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Fiscal Note

2021-2022 Legislative Session

SF9026 - 0 - Busway Operation Funding Limited

Chief Author: **Zach Duckworth**
 Committee: **Transportation Finance and Policy**
 Date Completed: **3/24/2021 12:04:57 PM**
 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	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	1,300	2,660	3,650	5,425	
Total	-	1,300	2,660	3,650	5,425	
Biennial Total			3,960		9,075	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

The costs shown on the table of the fiscal note are assumed by Met Council to be general fund costs; however, the LBO is unable to determine whether or not other Met Council revenue would offset these general fund costs.

LBO Signature: Laura Cecko **Date:** 3/24/2021 12:04:57 PM
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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	FY2021	FY2022	FY2023	FY2024	FY2025	
General Fund	-	1,300	2,660	3,650	5,425	
Total	-	1,300	2,660	3,650	5,425	
			3,960		9,075	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	1,300	2,660	3,650	5,425	
Total	-	1,300	2,660	3,650	5,425	
			3,960		9,075	
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	
Total	-	-	-	-	-	
			-		-	

Bill Description

BUSWAY OPERATION:

Money from a local governmental unit, as defined in section 473.121 Subd 6, must not be used to pay costs of operation or maintenance for a busway a defined in section 473.4485, Subd 1.

Effective July 1, 2021 and applies to busways that begin revenue operations before January 1, 2023.

Assumptions

The Council assumes a General Fund appropriation will be made to offset the lost revenue from local governments in this bill. The lost local revenue has been dictated in the past by binding Local Funding Agreements with each county. The Council's adopted 2021 (calendar year) Unified Budget included \$32.9 million in revenue from local governments for the overall Transportation Program. Without local sources of revenue Met Council would have to rely on other sources of revenue defined in MS 473.4485 (Metropolitan Area Transit Investment) as money from but not limited to Met Council is assuming a general fund appropriation to offset the lost revenue from local governments in this bill. federal aid, state appropriations, the Metropolitan Council, special taxing districts, local units of government, farebox recovery, and nonpublic sources.

This bill would prohibit local governments from paying the 50% of net operating costs that we assume for all new dedicated busways that will open after July 2021. This would impact the following busways that are currently planning for a 50% local share of net operating costs: Orange Line, Gold Line, Rush Line, Riverview, along with other future lines. Without this local commitment to operating it will be extremely difficult to demonstrate to the FTA that we are able to operate these busways once constructed without a negative impact to the funding of current transit operations. This will negatively impact the future financial ratings for any federal CIG request.

This bill would not affect arterial BRT lines as we do not currently use/assume a local share of operating and maintenance costs. This proposed legislation would prevent us from changing this practice and asking for local funds in the future.

The proposed legislation could impact the METRO Gold Line BRT guideway project currently under evaluation by the Federal Transit Administration (FTA). Project financial plans identify committed local sources for operations and maintenance, and if these contributions are prohibited by state law the project would have no committed operating funds. The federal rating would suffer, as 75% of the project's financial commitment rating could be lowered. The net result could delay the Gold Line project's advancement in the New Starts program. Delays to this advancement could also result in the

project's removal from this FTA program.

The METRO Orange Line BRT project is a busway project completing construction toward revenue service in late 2021. County sources were committed in 2008 for 50 percent of the operating subsidy in the corridor (18-CTIB-2008) and have been assumed by corridor counties. Without local sources for these costs the Council would need to fill up to \$4 million annually from state sources.

Expenditure and/or Revenue Formula

The County Funding impact by SFY would be as follows:

SFY 2022:

METRO Orange Line: \$1,300,000 METRO Gold Line: \$000

Total SFY 2022: \$1,300,000

SFY 2023:

METRO Orange Line: \$2,660,000 METRO Gold Line: \$000

Total SFY 2023: \$2,660,000

SFY 2024:

METRO Orange Line: \$2,787,500 METRO Gold Line: \$862,500

Total SFY 2024: \$3,650,000

SFY 2025:

METRO Orange Line: \$2,842,500 METRO Gold Line: \$2,582,500

Total SFY 2025: \$5,425,000

Long-Term Fiscal Considerations

Without this local commitment to operating it will be extremely difficult to demonstrate to the FTA that we are able to operate these busways once constructed without a negative impact to the funding of current transit operations. This will negatively impact the future financial ratings for any federal CIG request.

Local Fiscal Impact

The local county governments would receive financial relief for the same amounts indicated above in this fiscal not.

This proposed bill would not allow a local government to pay costs of operation or maintenance for a busway that begin revenue service before January 1, 2023. Without Local Government Contributions for operation or maintenance of a busway that begins revenue service before January 1, 2023, the remaining funds would need to be funded by state sources.

References/Sources

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