

Transportation Finance Advisory Committee

New ways of thinking about how we fund and
finance transportation in Minnesota



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www.mndot.gov/tfac/

TFAC Purpose

- ▶ Governor established TFAC one year ago
- ▶ Sought bold recommendations to reverse the decline of the state's highways, roads, bridges and public transport systems (air, rail and port facilities) for the next 20 years
- ▶ All modes, all jurisdictions
- ▶ Considered
 - Quality of Life
 - Economically competitive in the global economy
 - Current and future potential revenue sources
 - Traditional and non-traditional approaches
 - Opportunities for public-private partnerships



TFAC Membership

- ▶ Bernie Arseneau (and Tom Sorel) Commissioner, MnDOT
- ▶ Sen. Joe Gimse
- ▶ Sen. Scott Dibble
- ▶ Rep. Mike Beard
- ▶ Rep. Terry Morrow
- ▶ Katie Clark (and Mark Phillips) Commissioner, Department of Employment and Economic Development
- ▶ Susan Haigh, Chair, Metropolitan Council
- ▶ Cal Brink, Executive Director, Marshall, MN Chamber of Commerce
- ▶ Charlie Zelle, President and CEO, Jefferson Lines
- ▶ Dan Riley, Vice President, Property Development Operations, Target)
- ▶ Art Rolnick, Senior Fellow, University of Minnesota (formerly with Federal Reserve)
- ▶ Cory Hoepfner, Director, RBC Capital Markets
- ▶ Shawn Mason, Mayor, International Falls, MN
- ▶ Adolph Ojard, Executive Director, Duluth Seaway Authority
- ▶ Shar Knutson, President, AFL-CIO
- ▶ Peter McLaughlin, Commissioner, Hennepin County
- ▶ Toni Carter, Commissioner, Ramsey County
- ▶ Harlen Madsen, Commissioner, Kandiyohi County
- ▶ Jan Rintamaki, Director of Government Relations, Polaris Industries



Three Funding/Financing Scenarios to be Considered

- ▶ Status quo
- ▶ Maintaining current performance
- ▶ Economically competitive / world class transportation system



Stakeholder and Customer Input

- ▶ Customer Research – Online Community
- ▶ Web site
- ▶ Nine open houses around state (MnSHIP process)
- ▶ Testimony received at four TFAC meetings



Citizens describe an end state with and without adequate funding over the next 20 years.



**With adequate funding --
next 20 years**

- **Safe** transportation
 - Roads appropriately maintained
 - Safe/well maintained bridges and other infrastructures
- **Additional options/choices** for transportation
 - Increase in light rail
 - Suitable public transportation for senior citizens, and residents in general
- **Reduced traffic congestion**
- Minnesota will attract more people and business – further **boosting the state economy**



**Without adequate funding --
next 20 years**

- **Safety** would be **diminished**
- Bridges and other infrastructure not be properly maintained (**unsafe bridges, gravel roads**)
- **Fewer options/choices** for public transit
- Minnesota will be **less competitive** in the region
- **Lack of innovation** in transportation
- **Increased congestion**

