61.0
	2016	2017	2018	2019	2020
Base Fare Revenues without Fare Increase (\$million)	\$105.5	\$106.6	\$107.7	\$108.7	\$109.8
Net Revenues from Fare Increase		19.9	24.9	35.0	70.0
Total Fare Revenues	105.5	126.5	132.6	143.7	179.8
Total Expenses	516.1	532.3	549.1	566.4	584.2
Fare Recovery Ratio (Fare Revenues/Expenses)	20.45%	23.75%	24.14%	25.38%	30.78%
Required Fare Recovery Percentage	30%	35%	40%	45%	50%
Fare Revenue Shortfall (\$millions)	\$49.310	\$62.636	\$92.040	\$120.172	\$123.816
Penalty (\$millions)	\$24.655	\$31,318	\$46.020	\$60.086	\$61.908

Alternative with Fare Increases and Service Reduction

Reduction in transit service operated by the Council would have a negligible impact on farebox recovery ratios but would reduce the penalties because the overall transit system would be smaller. The following information assumes a **27 percent reduction in transit service** operated by the Council on January 1, 2017.

	2016	2017	2018	2019	2020
Ridership Change (millions)		(50.0)	5.3	5.3	(17.9)

	2016	2017	2018	2019	2020
Ridership Projection (millions)	90.7	40.7	46.0	51.3	33.4
Base Fare Revenues without Fare Increase (\$millions)	\$105.5	\$76.6	\$77.7	\$78.7	\$79.8
Net Revenues from Fare Increase		19.9	24.9	35.0	70.0
Total Fare Revenues	105.5	96.5	102.6	113.7	149.8
Total Expenses	516.1	402.3	419.1	436.4	454.2
Fare Recovery Ratio (Fare Revenues/Expenses)	20.45%	23.97%	24.47%	26.06%	32.99%
Required Fare Recovery Percentage	30%	35%	40%	45%	50%
Fare Revenue Shortfall (\$millions)	\$49.310	\$47.082	\$68.730	\$89.150	\$84.852
Penalty (\$millions)	\$24.655	\$23.541	\$34.365	\$44.575	\$42.426

Long-Term Fiscal Considerations

The Metropolitan Council would not be able to achieve the 50 percent farebox recovery percentage in 2020 and subsequent years, so the penalties would continue to imposed beyond 2019.

Local Fiscal Impact

None

References/Sources

Metro Transit for fare increase elasticity models (impact of a fare increase on ridership)

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