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 Hoeppner, 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
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

Capital Revenue for State Road Construction (Millions)

State Fiscal Year

Projected Revenue Adjusted for 5% Inflation  Projected Revenue in Year of Construction

The buying power of projected revenue is expected to decrease over the next twenty years.
<table>
<thead>
<tr>
<th>20 Year Funding Needs</th>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>System/Mode</strong></td>
<td>Anticipated Transportation Revenue Expected Over the Next 20 Years (Baseline)</td>
<td>Increment Needed To Maintain Current Performance For The Next 20 Years</td>
<td>Increment Needed To Become Economically Competitive/World Class System For The Next 20 Years</td>
</tr>
<tr>
<td><strong>State Highway System</strong></td>
<td>$18.0</td>
<td>$5.0</td>
<td>$10.0 - 12.0</td>
</tr>
<tr>
<td><em>(Includes bike and pedestrian needs)</em></td>
<td></td>
<td>$250 mil AFG</td>
<td>$500 mil-$600 mil AFG</td>
</tr>
<tr>
<td><strong>County System</strong></td>
<td>$5.0</td>
<td>$3.0</td>
<td>$9.0</td>
</tr>
<tr>
<td><strong>County System</strong></td>
<td>TBD</td>
<td>$150 mil AFG</td>
<td>$450 mil AFG</td>
</tr>
<tr>
<td><strong>Township Roads</strong></td>
<td>$0.3</td>
<td>$0.5</td>
<td>$0.5</td>
</tr>
<tr>
<td><strong>Municipal State Aid System</strong></td>
<td>$1.6</td>
<td>$1.0</td>
<td>$2.0</td>
</tr>
<tr>
<td><strong>Municipal System</strong></td>
<td>TBD</td>
<td>$50 mil AFG</td>
<td>$100 mil AFG</td>
</tr>
<tr>
<td><strong>Greater Minnesota Transit</strong></td>
<td>$1.9</td>
<td>$0.2</td>
<td>$0.9</td>
</tr>
<tr>
<td><strong>Metropolitan Area Transit</strong></td>
<td>$8.5</td>
<td>$1.8</td>
<td>$4.2</td>
</tr>
<tr>
<td><strong>Passenger Rail</strong></td>
<td>$0.1</td>
<td>—</td>
<td>$5.0 - 7.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$250 mil -$350 mil AFG</td>
</tr>
<tr>
<td><strong>Freight - Rail and Ports</strong></td>
<td>$0.3</td>
<td>$0.3</td>
<td>$0.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$15 mil AFG</td>
<td>$30 mil AFG</td>
</tr>
<tr>
<td><strong>State Airports</strong></td>
<td>$1.4</td>
<td>$0.6</td>
<td>$0.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$30 mil AFG</td>
<td>$40 mil AFG</td>
</tr>
<tr>
<td><strong>Metropolitan Airports Commission</strong></td>
<td>$2.5</td>
<td>$0.0</td>
<td>$0.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$30 mil AFG</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>$39.3</td>
<td>$21.2</td>
<td>$50.6-$54.6</td>
</tr>
</tbody>
</table>
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
   UPDATE: 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

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

For more information visit the TFAC website below or contact Ken Buckeye, at kenneth.buckeye@state.mn.us
Ph. 651-366-3737

www.mndot.gov/tfac/