Understanding the History, Evolution and Effectiveness of Transit Governance in the Twin Cities Region

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SOUTHWEST TRANSIT

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The project on which this report is based was completed in collaboration with SouthWest Transit as part of a 2021–2022 Resilient Communities Project (RCP) partnership. RCP is a program at the University of Minnesota's Center for Urban and Regional Affairs (CURA) that connects University faculty and students with Minnesota communities to address strategic projects that advance local resilience, equity, and sustainability.

The contents of this report represent the views of the authors, and do not necessarily reflect those of RCP, CURA, the Regents of the University of Minnesota, or SouthWest Transit.

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Introduction

This report was created by students at the University of Minnesota as part of a year-long partnership between SouthWest Transit and the University of Minnesota's Resilient Communities Project (RCP). The goal of the project was to examine the history and effectiveness of transit governance in the Twin Cities (Minnesota) metropolitan area.

A report by the Minnesota State Auditor in 2011 found that the transit governance structure in the region is far from ideal, lacks agreed-upon vision and priorities, and is strained due to overlapping responsibilities and distrust between the Metropolitan Council and suburban transit providers. That situation has only worsened over the past decade, partly due to a shortage in regional transit funds available to all providers.

With the effectiveness of the current transit governance setup becoming more of an open question at the State Capitol—as evidenced by the creation of a Governor's Blue Ribbon Commission to study the effectiveness and setup of the Metropolitan Council and suburban transit—SouthWest Transit sought to examine the effectiveness of transit governance and policy in the Twin Cities region since the enabling Suburban Transit legislation was introduced in the early 1980s.

This report includes the findings from six teams of transportation planning, policy, and engineering students enrolled in the University of Minnesota course, PA 5232/CEGE 5212: Transportation Policy, Planning, and Deployment, in fall 2021. The project was completed under the supervision of course instructors Hui Kong and Frank Douma, in collaboration with SouthWest Transit's Chief Operating Officer, Matthew Fyten.

Team 1: Understanding the History and Evolution of Transit System Governance in the Twin Cities Region: Governance Assessment

By Ryan Ackerman, Daniel Cueto-Villalobos, and Ulises Linares

Questions for Consideration:

1. Who were the suburban transit providers in the Twin Cities region at the time theSuburban Transit legislation was passed, and how did they differ?
2. Who are the current suburban transit providers in the Twin Cities region, and how dothey differ?
3. What transit policy and governance changes have occurred since the original SuburbanTransit legislation? How have these changes impacted suburban transit providers?
4. What can be learned from the history and evolution of Suburban Transit governance toinform future legislation?

Introduction

To assess the effectiveness of transit governance in the Twin Cities, SouthWest Transit partnered with the Humphrey School of Public Affairs at the University of Minnesota, through the University's Resilient Communities Project (RCP), to provide an historical analysis of the region's transit agencies. Students from the *Transportation Policy, Planning, and Development* course were placed into six groups of three to address various questions pertaining to transit governance in the Twin Cities region's suburban areas. Drawing on media coverage, agency reports, and interviews with SouthWest Transit leadership, this report provides historical context for the relationship between SouthWest Transit, other suburban transit providers, and the region's transit authority, the Metropolitan Council, by discussing the history and evolution of transit system governance in the Twin Cities region.

Our group members were Ryan Ackerman, Ulises Linares, graduate students at the Humphrey School studying urban and regional planning, and Daniel Cueto-Villalobos, a Sociology graduate student focusing on urban development and civic participation. The findings presented here will serve as the foundation for future potential capstone projects and ongoing partnerships between the Resilient Communities Project and SouthWest Transit. This report addresses four key questions:

- *Who were the suburban transit providers in the Twin Cities Region at the time the suburban legislation was passed, and how did they differ?*
- *Who are the current suburban transit providers in the Twin Cities Region, and how do they differ?*
- *What transit policy and governance changes have occurred since the original Suburban Transit Legislation? How have these changes impacted suburban transit providers?*
- *What can be learned from the history and evolution of suburban transit governance to inform future legislation?*

The current structure of the Twin Cities (TC) metro area's transit agencies is primarily influenced by legislative developments and the shifting spatial development patterns of the late twentieth century. "Over the past 40 years," the 2020 Metropolitan Council Blue Ribbon report

states, “transit governance in the region has alternated between periods of fragmentation and consolidation,” based on shifting living patterns, political will from legislators, and funding practices. Indeed, these shifting developments require an historical approach to governance analysis. As such, our report begins with an overview of the developments in governance starting in 1967, fourteen years before the suburban transit reforms enacted by the Minnesota Legislature in the 1980s, as we feel contextualizing the subsequent reforms is crucial. That section provides an overview of the transit agencies established in 1967, those existing at the time of the 1981 suburban transit legislation’s passage, and the evolution of the agencies in the following decades.

Also crucial in understanding governance change is an overview of transit funding, as much of the agency restructuring occurred due to financial considerations on the part of riders and taxpayers. Following the description of legislative change and agency reorganizations, we offer an overview of Twin Cities transit funding and revenue sources, before introducing the region’s current transit providers. Finally, we conclude by offering suggestions aimed at ensuring transit agencies remain profitable and responsive to the changing demands of riders in a post-pandemic world.

Changes in Agencies and Oversight

The Early Years: 1967-1981

In 1967, the Minnesota Legislature established the **Metropolitan Council** (hereafter “Council”) and **Metropolitan Transit Commission** (hereafter “Commission”) to oversee transit planning and governance across the region. The Council was tasked with overseeing large-scale regional planning and development, and its purview extended beyond transit to include parks, airports, and waste-water treatment. The Commission’s charge was narrower, focusing solely on transit planning and service throughout the region. According to the 1967 law, the Commission’s primary responsibility was to “make recommendations and suggestions to improve public transit systems…operating in the transit area and strengthen the operation by assisting the operators in experimenting with new services, extending routes, adjusting fares, and other appropriate expedients” (Laws of Minnesota 1967). A version of the Commission still exists today, under its better-known name, “Metro Transit.”

By forming two agencies, legislators divided responsibilities among more responsive bureaucracies, which led to disagreements over planning. These differences in planning approach came to a head in the 1970s. In discussions about long-term transit planning, the Commission favored an extensive heavy-rail network across the Twin Cities region, akin to the Bay Area's BART system or the Washington Metro, but the Council's preference for a bus network won out. As it relates to present-day suburban rail, this case is instructive, as the early disagreement highlighted the challenges of the two-part government structure with the Council and Commission, and laid the groundwork for a predominantly bus-oriented regional transit system. Following the 1967 legislation, the Commission embarked on planning for bus service throughout the region, including in urban Minneapolis and Saint Paul, as well as service to its fast-growing suburban areas.

By the time the 1967 transit legislation passed, the region's suburbs had been growing at an impressive rate. As suburban cities like Richfield, St. Louis Park, and Roseville grew in the postwar decades—the result of newly built highways, new suburban shopping centers like Southdale Center, the flight of job centers away from the downtown cores, and the government-subsidized construction of single-family dwellings—Minneapolis' population shrank (Kaul 2018; Rothstein 2018). These trends rebalanced the region's population distribution and forced regional transit planners to attend to the interests of growing suburban communities in long-term planning. After more than a decade of regional transit led by the Commission and Council, growing dissatisfaction among suburban residents over transit service and taxes prompted new legislation that would shape the current configuration of transit agencies and funding structures.

The Era of Suburban Transit Agencies: The 1980s

The early 1980s saw a turn to more fragmented transit governance across the region. In 1980, regional county rail authorities were formed to plan and implement rail transit, including commuter rail and light-rail transit (LRT) systems. The following year, the authority of the Council and Commission—the two primary regional transit providers at the time of the suburban transit legislation—was diminished further by new legislation authorizing suburban transit providers.

The desire for more extensive suburban transit grew out of suburban growth in the Twin Cities region, the result of postwar suburbanization policies that fueled home construction, highway programs, and suburban commercial centers (Jackson 1987), as well as population growth (Metropolitan Council 2021). Suburban residents sought public transit options to connect them to jobs and other destinations. While several cities had been paying into the region's transit networks (predominantly through the property tax), several indicated a desire to establish their own independent agencies, given a relatively low return on investment. This issue persists despite reforms (BRR, 85). According to a 2016 study from the Suburban Transit Association, suburbs contributed upwards of 10% of their motor-vehicle sales tax (MVST) but received back less than 4% of the contribution.