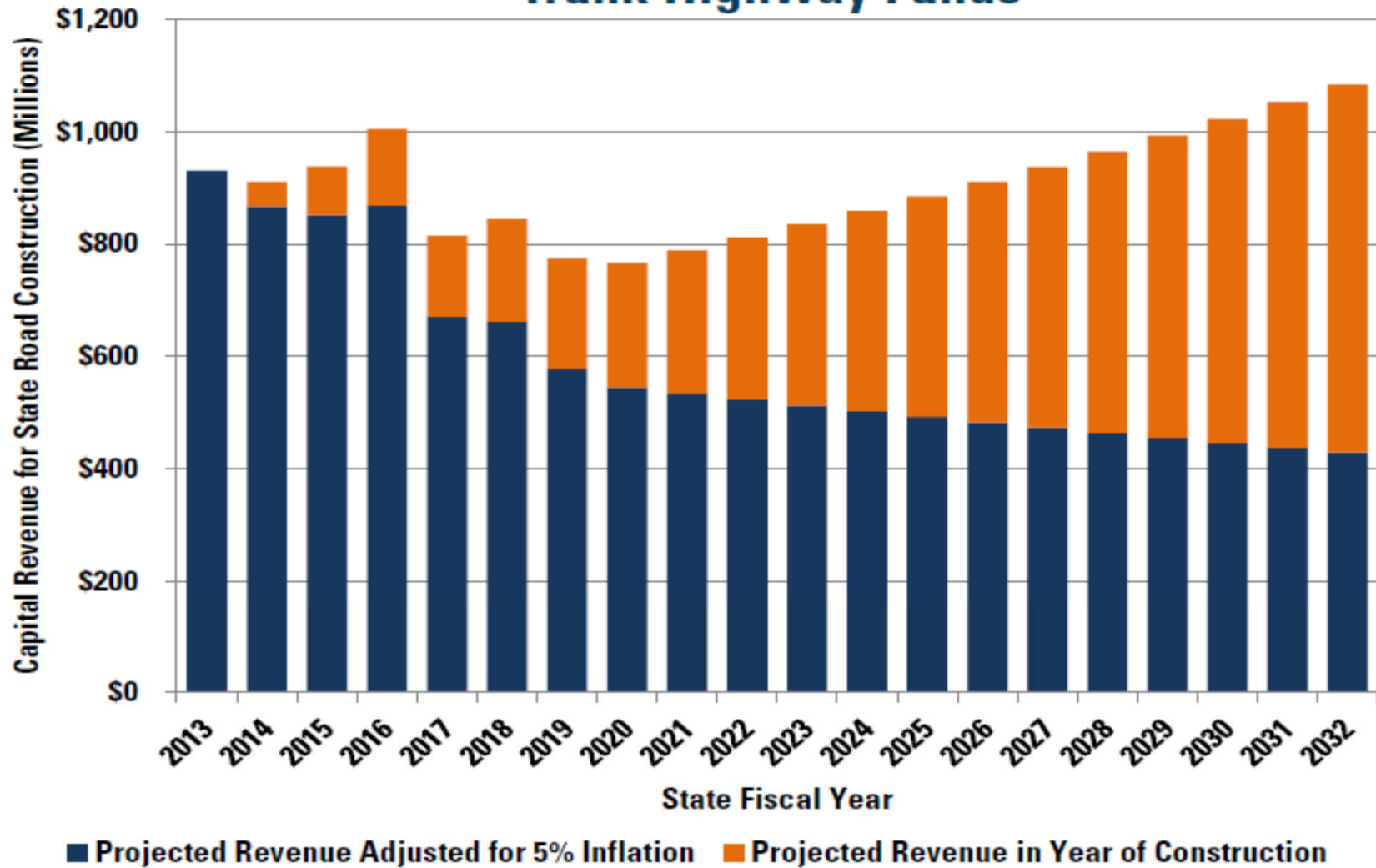
Conditions and Trends

- ▶ Size of system
- ▶ Aging infrastructure
- ▶ Cost of congestion
- ▶ Safety
- ▶ Energy costs
- ▶ Construction Inflation
- ▶ Growing global economy
- ▶ New normal -- uncertainty



Forces at work: INFLATION

Trunk Highway Funds



The buying power of projected revenue is expected to decrease over the next twenty years.

20 Year Funding Needs	Scenario 1	Scenario 2	Scenario 3
System/Mode	Anticipated Transportation Revenue Expected Over the Next 20 Years (Baseline)	Increment Needed To Maintain Current Performance For The Next 20 Years	Increment Needed To Become Economically Competitive/ World Class System For The Next 20 Years
State Highway System* (Includes bike and pedestrian needs)	\$18.0	\$5.0 \$250 mil AFG	\$10.0 - 12.0 \$500 mil- \$600 mil AFG
County State Aid System	\$5.0	\$3.0 \$150 mil AFG	\$9.0 \$450 mil AFG
County System	TBD	\$4.0 \$200 mil AFG	\$9.0 \$450 mil AFG
Township Roads		\$0.3	\$0.5
Municipal State Aid System	\$1.6	\$1.0 \$50 mil AFG	\$2.0 \$100 mil AFG
Municipal System	TBD	\$5.0 \$250 mil AFG	\$8.0 \$400 mil AFG
Greater Minnesota Transit	\$1.9	\$0.2 \$10 mil AFG	\$0.9 \$45 mil AFG
Metropolitan Area Transit	\$8.5	\$1.8 \$90 mil AFG	\$4.2 \$210 mil AFG
Passenger Rail	\$0.1	—	\$5.0 - 7.0 \$250 mil - \$350 mil AFG
Freight - Rail and Ports	\$0.3	\$0.3 \$15 mil AFG	\$0.6 \$30 mil AFG
State Airports	\$1.4	\$0.6 \$30 mil AFG	\$0.8 \$40 mil AFG
Metropolitan Airports Commission	\$2.5	\$0.0	\$0.6 \$30 mil AFG
Totals	\$39.3	\$21.2	\$50.6 - \$54.6

