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296-8291

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## 1995-1996 Summary

# Metropolitan Transit Legislation

This information brief summarizes legislation enacted in the 1995-1996 biennium relating to metropolitan transit.

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### Metropolitan Transit Operations Funding

**The 1995-1996 Legislature appropriated approximately \$89 million for metropolitan transit, about what the governor had recommended.**

The legislature appropriated \$83.095 million in the 1995 omnibus transportation funding act.<sup>1</sup> The 1996 Legislature appropriated an additional \$6 million.<sup>2</sup> Of the total amount, the Metropolitan Council may spend no more than \$32.2 million on metro mobility, up to \$625,000 on a high speed bus project, and \$354,000 on bus security measures. The bus security measures may also be paid for out of bond proceeds.<sup>3</sup>

Under 1996 legislation, three percent of the fiscal 1997 appropriation is contingent on improved performance and reduced costs.<sup>4</sup> It is available after June 1, 1997 if the Commissioner of Finance finds an increase in passengers per revenue hour productivity and a reduction in the amount of subsidy per rider during the year.

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<sup>1</sup> Laws 1995, ch. 265, art. 2, § 3.

<sup>2</sup> Laws 1996, ch. 455, art. 1, § 3.

<sup>3</sup> In 1995, the legislature also appropriated \$354,000 for bus security measures in another act. Laws 1995, ch. 260, § 10. Because this appropriation is substantially similar to the omnibus transportation funding act provision for \$354,000 for bus security measures, the executive branch interpreted the appropriations to be duplicates and has not included this one in the Council's total appropriation.

<sup>4</sup> Laws 1996, ch. 464, art. 2, § 10, subd. 1.

**At the beginning of the biennium, the Metropolitan Council requested \$93,326,000 in state general funds for fiscal years 1996-97 in order to maintain the existing level of service.<sup>5</sup>**

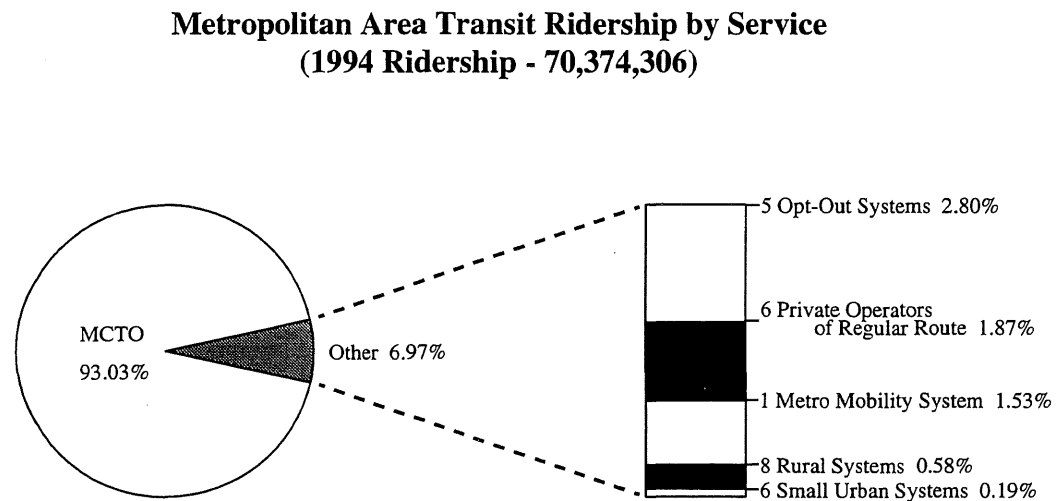
The total estimated biennial budget for metropolitan transit was \$347,424,000, including revenues from metropolitan area property taxes, a state general fund appropriation, federal funds, and other sources.<sup>6</sup> Since the council did not receive all of the funds requested, it increased fares on July 1, 1996 and reduced service to cut costs.

### Service and Funding Data

**Metropolitan transit data can be analyzed and compared any number of ways. Basic comparisons, however, look at ridership, costs, and public subsidies.**

In the metropolitan area there are 27 transit systems receiving public assistance, including the Metropolitan Council Transit Operations - formerly called the MTC. Other services include dial-a-ride, demand services, small bus and van services as well as the fixed regular route services.

The pie graph below shows the percentage of all transit trips provided by the type of service.



Data Source: Minnesota Department of Transportation, 1995 Transit Report

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<sup>5</sup> In addition, the council requested \$16.5 million to improve service by implementing the Vision for Transit.

<sup>6</sup> The council's figure for fares includes only those of the Metropolitan Council Transit Operations and metro mobility, not fares of other transit providers receiving public transit assistance.