The 1981 suburban transit legislation saw the creation of the "Metropolitan Transit Service Demonstration Program," which permitted municipalities in the seven-county Twin Cities region seeking independence from oversight of the Council and Commission to create, oversee, and manage their commuter transit networks. Citing the need to remain close to the needs of local suburban residents, the newly formed agencies reflected broader attention to and concern over taxation on the part of middle-class residents. The twelve opt-out communities surrounding the Twin Cities established six independent transit service providers to meet their population's transportation needs. The 1981 suburban transit legislation that allowed communities to "opt out" of the established regional transit services was a landmark law that fundamentally changed the scope of how public transit would operate in the coming decades.

The newly established providers were SouthWest Transit (SWT), Minnesota Valley Transit Authority (MVTA), Shakopee Transit, Prior Lake Transit, Maple Grove Transit, and Plymouth Metro Link. SWT was responsible for the Chanhassen, Chaska, and Eden Prairie communities. MVTA served Apple Valley, Burnsville, Eagan, Rosemount, and Savage. Shakopee Transit, Prior Lake Transit, and Maple Grove Transit were smaller in scope and accountable for their respective cities. One significant difference between these providers was how they were formed.

The large-scale changes to Twin Cities Transit governance continued apace in 1984, with a new state legislature establishing the Regional Transportation Board (hereafter, "the Board), which implemented "mid-level" transit planning and oversight. Intended as a mediator between local agencies and a conduit to state funding sources, the Board effectively limited the Commission's ability to conduct short-range planning. Notably, the act made the suburban demonstration program permanent, cementing the presence of suburban agencies and ensuring cooperation between regional and suburban providers for decades to come.

Suburban Transit into the New Millennium: The 1990s and Beyond

In 1994, in an effort to consolidate transit agencies, the Minnesota Legislature passed the Metropolitan Reorganization Act, which broadened the Council's purview by abolishing the Commission and the Regional Transportation Board, vesting their responsibilities in the Council. Except for suburban agencies, all transit services fell under the Council's jurisdiction. As a result, the Council became more beholden to the governor, who was granted the power to nominate and remove Council members at his pleasure. Until 1994, these members' terms were staggered, which allowed the Met Council some distance from political developments in the executive branch. Under this new law, the governor's influence grew considerably.

In this same period, the Suburban Transit Association (STA) was established. Formed in 1995 as an advocacy group intended to lobby for suburban transit agencies' interests, the STA continues to support and advocate for higher levels of financial support for regional transit bonds, the funding of suburban transit facilities, and options to maintain transit revenues in the communities they serve. Working alongside suburban agencies, legislators, and other related interest groups, the STA strives for an inclusive and collaborative planning process that integrates the needs and interests in the Twin Cities region (STA 2021).

In 2008, Minnesota legislators enacted policies that partially reversed the 1994 consolidation. By introducing the Counties Transportation Improvement Board (CTIB), legislators granted individual counties greater authority in funding and overseeing financial contributions to the transportation agencies serving their communities. The first two decades of the twenty-first century have seen various changes to the region's suburban transit providers, chief among these

being the growth of the MVTA as a result of a merger with Shakopee Transit and Prior Lake Transit providers in 2013–2014 (Fiecke 2013). Anticipating budgetary shortfalls in the coming years, the agencies sought this reorganization as a means to "give the area greater negotiating power for transit dollars, provide a more efficient use of resources and improve connections to other cities" (Owings 2018). This merger marked a silent milestone in the evolution of the region's suburban transit. Whereas the 1981 Legislation permitted individual municipalities to form their own transit networks, the 2013–2014 merger created suburban regional authorities. As suburbs grow more densely populated and as the climate emergency forces planners and policymakers to make innovative policy choices, this merger may serve as a model for other suburban providers.

Funding

Currently, Twin Cities region transit operations are funded by Motor Vehicle Sales Tax (MVST), passenger fares, state and federal funding, and county-level sales taxes. These funding sources are described in more detail below.

- **MVST**: Revenues from MVST are the largest share of transit funding in the region. As of 2009, the MVST accounts for more than one-third of the Twin Cities region's operating funds. Importantly, the MVST has existed in Minnesota since 1967, but legislation in the early 2000s and a constitutional amendment passed by voters in 2006 more closely tied MVST to transit funding (Burgess 2009).
- **County Sales Tax:** In 2008, the seven-county region began levying a $20 per vehicle excise tax and a quarter-cent sales tax to fund transit improvements. The County Transportation Improvement Board is the body tasked with collecting and distributing these funds, which are allocated to agencies in the form of grants. Crucially, 2008 legislation required these funds to be matched with funds from the state or federal government. The region's transit providers came to rely on this source of revenue, which constitutes roughly 12 percent of the area's transit operating funds. However, the CTIB was disbanded in 2017 due to disagreements with the Met Council over definitions of transit corridors (BRR, 183).

- **Passenger fares:** Under state law, the Council standardized passenger fares across bus routes, LRT, and commuter rail, regardless of operator. In 2009, passenger fares exceeded $97 million and accounted for roughly a quarter of operating revenues.
- **State funds:** According to 2009 data, funding from the state of Minnesota plays a more minor but substantial role in sustaining transit operations in the Twin Cities region (Twin Cities Transit System 2009 Performance Evaluation). Annual funding is provided through the state's general fund. The state also allocates general-obligation bonds to the Met Council for capital investment purposes, like long-term investments in infrastructure, network expansions, etc. Finally, under the state legislature, the Met Council has the power to issue its repayable bonds within counties under Met Council jurisdiction.
- **Federal funds:** Funding from the federal government comes in two ways. First, the Met Council and other agencies can apply for competitive grants used for discretionary purposes. Second, agencies receive funds determined through a formula-based model. Both revenue streams are intended for capital projects, like long-term facilities construction or transit line extensions.

Current Providers

The current suburban transit providers in the Twin Cities region are Maple Grove Transit, Minnesota Valley Transit Authority, Plymouth Metro Link, and SouthWest Transit. The significant difference between these providers is the coverage they offer. In addition, each provider tries to set itself apart by providing users with wi-fi, phone apps, clean busses, faster service, and state-of-the-art facilities. SouthWest Transit is not bus dependent as they own their vehicles; they need to appeal to their riders to choose to ride SWT and not rely on their own transportation. Competition among transit providers is unique as they are not necessarily competing among themselves but competing with their riders. It is in the best interest of each provider to attract and retain their rider base so that they will choose to ride with them instead of driving.

The most significant difference between these providers is the coverage and, therefore, the routes they offer to their riders. Some providers cover only one city, while others cover multiple

communities. The reason behind this inconsistency is rooted in the evolution of the transit system since the passage of the 1981 legislation. Some providers (SWT and MVTA) decided to create a joint powers agreement (JPA), while others (Plymouth, Maple Grove, etc.) did not. We also learned in our interview with Mr. Fyten that the possibility of a full merge between some of these transit providers (notably SWT and MVTA) should not be ruled out; it may happen in the future.

By entering into a JPA, SWT and MVTA were able to serve a more significant customer base, which allowed them to generate more income to meet the needs of their rider base more effectively. In fact, as of 2009 (before Prior Lake Transit and Shakopee Transit were absorbed by MVTA), the city-run providers had a bus fleet size of 87, while SWT and MVTA had a 176 bus fleet in the same year (Table 3.2, Blue Ribbon Report). The difference in fleet size between joint-power-agreement providers and city-run providers highlights another key difference: a higher demand for bus transit among joint-power-agreement providers. Additionally, city-run providers in 2009 had 10 park-and-ride facilities compared to 19 park-and-ride facilities for their JPA counterparts (Table 3.2, Blue Ribbon Report). This points out another significant difference between suburban transit providers: city-run providers have a higher percentage of park-and-ride facilities with respect to how many buses they deploy (11.5%) compared to JPA providers (10.8%).

Due to the nature of the service provided by these suburban transit providers, it is not in the best interest of providers to differentiate themselves too much. On the contrary, there is a strong emphasis on consistency and standardization. Suburban transit providers must work together, as riders who find it easy to transfer from one provider's coverage area to another will not judge each provider individually, but will instead evaluate their overall experience using public transit instead of using other transit modes. The cooperation between transit providers is essential, but it would be detrimental for suburban transit providers to differ too much from one another.

Lessons Learned

Based on our research, we learned that it is in the best interest of every suburban provider to work toward consistency and standardization, as a uniform system means that riders would experience a seamless transition from one provider's coverage area to another, thus increasing the likelihood of retaining ridership. We also learned that these suburban transit providers compete with their riders rather than with each other. Providers must work together, as rider satisfaction reflects not just on the provider but on public transportation as a whole. If riders experience low satisfaction, they are likely to avoid all public transit in the future and continue to rely on driving themselves.