Conclusions about Minnesota's Transportation System

- ✓ Critical component of the state's economy
- ✓ Funding faces declining revenues
- ✓ Significant additional revenue is needed to maintain a competitive advantage
- ✓ All transportation authorities will have to work smarter by doing more with existing resources
- ✓ Delivery must address high return-on-investment and cost-effective strategies
- ✓ Must address funding gap with an investment framework that is sustainable and equitable
- ✓ Investments in transportation should be a priority for the state in the context of economic development and competitiveness

Recommendations

- ▶ Pursue a goal to foster and develop an Economically Competitive/World Class Transportation System
- ▶ Ambitious and bold vision, must have champions
- ▶ Embrace efficiency, HROI approach and innovations
- ▶ Must include significant new revenues to be achieved through

1. System-Wide Revenue Options for Roads

UPDATE: Proposed in 2013 Session– Not Enacted

2. Transit-Dedicated Sales Tax Options

UPDATE: Proposed in 2013 Session– Not Enacted

3. Local Government Revenue Options

UPATE: Wheelage Tax and Local Option Sales Tax recommendations enacted

Street Improvement districts proposed – Not Enacted

4. Greater Minnesota Transit Funding

UPDATE: Recommendations partially enacted

4. Project-Level Revenue Options

UPDATE: No recommendations of TFAC proposed



1. System–Wide Revenue Options for Roads

- ▶ Increase the motor vehicle registration fees to raise revenue by 10 percent
- ▶ Increase per–gallon excise tax rate on motor–fuels (two options), plus indexing to generate \$15.2 billion in new revenue
- ▶ **Outcomes Achieved:**
 - 83% of target met for TH system
 - 52% of target met for CSAH system
 - 73% of target met for MSAH system
 - 80% of target met for Township system



2. Transit-Dedicated Sales Tax Options

- ▶ Add \$0.005 to the existing \$0.0025 cent sales tax for transit in the Twin Cities metropolitan area
- ▶ Capture the remaining leased vehicle sales tax from the state general fund
- ▶ Increase by \$32 million annually the allocation to Greater Minnesota
- ▶ **Outcomes Achieved**
 - 95% of target met for Metro Area transit
 - 71% of revenue gap met for Greater MN Transit



3. Local Government Revenue Options

- ▶ Expand the option of the wheelage tax for 80 counties in Greater Minnesota, including raising the cap limit for 87 counties
- ▶ Enable the local option for the formation of Transportation Improvement Districts
- ▶ Enable local option sales taxes (w/o referendum requirement) for transportation in 80 counties
- ▶ Expand regional transit capital levy in TC metropolitan area.
- ▶ **Outcomes achieved:**
 - More options
 - Increased flexibility
 - Greater equity
 - More revenue



4. Project–Level Revenue Options

- ▶ Expand MnPASS in Twin Cities
- ▶ Employ Value Capture concepts around transportation improvements
- ▶ Explore tolling, public–private partnerships and monetizing assets
- ▶ Continue state role in General Obligation bonding for local roads and bridges, transit, ports, passenger rail, freight rail, safe routes to school
- ▶ Outcomes Achieved:
 - increased reliability
 - enhanced transit
 - leverage funds
 - enhanced options



Next Steps

- ▶ Report provided to Governor Dayton
- ▶ Shared TFAC recommendations with Transportation Committees
- ▶ Engage in a dialogue around the state to tell the transportation story – grounded in facts
 - Consumer research shows about half of MN citizens are not aware of the risks to future transportation funding
 - TFAC members offered to participate in this dialogue by helping to tell the story
 - Communication tool kit developed
- ▶ Transportation Stakeholder Group help define ROI for Highway investment recommendations



Next Steps: Highway Funding

- ▶ TFAC needs based on comprehensive list of projects that total \$12 B
- ▶ Two categories of need:
 - State of Good Repair/Continue Existing Performance (\$5B)
 - Expansion (\$7B)
- ▶ MnDOT will utilize TFAC program list of projects and analyze it for ROI based on Transportation Stakeholder Group's input



Transportation Finance Advisory Committee

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For more information visit the TFAC website below
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