

# HF 4111 - Consolidating Regional Transit Operations

HF 4111 (Koznick) modernizes the Twin Cities transit system by consolidating regional transit service in the metropolitan area. Suburban “opt-out” providers — Minnesota Valley Transit Authority (MVTA), SouthWest (SW) Transit, Plymouth Metrolink, and Maple Grove Transit – are combined into the Metropolitan Council to create a single regional transit operator effective **July 1, 2027**. The Metropolitan Council operates transit through two of its divisions: Metro Transit and Metropolitan Transportation Services (MTS).

The bill requires:

- An **Implementation Plan** (due Feb. 1, 2027)
- A **Transit Service Enhancement Study**
- A **Task Force** to guide transition
- **Substantially the same service** for at least one year post-consolidation – the color of the bus will be the biggest change.

## Why Consolidation? The Original Opt-out Rationale No Longer Exists

Opt-outs were originally funded in the 1980s through local property taxes and local authorities were allowed control over their transit service operation. In 2002, the Minnesota State Legislature eliminated the transit operating property tax and replaced funding with statewide Motor Vehicle Sales Tax (MVST) funding and assistance through state General Fund appropriations. This change eliminated the local funding participation in transit service, yet five providers remain despite 25 years of state supported operations.

Today, all providers draw from the same state funding pool—yet the region maintains **five separate transit agencies**. The Met Council provides 95.5% of the regional transit rides and the other four provide the remaining 4.5%. **Consolidation will save nearly \$25M annually in operations and nearly \$25M in one-time capital savings.**

## Current Fragmentation Creates Higher Costs and Lower Efficiency

### 1. Opt-outs Cost Significantly More Per Service Hour

#### 2024 Cost Per In-Service Hour:

| Service Type   | Opt-outs    | Met Council (MTS) |
|----------------|-------------|-------------------|
| Suburban Local | \$226.58/hr | \$119.25/hr       |
| Microtransit   | \$130.89/hr | \$106.67/hr       |

#### Suburban local (SL) service and costs varied significantly between providers in 2024:

| Provider    | Per passenger subsidy for SL service | # of SL rides provided | % of service hours are SL | % of operating costs for SL service | % of total rides are SL |
|-------------|--------------------------------------|------------------------|---------------------------|-------------------------------------|-------------------------|
| MVTA        | \$40.20                              | 485,000                | 50%                       | 57%                                 | 34%                     |
| Met Council | \$15.35                              | 2,402,000              | 6%                        | 6%                                  | 4.7%                    |

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|             |     |  |  |  |  |
|-------------|-----|--|--|--|--|
| SW Transit  | N/A |  |  |  |  |
| Plymouth    | N/A |  |  |  |  |
| Maple Grove | N/A |  |  |  |  |

MVTA operates suburban local service in 7 communities: Apple Valley, Burnsville, Eagan, Prior Lake, Rosemount, Savage and Shakopee.

The Met Council operates suburban local service in 31 communities: Anoka, Arden Hills, Blaine, Bloomington, Brooklyn Center, Brooklyn Park, Champlin, Columbia Heights, Coon Rapids, Crystal, Edina, Fridley, Hopkins, Little Canada, Maplewood, Mendota Heights, Minnetonka, Mounds View, New Brighton, North St. Paul, Oakdale, Richfield, Robbinsdale, Roseville, Saint Anthony, Shoreview, Vadnais Heights, West St. Paul, White Bear Lake, White Bear Lake Township and Woodbury.

SW Transit, Plymouth, and Maple Grove do not provide suburban local service.

## Micro Transit service and costs varied significantly between providers in 2024:

| Provider    | Per passenger subsidy for SL service | # of Micro Transit rides provided | % of service hours are Micro Transit | Operating costs for Micro Transit service | % of total operating expenditures for Micro Transit |
|-------------|--------------------------------------|-----------------------------------|--------------------------------------|-------------------------------------------|-----------------------------------------------------|
| MVTA        | \$36.23                              | 158,446                           | 37%                                  | \$6.17M                                   | 17%                                                 |
| Met Council | \$21.10                              | 67,287                            | 0.4%                                 | \$1.4M                                    | 0.1%                                                |
| SW Transit  | \$54.91                              | 147,922                           | 76.7%                                | \$8.7M                                    | 69%                                                 |
| Plymouth    | \$29.91                              | 53,425                            | 50.7%                                | \$1.7M                                    | 32%                                                 |
| Maple Grove | N/A                                  |                                   |                                      |                                           |                                                     |

Maple Grove does not operate Micro Transit service.

## 2. Administrative Overhead is Excessive

### 2024 National Transit Database (NTD) General Administration Share of Operating Cost:

|                               |     |                                                      |
|-------------------------------|-----|------------------------------------------------------|
| MVTA                          | 66% | \$23.14M of \$34.9M annual operations                |
| Maple Grove*                  | 54% | \$1.23M of \$2.43M annual operations                 |
| Plymouth                      | 23% | \$1.25M of \$5.4M annual operations                  |
| SW Transit                    | 24% | \$3.2M of \$12.7M annual operations                  |
| Met Council/<br>Metro Transit | 24% | \$161.63M of \$662M annual operations (as corrected) |

\*Metro Transit currently provides Maple Grove Transit service under contract

## 3. Opt-outs Provide 4.5% of Regional Ridership

| Provider    | Percentage of Regional Rides |
|-------------|------------------------------|
| Met Council | 95.5%                        |

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|             |      |
|-------------|------|
| MVTA        | 2.5% |
| SW Transit  | 1.0% |
| Plymouth    | 0.4% |
| Maple Grove | 0.4% |

For context:

- Metro Transit A Line ABRT service alone carried as many riders in 2024 as MVTA carried on its regular route and micro transit service in all of 2024.
- Metro Transit D Line ABRT service alone carried more riders in 2024 *on Sundays* than SW Transit carried in all of 2024.

### 4. Fragmentation Undermines Regional Planning

- Duplicative routes
- Inconsistent standards
- Facility access conflicts
- Parochial decision-making means that opt-out providers have no incentive to think outside their service communities despite dependency on state funding

## Fiscal Impact of Consolidation

### Annual Operating Savings: \$24.1 Million

| Item                               | Estimated Annual Savings |
|------------------------------------|--------------------------|
| Baseline per hour cost savings     | \$8.26M                  |
| High subsidy route restructuring   | \$8.04M                  |
| Redeployment of contracted service | \$7.36M                  |
| Metro Mobility efficiencies        | \$0.48M                  |
| <i>Total Annual Savings</i>        | <b>\$24.14M</b>          |

### One-time Capital Savings: \$24.8 Million

| Item                        | One-Time Capital Savings |
|-----------------------------|--------------------------|
| Avoided bus replacement     | \$29.8M                  |
| Transition costs            | (\$5M)                   |
| <i>Net One-Time Savings</i> | <b>\$24.8M</b>           |

## Why the Met Council Can Absorb This Efficiently

- Consolidation increases Met Council service hours **by 9%**
- Contracted service increases **by 21%**—within existing systems
- Many current staff for opt-outs can fill existing Met Council vacancies
- Duplicative executive and administrative positions at opt-outs will be phased out as part of the transition

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## Conclusion

The opt-out model no longer reflects how transit is funded or used. Consolidation under HF 4111:

- Reduces costs
- Eliminates duplication
- Strengthens regional planning
- Delivers nearly **\$25M in annual savings** and nearly **\$25M in one-time savings while delivering substantially the same service provided by the five present systems today.**

HF 4111 (Koznick) modernizes the Twin Cities transit system for the first time in 40 years—aligning governance with today’s funding structure and regional mobility needs.