Suburban Transit Provider Merger. Consolidating suburban transit providers into one entity would grant them a more prominent voice and lobbying power in the state legislature and among commuter interest groups. In addition, the new transit provider would have more funding and flexibility to serve more desirable areas of the Twin Cities region. As mentioned earlier, SWT CEO Len Simich was not opposed to the idea of a future merger, and noted, "down the road, it might happen" when discussing an SWT/MVTA merger. With a unified private transit front, city providers like Plymouth Metro Link and Maple Grove Transit would expand their reach in their communities and surrounding areas that lack transit options, increasing ridership and lowering the carbon footprint of commuters in the region.

Abolish the Met Council. The abolition of the Met Council as we know it should also be considered, given the long-standing questions and controversy pertaining to its legitimacy. The Met Council was designated as a metropolitan planning organization (MPO) in 1973 and was codified as such in state law in 1975. Federal law requires that MPO board membership include representation of local elected officials, state transportation agencies, and transit providers among its members. The Met Council was grandfathered into this new law since it existed before the 1991 amendment to the legislation that established this requirement. MPO's like the Met Council are allowed to continually legally exist so long as the membership and voting structure of the Board does not significantly change, in which case it would require a new designation

(BRR, 15). The controversy lies in whether or not changes in the council structure since 1991 have caused the grandfathering law to no longer apply.

Increased Autonomy. If the Met Council were abolished, MnDOT could perform the transportation responsibilities once held by the Council. In our interview with SWT CEO Len Simich, he noted that SWT would like more control and autonomy and less oversight from the Met Council. Instead, they would rather be under MnDOT administratively. Simich noted that funding is not fairly/equally distributed and that they should be direct recipients of the MVST funding instead of a sub-recipient.

Conclusion

The following is a list of potential questions for further research on the topic of suburban transit providers:

- Is it more efficient to merge transit providers in close proximity to serve multiple cities as opposed to having one provider per city?
- Does having a transit provider serving only one city improve the quality of service because it can dedicate itself entirely to one city?
- Was the joint powers agreement between SouthWest Transit and Minnesota Valley Transit Authority strategic? If not, how could future strategic mergers look like to increase the efficiency and quality of services for suburban riders?

To more holistically understand the nature of suburban transit, future examinations of transit governance in the Twin Cities region should consider other forms of data, beyond government agency reports and interviews with transit leaders, and include other perspectives, including those of frequent transit riders and agency employees.

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Team 2: Understanding the History and Evolution of Transit System Funding in the Twin Cities Region: Funding and Finance Assessment

By Greta Kurtz, Emma Myers-Verhage, and Robbie King

Questions for Consideration:

1. Who were the suburban transit providers in the Twin Cities region at the time theSuburban Transit legislation was passed, and how did they differ?
2. Who are the current suburban transit providers in the Twin Cities region, and how dothey differ?
3. How has the funding for Twin Cities regional transit evolved since the Suburban Transitlegislation? How have these changes impacted suburban transit providers?
4. What can be learned from the history and evolution of Suburban Transit funding toinform future legislation?

Abstract

Transit system financing in the Twin Cities has expanded significantly over the past decade resulting from a funding formula change that allowed 40% of Motor Vehicle Sales Tax (MVST) in the state to be used for transit system funding. Metro Transit's funding from MVST has increased 300% since 2007 whereas the four suburban transit providers' funding has increased at about half that rate over the same period. We analyze data and reports provided by the Metropolitan Council, the suburban transit providers, the Minnesota State Legislature, and the Governor's Blue-Ribbon commission to describe the events that drove transit funding in the region. Suburban transit providers have been lobbying for additional funding during the period where their funding share has been shrinking and their claim of a shrinking share has been confirmed by our analysis. Proposals for future change are not the focus of this research, however, we make recommendations for continuations of this work.

Introduction

Our analysis seeks to provide insight into the evolution of transit finance in the Twin Cities region in the "opt-out era" of Twin Cities transit from 1981 to 2021. Transit finance in the Twin Cities region has depended primarily on three separate State administered tax streams at different points over the study period: the State's General Fund, property tax, and Motor Vehicle Sales Tax (MVST). Although these funding streams have overlapped in usage, these revenue streams define three different eras. Transit system funding has already been extensively studied as a part of overall transit system governance reports by the Legislative Auditor in 1980, 1988, 1992, 1998 and 2011, and then by a Governor's Blue-Ribbon Commission in 2020. Most recently, the Governors Blue Ribbon Commission (2020) found that "transit funding shortfalls have been an ongoing issue for decades and that past legislative actions have provided short-term solutions that at times have further complicated the region's transit governance and funding structures without necessarily providing funding to maintain and grow the system". Our analysis concurs with this recommendation, as it appears that changes to transit funding has complicated the relationship between operators in the region without providing adequate and sustainable long-term funding.

Transit finance in the Twin Cities is marked by three distinct eras within which transit funding distributed using three separate mechanisms; the general fund era, the property tax era coupled with suburban opt-outs, and the current motor vehicle sales tax era. Twin Cities transit experienced a significant downturn in transit ridership from the 1940s through the mid-2000s where ridership fell below 100 million rides per year and has slowly increased into the modern era (Dornfield, 2019). This downturn forced private transit operators to be folded into emerging public transit agencies in the 1970s and, because of rapid suburbanization, transit service waned as the primary method of transportation for Twin Cities residents. In the modern era, suburban transit options have been limited because of land use decisions and automobile dependency. However, many suburban communities wished to reclaim property tax dollars sent to the Metropolitan Transit Commission so that transit services could be administered with local authority. This resulted in the suburban opt-outs in the 1980s and further property tax reform eschewed the use of property tax in favor of using MVST as the primary funder of transit in the state. Changes in the MVST era of transit funding have left suburban providers with a shrinking share of transit funds from MVST and have signified the importance of continued study of transit funding evolution in the region.

Methods

The intent of our research for this project is to assess the history of transit system funding in the Twin Cities region of Minnesota, more specifically to understand the evolution of funding and what could be learned from it. Our research included deep dives into the evolution of funding for transit agencies, including funding for suburban “opt-out” transit providers.

Resources were accessed via public records, such as Legislative Auditor Reports and transit agencies’ audits and financial reports. Each transit agency’s information was accessed through their publicly available reporting pages on their websites. The Metropolitan Council also provided us crucial data for our analysis of the funding evolution. This was accessed by contacting the Metropolitan Council’s Public Information team by using the email provided on their website. With this data we were able to track changes in funding as well as statistical trends. Newspaper articles were found online via Newspapers.com, which provided insight on the politics and opinions on the funding shift, and interviews with stakeholders over time. Our

research is limited to the resources that are accessible to the public, those that are accessible via the University's databases, and those that are provided to us by the various staff members that are involved in this course project.

Twin Cities Transit Funding and Agency History from 1967 to 2001

In 1967, the Metropolitan Transit Commission (MTC) was created by the Minnesota State Legislature, representing the first time public transit was funded in the Twin Cities region. In 1970, the MTC purchased Twin Cities Lines and the 71-bus fleet that was currently providing service by utilizing federal grant dollars. From 1967 to 1994, the MTC stood alone as the sole public transit provider for the Twin Cities area and functioned as its own agency, as opposed to today's Metropolitan Council's Metro Transit service.

Leading up to the creation of the MTC, the fate had long been sealed for Twin Cities Lines to fail after years of decreasing ridership caused by the dismantling of the streetcar network beginning in the mid-1950s and rapid suburbanization occurring in the post-war era. A transit strike during the holiday season of 1969 was in part "to force public acquisition of the failing bus company" (Dornfield, 2019). Ridership had been plummeting for years, from 201 million rides in 1946 to just 60 million rides in 1964 (Citizen's League, 1965). The forces pushing against the viability of privately operated mass transit were present in nearly every American city and resulted in the passage of the 1964 Urban Mass Transit Act. With this bill, $375 million ($3.4 billion in today's dollars) was authorized in grants, two-thirds of which was earmarked for the cost of "acquisition, construction, and improvement of transit facilities" (ibid). With this new money and momentum building for a new public transit agency, the MTC was created by the Minnesota State Legislature.

In the 1970s, a major concern was the rapid growth of the MTC and the fact that they were quickly swallowing several private bus companies. Seven suburban lines existed at this time. The MTC purchased and took over Twin Cities Lines, Inc. in 1970, North Hennepin Transit Co. in 1971, Dickenson Lines in 1973, and Bloomington Bus Company in 1974. The MTC was providing considerable subsidies to the private bus operators out of wheelage tax revenue, but most were unable to afford the upkeep. The suburban lines were arguing that the competition

was unfair, as the MTC controls their fares and routes, while still taking most of their property and wheelage tax revenue, as well as additional government funding. The MTC established a maximum fare of $0.50 for their buses in 1974 (Gelfand, 1974), which was much lower than what most private operators could afford to offer. The MTC also purchased nearly 300 new buses in 1974 (Wascoe, Jr., 1974), expanding their fleet to more than 1,000. This new purchase was funded by raising property taxes in the seven surrounding counties. This further contributed to the suburban service dispute, with suburban communities arguing that they received little service from the MTC, while still contributing to the majority of the MTC's property tax revenue. Some communities that paid property tax to the MTC received no transit services at all. Furthermore, buses running long distances to reach suburban communities also contributed to the MTC's growing operating deficit, which was expected to reach $14.5 million annually by 1975 (ibid), a value equivalent to $81.3 million today.