The pie graph below shows the percentage of all public subsidies used by each type of service.

**1995 Metropolitan Area Transit Subsidy by Service  
(1995 Total Subsidies - \$116,725,901)**

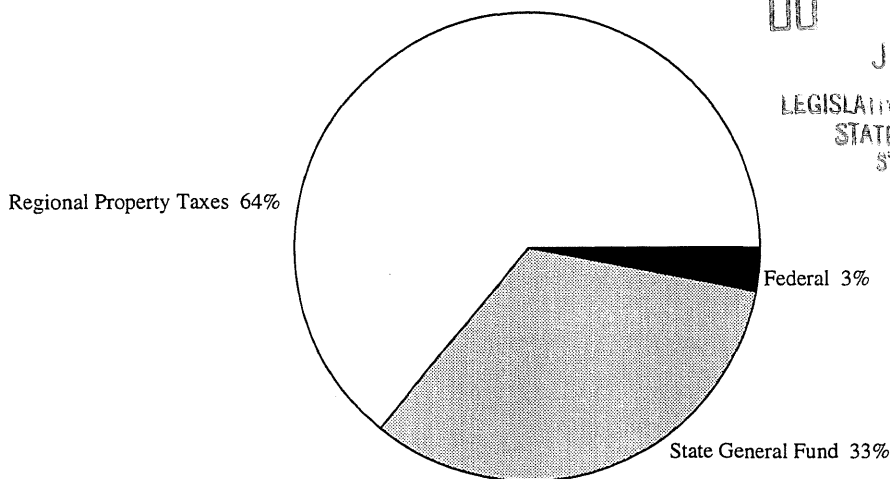


Data Source: Minnesota Department of Transportation, 1995 Transit Report

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The next pie graph shows the source in percentage of the total public subsidies for metropolitan area transit in percentage terms.

**1995 Sources of Public Subsidy Funds  
For All Services**



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Data Source: Minnesota Department of Transportation, 1995 Transit Report

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The table below shows what percentage of total operating costs were covered by fares and other revenues for each type of service.

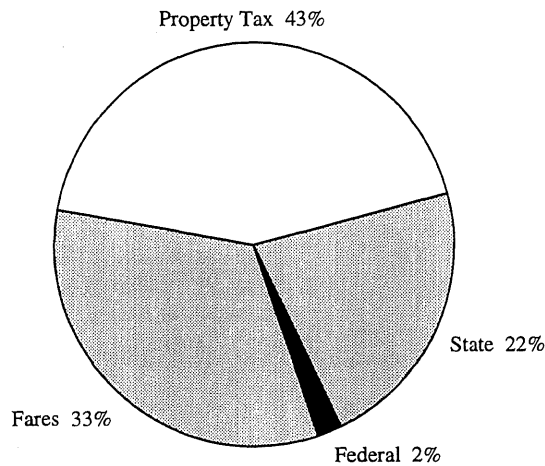
### 1995 Farebox Recovery Rates by Type of Service

Type of Service	% Rate
MCTO	38.15%
Metro Mobility	8.84
Private operators of regular route	31.40
Opt-Outs	21.28
Small urban systems	19.50
Rural systems	15.08

Data Source: Minnesota Department of Transportation, 1995 Transit Report

This last pie graph below shows the relative percentage share of operating funds from all sources.

### 1995 Metropolitan Area Transit Operating Funds For All Services (\$173,682,500 = Total)



Data Source: Minnesota Department of Transportation, 1995 Transit Report

House Research Graphics

## Subsidy Limitations

**Under state law, some types of transit service are limited to a specific subsidy source.**

For example, the Metropolitan Council may not subsidize metro mobility with funds from any source other than the state general fund appropriation for metro mobility. The opt-out subsidies are limited to the amount calculated based on the transit property tax revenues generated within the opt-out member municipalities. Federal funding is specific to a system and most of it goes to MCTO. In some appropriation years, the legislature specifies what services must receive what portion of the state appropriation and in other years, the allocation is left to the Metropolitan Council.