When the "opt-out" legislation was introduced in 1981, debates between the suburbs and the MTC surged. As of 1983, the city of Plymouth was the only suburb to actually apply for the "opt-out" program, but Prior Lake, Savage, and Shakopee were all showing interest (Foley, 1983). The legislation allows 27 communities in the Twin Cities area the option to cease their property tax contribution to the MTC, instead using it to establish their own transit systems. Suburbs wanted the flexibility of creating their own, personalized bus systems, but the MTC was estimated to lose approximately $5.3 million per year if all 27 communities opted out (ibid), equal to about $15 million today. A discrepancy in the language of the law created confusion for all parties as well. The MTC understood that if a community chose to opt out, they would lose their property tax contribution. However, the MTC thought that the balances produced by establishing a new transit system would be given to the MTC. By 1973, they had attempted to amend the legislation to say as such, and asked the Minnesota Department of Transportation to delay the review of Plymouth's "opt-out" application until the legislation could be finalized. Both the MTC and suburban communities wanted a tax restructuring. A tiered tax system was proposed by Senator Steven Novak in 1983, where each community would pay transit taxes varying by the level of service they received from the MTC (Foley, 1983). The tiered service separated the 27 communities into three rings surrounding the city center, with each ring moving

outward contributing property tax at a lower rate. By 1984, Plymouth and Shakopee had opted out, with seven other communities expected to follow by the 1985 cutoff date.

In 1984, the Regional Transit Board (RTB) was established by the State to assume responsibility for transit planning and oversight in the metropolitan area, which had previously been under the jurisdiction of the MTC (Minnesota Legislature, 2011). The RTB was to consist of 15 members, while the MTC was reduced to a three-member bus operations board that focused on central city bus service. The goal of the RTB was to oversee transit operations and control rising costs, integrate transit into highway planning and infrastructure, and to work with the suburban communities in response to growing transit needs. In 1984, the RTB cut taxes for 41 suburban communities, which the Legislature required to be completed by 1986. The RTB was also tasked with decisions regarding the implementation of light-rail transit services in the Twin Cities and assumed responsibility for elderly and handicapped transit services in 1986.

By the 1990s, ridership grew drastically for Shakopee, Plymouth, Maple Grove (est. 1990), and SouthWest Metro (est. 1986) following their establishment from the "opt-out" legislation (Adams, 1991). SouthWest in particular had grown in ridership by 100% since its establishment. Each community that opted out was able to provide more personalized service using the tax revenue that would have otherwise been given to the MTC. Meanwhile, MTC ridership was steadily declining, having lost 1 million riders in the past decade. Ridership had reached a 20-year low in 1992, at 65.2 million (Blake, 1992). In 1992, they established a goal to end the year with at least one month's ridership higher than the same month of the previous year. State funding for the MTC had increased by only 8% since 1984, whereas other state departments had increased funding by 30-50% (ibid). By 1994, the MTC and the RTB became the Met Council Transit Operations (MCTO), which assumed all responsibilities of both groups. Ridership was declining, the newly formed MCTO was still increasing fares and cutting services and receiving little federal and state funding. There was some talk of forcing the "opt-out" communities back into the core MCTO system so they could again receive the property tax base, but this notion never came to fruition. Though the "opt-out" system proved to be successful in the communities individually, adding more would continue to weaken the MCTO core system.

Today's Suburban Transit Providers

The Suburban Transit Association (STA) was formed in 1995 as a coalition of four major suburban transit networks that were established because of the "opt-out" legislation of MTC in the 1980s. STA providers include Minnesota Valley Transit Authority (MVTA), Maple Grove Transit (MGT), Plymouth Metrolink, and SouthWest Transit. The STA providers are funded through shares of motor vehicle sales taxes, regional transit bonds, and passenger fares.

Minnesota Valley Transit Authority (MVTA) is a suburban transit network formed in 1990 that serves Apple Valley, Burnsville, Eagan, Rosemount, Savage, Prior Lake, and Shakopee, all located approximately 15 miles south of the Twin Cities. MVTA is governed by the MVTA Board, which consists of appointed representatives from each of the seven suburbs listed previously, and representatives from Scott County and Dakota County. Prior Lake withdrew from MVTA in 2002 to begin their own local transit services, but rejoined in 2014.

Maple Grove Transit (MGT) was formed in June 1990. The City of Maple Grove's Transit Administrator manages oversight, transit planning, facility management, administration, customer service, and marketing. MGT's Express Service offers five commuter routes to downtown Minneapolis and five park-and-ride lots, a route to the University of Minnesota, and two local routes within Maple Grove. MGT also offers a My Ride service, a shared-ride system that can be reserved and utilized within Maple Grove city limits.

Plymouth Metrolink was established in 1984 to serve the city of Plymouth, offering express and return routes to and from downtown Minneapolis, a Dial-A-Ride service operating within Plymouth city limits, and a Guaranteed Ride Home Program with free bus or cab fare for emergency rides home. Prior to its formation in 1984, Plymouth Metrolink was operated by a privately-owned provider, Medicine Lake Lines.

SouthWest Transit was established in 1986 to serve Chaska, Chanhassen, and Eden Prairie. SouthWest offers commuter routes to and from downtown Minneapolis, the University of Minnesota, Normandale Community College, and Best Buy Headquarters, and includes three

park-and-ride facilities. Seasonal services offered by SouthWest include express routes to and from the Minnesota State Fair, and sporting events for the Twins, Vikings, and Gophers.

Analysis of Transit Funding Evolution from 2001 to Today

In 2001, the Minnesota State Legislature passed a major tax reform bill that restructured how property was taxed and aimed to make "property tax a purely local tax" (Wright County Assessor's Office). This change also affected transit funding by shifting the primary funding source from property tax to motor vehicle sales tax. At the time of this tax reform, 20.5% of motor vehicle sales tax was apportioned for transit service in the state, but shortly thereafter in 2002 this amount was increased to 21.5%. Then, in 2006 a ballot question was raised to update the funding apportionment of motor vehicle sales tax; "Shall the Minnesota Constitution be amended to dedicate revenue from a tax on the sale of new and used motor vehicles over a five-year period, so that after June 30, 2011, all of the revenue is dedicated at least 40 percent for public transit assistance and not more than 60 percent for highway purposes?" The amendment was agreed to by 60.5% of voters (Ballotopedia).

Table 1 – Motor Vehicle Sales Tax Allocations

Share	*Destination*	*Use*
60%	HUTD Fund	State and local highways
36%	Metropolitan Area Transit	Transit in the Twin Cities Metropolitan Area
4%	Greater Minnesota Transit	Transit Systems in Greater Minnesota

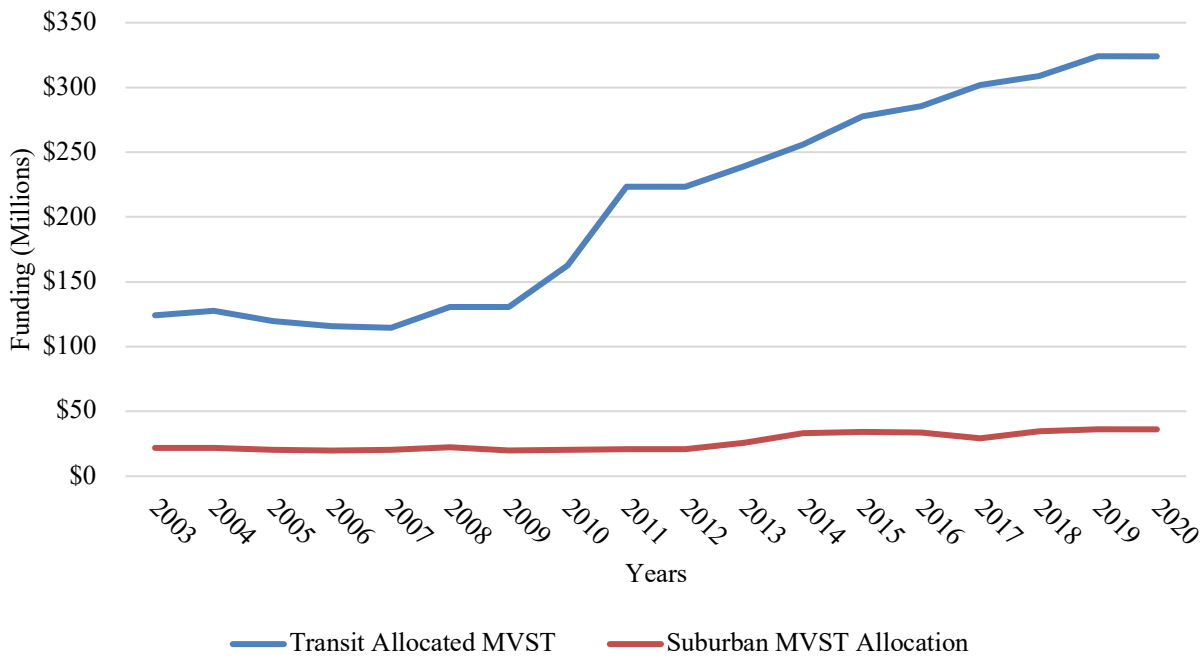
Source: Minnesota State Legislature, 2021

The bulk of the current transit funding formula is sourced from the Motor Vehicle Sales Tax (MVST) and additional revenues come from state and federal sources. The funding formula is set and defined by the Minnesota Constitution, Article 14, Section 13, which states that: "The revenue... must be allocated for the following transportation purposes: not more than 60 percent must be deposited in the highway user tax distribution fund, and not less than 40 percent must be deposited in a fund dedicated solely to public transit assistance as defined by law." Currently, as of 2012, 36% of the MVST revenue has been allocated to Metropolitan area transit and 4% goes

to Greater Minnesota Transit. Other revenues supplement the smaller portion of budgets for Metro Transit and the suburban transit providers.

Metro Transit receives funds from the Counties Transit Improvement Board (CTIB) and Federal Grants, notably CMAQ (Congestion Mitigation and Air Quality Improvement), a Federal Highway Administration Program. Others include: passenger fares, federal grants, state grants, and contracted services. Specifically, in 2020, Metro Transit's total revenue was $451.9 million: 43% from MVST, 32.4% from federal grants/ CMAQ, 9.3% fares, 7.6% from the CTIB, 5.6% from the state general fund, and 2.1% from local funding partners/ "other". Metro Transit's 2020 expenses (including a planned use of reserves) sat at $473.4 million: 70.7% going to salaries, 10% to fuel, materials, and supplies, 9.9% to utilities and other expenses, and 9.3% to central support (Metro Transit, 2020).

Figure 1 - Transit Allocated MVST 2003 to 2020

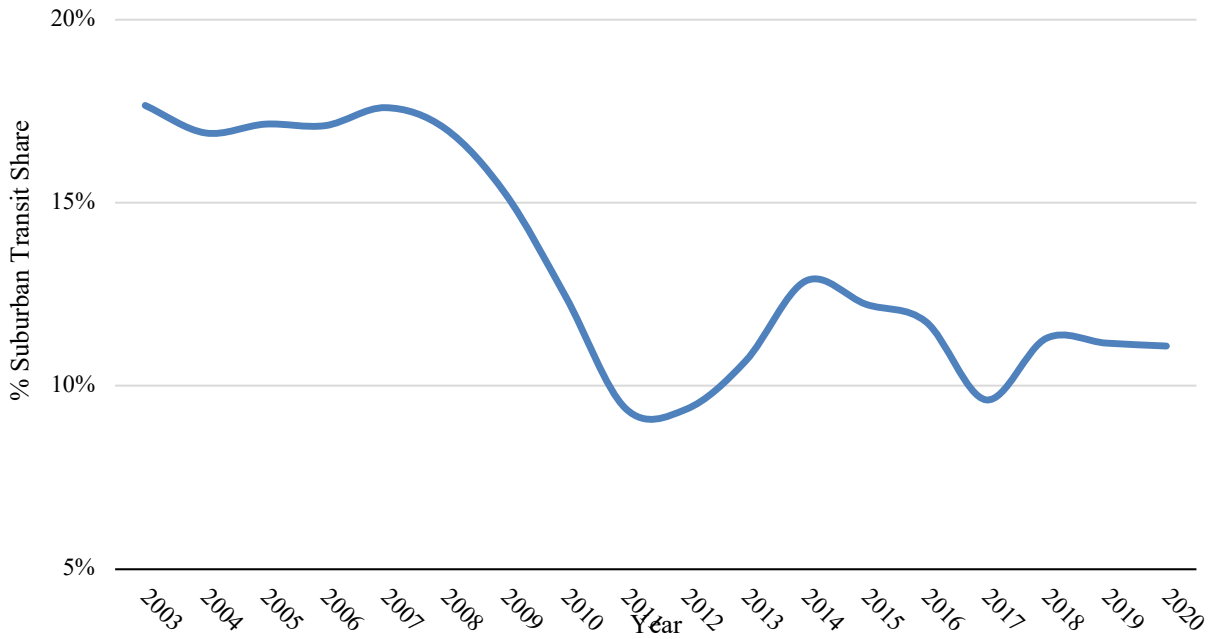


The funding percentages of motor vehicle sales tax for transit in the Twin Cities region has grown over the past two decades and, commensurately, real dollar amounts have as well. From 2003, the year in which motor vehicle sales tax as the primary funding mechanism for transit had fully phased in, to today, transit funding from motor vehicle sales tax has increased 5% per year

on average. Discouragingly, for 7 out of 17 fiscal years, the percentage increase over the previous year did not beat inflation. However, 5 out of those 7 years, where the funding increase year over year did not beat inflation, were prior to the 2006 Minnesota State Constitutional Amendment, which increased the portion of motor vehicle sales tax to a level that allowed increases to beat inflation. In general, total transit funding from motor vehicle sales tax has greatly expanded from $124 million in 2003 to $324 million in 2020. However, suburban transit funding allocation has barely increased from $21 million in 2003 to $35 million in 2020, as is shown in Figure 1. It is understandable why this figure would be distressing to suburban transit providers: overall transit allocated MVST has increased significantly over this time, but there has been no commensurate boost in funding for suburban transit providers.

Over the period between 2003 and 2020, suburban transit providers have lamented a shrinking share of overall transit funding in the region. Beginning in 2003, suburban transit providers ("opt-outs") received $21.5 million from motor vehicle sales tax (MVST), representing

Figure 2 - Suburban Transit Provider's Share of Transit Allocated MVST



a 17.6% share of the overall transit portion of MVST, as shown in Figure 2. This share represents the largest share that has been sent to suburban transit providers over the past 17 years.

Subsequently, growth of the suburban transit funding, at 2.3% average year over year, has been markedly lower than that of the overall transit percentage of MVST, at 5.1% average, year over year. Further, in only 7 of 17 years did the growth in transit funding for suburban transit beat inflation. The trends in funding for suburban transit providers demonstrate that the growth of transit funding for suburban transit providers is not commensurate with the overall growth of the MVST transit fund.

The most recent substantive change to transit funding took place in 2006 with a Minnesota Constitutional Amendment that mandated for "no less than 40% of motor vehicle sales tax to transit" and "no more than 60% of motor vehicle sales tax to the highways". This change marked a boom in transit funding, moving from 21.5% of motor vehicle sales tax to transit to the new level of 40%. This new funding level was phased in completely by 2011 and over the 2007 to 2011 period overall transit funding from motor vehicle sales tax nearly doubled. The greatest benefactor of this funding increase was Metro Transit because the funding for suburban transit during this same period was essentially unchanged.

Table 2 - Farebox Recovery Rates and Subsidy Per Passenger for Twin Cities Transit

Agency	*Farebox Recovery Rate*	*Subsidy Per Passenger*
Metro Transit	22.7%	$3.94
Suburban Transit Providers	22.8%	$4.43

Governor's Blue Ribbon Committee, 2020

Funding changes over time present a "chicken or the egg" problem; did funding increases for suburban transit remain lower than that of Metro Transit because service expanded more quickly for Metro Transit, thereby requiring more funding, or was that service expansion enabled through the funding increases? It's not possible to answer this question solely by analyzing funding evolution over time, however, looking into funding efficiencies may provide some guidance. For example, farebox recovery rates as shown in Table 2, or the percentage of operating cost of a service recovered by fares, are higher for Metro Transit than they are for most suburban transit providers. This indicates that the dollars invested into transit may be best served

on transit services that will have the highest number of riders, thereby increasing farebox recovery. Metro Transit provides the highest efficiencies for ridership and farebox recovery, so that investment may deserve more attention.