## Metropolitan Transit Capital Funding

**During the biennium the legislature authorized the Metropolitan Council to issue \$52.5 million in bonds for transit capital improvements.**

In 1995, the legislature re-authorized the Metropolitan Council to issue \$32 million in bonds for transit capital improvements.<sup>7</sup> Although previously authorized, the council was unable to issue the bonds because the original authorization contained date restrictions. The 1995 law removed the date restrictions. The council may use bond proceeds to pay the capital costs of metro mobility.<sup>8</sup>

In 1996, the legislature authorized the Metropolitan Council to issue an additional \$20.5 million in bonds for transit capital expenditures.<sup>9</sup>

At this time, the council has \$67.56 million in outstanding transit-related debt. The council plans to issue an additional \$15 million before the end of 1996. Based on this debt level, the transit debt service levy is:

For taxes payable in 1996:	\$16,858,036
For taxes payable in 1997:	
on the existing debt	\$15,126,609
on the new \$15 million issue	<u>\$ 3,708,692</u>
<b>Pay 1997 total</b>	<b>\$18,835,301</b>

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<sup>7</sup> Laws 1995, ch. 236, § 14 (amending Minn. Stat. § 473.39, subd. 1b). The council may not use bond proceeds to pay for driver uniforms.

<sup>8</sup> Laws 1995, ch. 265, art. 2, § 11 and Laws 1996, ch. 471, art. 13, § 20 (amending Minn. Stat. § 473.39, subd. 1b)

<sup>9</sup> Laws 1996, ch. 464, art. 2, § 21 (amending Minn. Stat. § 473.39)

The proposed pay 1997 transit debt service levy translates to an estimated \$14.80 property tax on a home in the transit taxing district that is valued at \$110,000 (the approximate metropolitan area average value).

After issuing the \$15 million, the council will have additional unused authority to issue \$19.5 million in transit debt, which it tentatively plans to issue during the second quarter of 1997.

## **Other Metropolitan Transit Legislation**

### **Property Tax Incentive**

The 1995 omnibus tax bill provided for reduced property taxes for commercial/industrial property that locates in a transit zone.<sup>10</sup> A class 3a commercial/industrial structure, constructed under an initial building permit issued after January 2, 1996, located in a transit zone and within a school district, and not used primarily for retail or transient lodging purposes, will have a class rate of 4 percent on its market value in excess of \$100,000. (The current class rate on that property is 4.6 percent.) The 4 percent rate also applies to any new improvements added under an initial building permit issued after January 2, 1996, to an existing qualifying commercial/industrial structure located in a transit zone. These changes are effective for the 1997 assessment, taxes payable in 1998 and thereafter.

A "transit zone" is the area within one-quarter mile of a bus route which has certain specified hours of service within the metropolitan urban service area. If construction funds are committed to a light rail transit route, that route would also be considered to be a transit zone. The Metropolitan Council is responsible for maintaining a detailed map of transit zones, and providing the map to all assessors in the metro area. The initial transit zone map is available from the council along with a brochure advertising the program.

### **Opt-Out Local Levy**

Replacement transit service (opt-out) communities may now levy directly for the opt-out transit service instead of the Metropolitan Council levying and distributing the funds to the opt-outs. A municipality that exercises this option may collect a maximum amount equal to 88 percent of the transit property tax revenues attributable to the municipality.<sup>11</sup> The remaining 12 percent is levied by the council for regional transit purposes.

### **Special Assessments**

Historically, transit properties, such as bus garages, have been exempt from local special assessments under statute. In 1996, the legislature determined that at least in the metropolitan area, the Metropolitan Council's transit properties should be subject to special assessments levied

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<sup>10</sup> Laws 1995, ch. 264, art. 3, §§ 9 and 27 (amending Minn. Stat. § 273.13, subd. 24, and adding § 473.3915)

<sup>11</sup> Laws 1996, ch. 455, art. 5 (amending Minn. Stat. § 473.388)

by a political subdivision for a local improvement. Such transit properties, however, remain exempt from taxation, licenses or fees.<sup>12</sup>

### **Metropolitan Transportation Investment Act**

In an attempt to refocus the Metropolitan Council's transportation efforts, the 1996 Legislature passed a number of policy-related provisions.<sup>13</sup> Some of the provisions include directing the council to:

- ▶ revise its transportation policy plan (part of the metropolitan development guide, a document by which local comprehensive plans and proposals of regional significance are evaluated) by the end of 1996 so that it is consistent with state policies and the *Regional Blueprint*,
- ▶ retain an independent consultant to do a performance audit of the region's transportation system in 1997 and every four years after that, which would, among other things, establish performance funding measures,
- ▶ establish a transit for livable communities demonstration fund, and
- ▶ provide opt-outs with financial incentives for increasing service for those living outside the opt-out community and commuting to employment within the opt-out community.

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<sup>12</sup> Laws 1996, ch. 471, art. 3, § 41 (amending Minn. Stat. § 473.448)

<sup>13</sup> Laws 1996, ch. 464, art. 2.