Conclusion

Twin Cities transit funding has increased significantly over the past 10 years since the increase of the allocation for transit funding from the motor vehicle sales tax. However, the beneficiaries of this increase have largely been Metro Transit which causes considerable consternation among the suburban transit providers (SouthWest Transit, Maple Grove Transit, Minnesota Valley Transit, and Plymouth Metro Link). Most significant among our findings was that while transit funding from MVST has increased over 300% from 2007 to today, the funding for suburban transit has increased only 180% over that same period. The recommendations from the Governor's Blue-Ribbon Commission (2020) on transit system funding were clear. The small size of the suburban transit providers leads to some inefficiencies in regional transit service, however, "transit funding shortfalls have been an ongoing issue for decades" and without proper funding it is difficult to shore up those inefficiencies. Suburban transit providers are a part of the regional transit system and deserve a fair increase that makes up for years of stagnant funding growth.

Further research on this could begin to provide recommendations for how to close this gap, or whether it is even worth closing, however, this was not in the scope of this research. Our research concludes with one possible idea for future research: if transit funding is increased significantly, through some yet to be identified means, the discrepancy in percentage allotment to suburban transit could become an irrelevant issue. In other words, proper recognition by the State that transit should receive more funding would allow all transit agencies to provide the service they deem necessary for their communities.

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Appendix A

Transit Allocated Motor Vehicle Sales Tax (MVST) 2002 to 2020

Year	*Transit MVST Actual*	*Suburban MVST*
2002	N/A	$11,110,890.00
2003	$124,140,000.00	$21,922,460.00
2004	$127,672,000.00	$21,587,470.00
2005	$119,486,000.00	$20,492,420.00
2006	$115,631,000.00	$19,786,330.00
2007	$114,439,000.00	$20,135,710.00
2008	$130,739,000.00	$22,246,900.00
2009	$130,333,000.00	$19,866,460.00
2010	$162,777,000.00	$20,255,780.00
2011	$223,567,000.00	$20,970,300.00
2012	$223,567,000.00	$20,917,440.00
2013	$239,114,000.00	$25,557,660.00
2014	$256,109,000.00	$32,967,100.00
2015	$277,700,000.00	$33,976,210.00
2016	$285,665,000.00	$33,565,260.00
2017	$301,706,000.00	$29,026,840.00
2018	$308,923,000.00	$34,899,960.00
2019	$323,948,000.00	$36,196,940.00
2020	$324,009,000.00	$35,919,420.00

Source: Metropolitan Council Public Information, Minnesota Office of Management and Budget

*Data used to create Figure 1 and Figure 2

**Figures were rounded for ease of analysis

Team 3: Understanding the History and Evolution of Transit System Legislation in the Twin Cities Region: Political and Operational Assessment

By Cole Anderson, Don Do, and Daniel Lubben

Questions for Consideration:

1. What was the intended purpose of the original enabling Suburban Transit legislation?

2. Have the original goals or aims of the enabling Suburban Transit legislation beenachieved? Are those goals still relevant?

3. What transit policy and transit governance changes have occurred since the original Suburban Transit legislation? Have these changes affected the original goals or aims ofthe original legislation, and/or the ability of the providers to achieve those goals?

4. What can be learned from the history and evolution of Suburban Transit legislation toinform future legislation? Are there additional changes to transit policy or legislation that would better meet the goals of Suburban Transit?

Introduction

In 1981, the Minnesota Legislature passed legislation that allowed communities in the Twin Cities metro to opt out of service from the Metropolitan Council's larger transit authority, Metro Transit. These communities felt underserved inside their taxing district and decided they could better provide for their citizens with independent supervised providers. Today, there are 4 of these providers in the metro: Plymouth MetroLink, Maple Grove Transit, Minnesota Valley Transit Authority, and SouthWest Transit.

The primary objective of this project is to use historical transit policy as it relates to foundational legislation for Twin Cities transit governance to inform future transit objectives. We will establish the purpose of the original suburban transit legislation in the Twin Cities, how well its goals have been achieved, and if the original goals still remain relevant. This project will illustrate how the evolution of suburban transit policy has affected those original goals, and the ability of suburban transit providers to meet them. When paired with knowledge on the current state of transit policy in the Twin Cities, we can use this history to inform future suburban transit policy and determine the need for additional policy to best meet the goals of suburban transit.

Timeline

Currently the Metropolitan Council and Transit Advisory Board make up the regional planning organization for the Twin Cities metropolitan area. In 1967, both the Metropolitan Council and Metropolitan Transportation Commission were established to create a transit governance framework for the Twin Cities (PED, 2011). The 17-member Metropolitan Council still serves as part of the regional transit planning agency for the metro. Currently made up of the Metro Transit and Metropolitan Transportation services, the council sets 20-year plans, regional fare policy, and distributes funds to providers (PED, 2011). Metro Transit is the metro's largest transit operator, managing commuter rail, light rail, and most regular route buses (PED, 2011). Metropolitan Transportation Services fills most of the Council's planning responsibilities, but also manages contracted bus services like suburban transit providers, dial-a-ride, and vanpools. The Transit Commission was absorbed into the Council in 1994 (PED, 2011).

In 1974, the Transportation Advisory Board was established to satisfy the 'elected official' component of a metropolitan planning organization. (PED, 2011). TAB is made of a variety of 33 officials; local elected, transportation mode representatives, appointed citizens, and various state officials (PED, 2011). The board is responsible for allocating federal funds to transit programs and local governments and reviewing Metropolitan Council directives, but also develops short term transit improvement plans for the region (PED, 2011).

As mentioned in the introduction, the 1981 establishment of suburban transit provider legislation gave eligible suburban communities an option to create these suburban transit providers and 'opt out' of regular Metro Transit bus services if they felt inadequately served; this option was open until 1987 (PED, 2011). These serve certain suburban communities south of Minneapolis and are of two types. City-run suburban transit providers are managed by the city of operation; they generally have fewer routes and lower ridership numbers but are also responsible for some municipal services (i.e., garbage collection) (PED, 2011). Joint powers providers share responsibilities between the multiple cities they operate in; they usually have higher ridership and routes than city-run providers (PED, 2011). The two joint power providers in the metro are the Minnesota Valley Transit Authority and SouthWest Transit, whereas Maple Grove and Plymouth Metrolink are city run (PED, 2011). Overall, these transit providers are about 6 % of rides in the metro, with Metro Transit being 91% of rides (PED, 2011).

All suburban transit providers have a sort of dial-a-ride service that utilizes a large amount of the provider's subsidy. For example, SouthWest transit began its SW Prime program in 2015, which grew rapidly to 5,100 rides between 10 vehicles in 2017 (SUMC, 2017. The trip per vehicle revenue hour increased 40% in the first three years. (SUMC, 2017). Services like dial a ride often do not cover their own operational costs, though Prime is still decently lower than the other suburban transit providers (SUMC, 2017).

In 1984, the creation of the Regional Transit Board began another period of split responsibilities and fragmentation. (PED, 2011). The RTB was intended to handle mid-range planning and to prepare transit budgets (PED, 2011). The creation of the RTB meant that there were effectively three central authorities managing elements of the Metro's public transportation system at that time (PED, 2011). The Metropolitan transit commission was to handle short term plans, the RTB mid-range, and the Metropolitan Council long term planning (PED, 2011).

A period of stability followed the 1994 Metropolitan Reorganization Act, which abolished both the Regional Transit Board and Metropolitan Transit Commission, merging them into the Metropolitan Council (PED, 2011). The terms of Metropolitan Council members were changed to end when the governor's term does, but members still serve at the pleasure of the governor (PED, 2011). This meant that anything not provided by suburban transit providers was managed by one board for the first time. Transit ridership increased by more than 45% before the next major administrative changes to transit governance (PED, 2011).

In 2008 the creation of the Counties Transit Improvement Board (CTIB) began another period of authority fragmentation (PED, 2011). Formed to create a more reliable joint power board CTIB was responsible for allocating capital improvements, planning, systems analysis, and providing assistance for transitway projects (PED, 2011). CTIB was additionally authorized to levy a ¼ cent sales tax to raise funds for transit; five regional countries chose to enact this policy (PED, 2011). In 2009 this tax provided nearly 10% of required transit **capital** funds (still lower than many major metropolitan areas) (PED, 2011). CTIB footed about 12 % of 2009's transit **operating** cost, compared to MVST's 33.2% and 28.3% from fares that year (PED, 2011). Overall, the Twin Cities spent nearly a billion dollars on transportation costs of any sort between 2004 and 2010(PED, 2011). The controversial CTIB was dissolved in 2017 and replaced with county-level transportation funding options.

Figure 1: Selected Bus Operating Statistics, 2009

Table 3.2: Select Bus Operating Statistics for the Twin Cities Region, 2009

	Bus Ridership (thousands)	Percentage of Total Bus Riders	Fleet Size	Urban-Local Bus Routes	Suburban-Local Bus Routes	Express Bus Routes	Park-and-Ride Facilities[a]
Metropolitan Council Transit Providers							
Metro Transit[b]	64,142	90.1%	910	57	5.5	55.5	73
Metropolitan Transportation Services[b]	2,436	3.4	98	4	23.5	7.5	2
City-Run Suburban Transit Providers							
Maple Grove Transit	729	1.0	36	0	3	6	5
Plymouth Metrolink	406	0.6	37	0	7	9	3
Shakopee Transit[c]	116	0.2	10	0	2	0.5	1
Prior Lake Transit[c]	50	<0.1	4	0	1	0.5	1
Suburban Transit Providers Formed by a Joint-Powers Agreement							
Minnesota Valley Transit Authority	2,389	3.4	116	0	12	11	11
SouthWest Transit	951	1.3	60	0	6	14	8
Total	71,217	100.0%	1,271	61	60	104	104

NOTES: This table excludes bus service provided by the University of Minnesota, the city of Ramsey, and the Northstar Corridor Development Authority. Ridership is the number of passenger trips (boardings). Bus ridership and routes do not include special services, such as rides to the Minnesota State Fair. Percentage does not sum to 100 due to rounding.

Relationship Issues

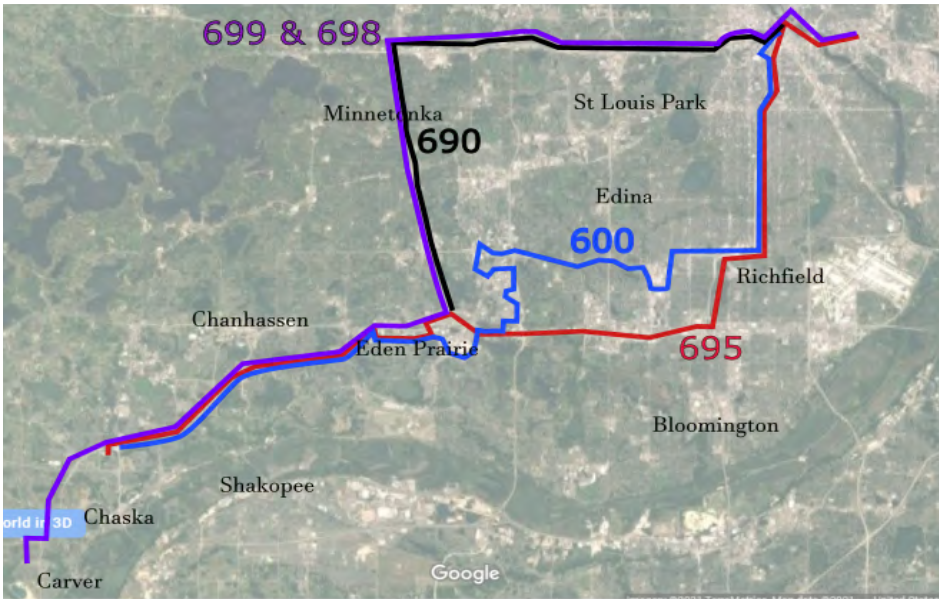
Relations between the Metro Council and suburban transit providers are strained over debates about autonomy, regulation, funding definitions, and appointment rules. The lack of mutual goals and heavily split responsibilities for transit makes consensus and decision difficult. A major topic of debate between suburban transit providers and the Metro Council continues to be the distribution of Motor Vehicle Sales Tax (MVST) funds (PED, 2011). Before 2000, MVST money went into a general state fund, whereas transit was funded exclusively by property taxes. Cities opting out receive 90% of their property taxes for funding transit. In 2001, 20.5% of MVST funds were dedicated to transit, and property tax funding for transit was prohibited (PED, 2011). This proportion increased to 21.5% in 2003, and increased again in 2008 to 36% (PED, 2011). Technically, this money is still deposited into a state general fund, and there are no official laws regarding its distribution. Suburban transit providers advocate for a formula-based approach to distribution, but the Metro Council argues for distribution based on 'regional priorities' of preservation and expansion (PED, 2011). Transit legislation has previously followed the pattern of creating new transit organizations instead of improving the existing ones (PED, 2011). This has resulted in ever shifting and expanding networks to split responsibilities between. Responsibilities overlap and sometimes conflict, making overall consensus on a metro-wide project difficult. The distrust between suburban and metro transit providers makes coordination of overlapping roles hard (PED, 2011). Having a multitude of providers also creates a higher overall spare factor (vehicles not in use); The federal maximum for fleets of 50 or more vehicles is 20% (PED, 2011). In 2008, both MVTA and SWT had a factor higher than 20%; Metro Transit's was 18% (PED, 2011). There has also been a large amount of dissatisfaction with the Metro Council's appointment structure and ability to react to local needs (PED, 2011). Suburban providers see themselves as having the advantage of being smaller, made of elected officials, and better able to respond quickly to community requests (PED, 2011).

SouthWest Transit and its policy concerns are the technical focus of this evaluative project. SouthWest provides express transit to UMN and Minneapolis, job site reverse commute, on call Prime services, and event transit. Overall, the company provides 1.3 million rides per year, split amongst 84 vehicles (SouthWest, 2019). This equates to 150 express bus trips and 400 demand response trips per day (SouthWest, 2019). As documented in a 2019 summary report, The company's concerns revolve around general fund allotment and share of additional RAMVST, increased by 15% in 2008. Over time, the percentage of MVST funding going to all transit providers including SouthWest has decreased from the founding 17% to 5% (SouthWest, 2019).

In review, the original goals for the 1981 suburban transit break-away have been met with a mixed degree of success. Conflict is still common between those providers and the Metropolitan Council. Even though these cities opted out of service, they are still dependent on the Council for funds and oversight, giving the council a large amount of control over them. There are now providers instead of communities that feel occasionally underserved. At the same time, each sector of the transit network successfully covers and manages its served area, and may yet serve local needs better than the edge of a larger system would.

A significant factor in transportation system evolution is land use and area (Metro Council, 2018). The Metropolitan Council planning region covers 1.9 million acres and 182 towns, 31% of which is developed (Metro Council, 2018). How dense or sparse are the residential areas of that developed land (75%) can determine resource load, traffic, and route expansion (Metro Council, 2018). Transportation systems continue to put large budgets into managing congestion (Metro Council, 2018). Such investments include improving travel through congested corridors via reliability, technology, and accessible development (Metro Council, 2018). Light Rail and HOT lanes are examples of this type of planning (Metro Council, 2018).

Figure 2: Existing SouthWest Transit Routes



As seen in Figure 2 above, existing SouthWest Transit alignments primarily follow highway corridors connecting the southwest suburbs to downtown Minneapolis. Only Route 600 has a significant non-highway segment of its alignment.

Conclusions

Density of land uses and multimodal accessibility determine the type of transit service appropriate for an area in the region. Residential and employment density in SouthWest Transit's service area and that of other suburban providers leads to congestion relief and commute focused services being the major service focus. Local bus services have limited demand in areas where density is not sufficient to support ridership. However, on-demand services such as SWPrime mitigate some of the challenges of local transit service in low-density areas through flexible routing and smaller vehicles. (CITE)

Funding has been reshaped since the beginning of the opt-out era in several key ways. Transit Funding for STPs has shifted from local property taxes to MVST funds for which the distribution across remains legislatively undefined. This can lead to uncertainty for smaller STPs year-to-year. Additional county-level taxes have accounted for about a tenth of operating and capital costs. The funding share of Metro transit vs suburban providers has shifted over decades towards Metro Transit by more than 10%. However, STPs currently receive 5% of funding for 6% of rides. This share of MVST funding may be more in line with a regionally equitable distribution of funding on a ridership basis. Funding needs do not necessarily scale linearly in the current governance structure, and the fixed costs associated with running separate suburban opt-out systems such as high spare factors contribute to unmet funding needs for Suburban Transit Providers.

Transit governance structures have simplified over time, concentrating decision making within the Metropolitan Council-Metropolitan Transportation Services. However ,tension remains between the Metropolitan Council and STPs, centered around the Met Council's priority for regional planning to guide the future of transit, while STPs want funding formulas which guarantee secure funding. Legislation has historically created new transit governance bodies which increased complexity rather than addressing regional transit challenges through reforming existing agencies. Future solutions should avoid this issue by not creating new transit governance structures and further clarifying the boundaries of existing structures.

Recommendations

The 2011 State Auditor report on the Metropolitan Region's Transit governance suggests several recommendations based on the findings of the report. Similar region-wide recommendations were also found in the Governor's Blue Ribbon commissioned in 2020 but based on more current reports and review of the current transit governance system and organization. While these recommendations may not pertain exactly to the needs of SouthWest Transit, it is important to understand what the region-wide policies other government agencies are studying to better coordinate and effect policy or organizational change to benefit the region's transit cohesion and of current Suburban Transit Providers (STPs).

As the current body of the Metropolitan Council are appointed leaders made by the Governor, it puts transit funding at an unstable position and at the whim of the Governor's control. While there has not been a case yet where partisan politics has substantially changed the planning of the Twin Cities' transit network (such as an anti-transit governor appointing members that are all anti-transit), the status quo does keep the door open for such a scenario to occur according to the 2011 State Auditor's Report. Recommendations included four different leadership organizational options with Option Two being the preferred government structure. Option Two calls for the Metropolitan Council to be restructured as a mix of elected and appointed members, with Council members serving staggered terms so that council members are not beholden to the government/governor that appointed them.

There are noticeable conflicts of interest in having the Metropolitan Council and Metro Transit under the same organizational structure as pointed out by the SouthWest Transit leadership team. The Twin Cities region is unique in this governance structure compared to other metro areas in the U.S. Pulling Metro Transit out of the Met Council would further add to the complexity of the system and there would be yet another transit organization in the region with which to coordinate, and some of the existing coordination between the Met Council's planning division and Metro Transit's operations would be lost. Therefore, it is recommended to keep Metro Transit and its services together under the same organization as part of the Metropolitan Council.

Suburban transit providers (STPs), also known as opt-outs, of which SouthWest Transit is one of several opt-out agencies, were initially formed due to local municipalities feeling they were not getting the transit they needed compared to the funding sources allocated for transit and opted out. While the four suburban transit providers have developed close relationships with the communities they serve, the fragmentation of the region's public transportation system does contribute to the system's inefficiencies in services, communication, and coordination. Although it is not recommended to eliminate suburban transit providers, it is important that the suburban providers work within the regional transit system. Specifically, suburban providers should comply with the Metropolitan Council's regional provider procedures and work collaboratively with the Council to improve the transit system in the region.

With funding allocation being the most contentious issue between the region's transit providers, it has been a source of distrust between the region's transit agencies. The lack of clarity on how to allocate transit funding from Motor Vehicles Sales Tax (MVST) after the 2006 state constitutional amendment has been the source of conflict between the Met Council and the suburban transit providers, which have differing opinions of how the funds should be distributed. The Auditor's report recommends that as the Metropolitan Council is the recipient of federal and state funding, the Met Council has substantial oversight responsibilities for transit services in the region. As such, it should explicitly have the authority to allocate the supplemental MVST revenue in the Twin Cities region.

The report further recommends that distribution and allocation of MVST funds should be looked at on a regional basis versus a formulaic standard proposed by several STPs. The formulaic proposal is not a regional approach and would not consider where funds are needed most in the region. Distributing supplemental MVST revenue following the approach outlined by the Met Council and based on regional priorities would ensure that providers have enough funds to

maintain existing operations, while at the same time expanding the transit system through projects that will have the most impact in the region. The report finds that the process established by the Met Council's procedures is appropriate and reasonable, and the Council should continue to allocate supplemental MVST revenue in this manner.

While the recommendations provided in the reports did not exactly pertain to what SouthWest Transit as an organization should do, it does provide a glimpse of certain ideas and proposals to reform certain standards, organizational structures, and governmental relationships of the Metropolitan Council, Metro Transit, and STPs such as SouthWest. Especially with the uncertainty of funding amounts and reduced ridership caused by the COVID-19 pandemic, it's imperative to understand what other transit services in the Twin Cities are planning for in an effort to collaborate with, rather than compete against other transit authorities for the limited amount of resources.

One such recommendation where SouthWest as a suburban transit provider can excel is to re-emphasis the purpose of STPs: providing local public transit in municipalities that SouthWest Transit serves. With the SouthWest Light Rail to be operational in a few years, this could provide SouthWest an opportunity to reevaluate the routes and services when the train starts rolling. This could include a reorganization of routes and operations to feed LRT trips at key stations. Providing seamless transit transition from LRT stations to local neighborhoods in SouthWest Transit's service area. This should enable commute trips to involve shorter local routes. Therefore, SouthWest Transit should continually track express and commuter bus ridership complementary or competing with the Green Line LRT extension. Depending on data, express services may or may not be needed due to competition with LRT service. Streamlining or redirecting commuter service to LRT stations could help alleviate funding issues through reducing routes. Land use and transportation planning are intertwined; SouthWest Transit and its constituent municipalities should engage ongoing coordination of transit-oriented development and any new transit routes which could be enabled by the potential ridership at these nodes.

SouthWest Transit and other STPs have expressed a desire to remain separate from Metro Transit. Given the current structure of transit funding and governance, it is unlikely that STPs will return to the share of regional transit funding that was allocated to them in the 1980s. Given the continued funding shortfalls for some STPs other options should be considered. Adjacent STPs, particularly those with similar service profiles, should consider merging into joint transit operators to reduce fixed transit operator costs.

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Team 4: Understanding the Relationships between the Metropolitan Council and Suburban Transit Providers in the Twin Cities Region

By Fartun Ahmed, Joseph Lehman, and Yuping Wu

Questions for Consideration:

1. How has the relationship between the Metropolitan Council and suburban transitproviders changed since the original legislation was passed?
2. How does transit policy, governance, and planning for the Twin Cities region differ frompeer regions across the country?
3. Based upon the comparison with other regions, are the current roles for the Metropolitan Council and suburban transit providers in regional transit planningappropriate?
4. What can be learned from the relationship between Metropolitan Council and suburbantransit providers to inform future legislation?
5. What changes to transit policy, governance, or planning might improve the relationshipsbetween the Metropolitan Council and suburban transit providers in the Twin Cities region?

Research Background

This research project was initiated by SouthWest Transit to examine the effectiveness of the current Twin Cities regional transit system, following the suburban opt-out legislation in the 1980s, and to close the knowledge gap about the purpose for and impact of this legislation as expert stakeholders retire. In the fall semester, SouthWest Transit, through the Resilient Communities Project (RCP, put forth a research opportunity for five groups of Humphrey School of Public Affairs students enrolled in a Transportation Policy, Planning & Deployment course to examine the effectiveness of the current Twin Cities public transportation system.

Our group was tasked with answering the following questions: (1) How has the relationship between the Metropolitan Council and suburban transit providers changed since the original legislation was passed? (2) How does transit policy, governance, and planning for the Twin Cities region differ from peer regions across the country? (3) Based upon the comparison with other regions, are the current roles for the Metropolitan Council and suburban transit providers in regional transit planning appropriate? (4) What can be learned from the relationship between the Metropolitan Council and suburban transit providers to inform future legislation? (5) What changes to transit policy, governance, or planning might improve the relationships between the metropolitan council and suburban transit providers in the Twin Cities region?

These questions focus heavily on the legislative decisions made in the 1980s that led to the current state of transit governance in the Twin Cities, and how that compares to peer regions across the nation. Looking at the first question, our group started with observing changes over time. The second and third questions are tied closely together, as the first one asks for a comparative analysis of peer regions and the second asks for conclusions about the appropriateness of the roles of the Metropolitan Council and suburban transit providers. The

fourth question is closely related to the first question, which asks us to learn from the analysis for the first question to draw takeaways to create better legislation. The final question considers recommended changes, informed both by the analysis of the legislative relationships between the entities as well as comparisons to peer regions.

Taking a policy analysis–based and comparative approach, our group's conclusions have great potential to influence future legislation and policy decisions. The comparative approach in particular allows for our region to learn from best practices in other regions and model those here to fit our needs. Our group also sees significant common ground being found due to our research, with each entity having common interests and common barriers to effectively providing services. Finally, legislative decisions must be made to respond to the challenges COVID-19 brings with it, and this study provides background to achieve policy victories during this fluid situation.

Research Design

This project is one of the more qualitative projects offered through this partnership. The conclusions that were drawn are based on our assessment of the history and current state of relationships between transit providers, as well as comparison of the Twin Cities' region with other regional transit systems across the country. Our sources for this analysis were either provided by RCP and SouthWest Transit, or found through academic databases or public search engines such as Google for information on peer regions. Information was then synthesized to ararive at answers to each question our group was asked to investigate.

Client Interactions

To obtain as much information as possible from a variety of different stakeholders, it was important for our group to communicate directly with the client, SouthWest Transit. During our scheduled interview with representatives from SouthWest Transit, our group submitted five questions designed to gain insight into the topics of communication, mutuality, conflict resolution, and future suggestions regarding the relationship between SouthWest Transit and the Metropolitan Council. In addition, the team was also able to separately ask some questions of a representative from the Metropolitan Council.

Literature Review

The Blue Ribbon Commission Report (2020) and the Legislative Auditor's Report (2001) were our two main sources for understanding the relationships between the entities, the effectiveness of each entity, and the general legislative implications resulting from the relationships and effectiveness. The Blue Ribbon Commission Report looked much more specifically at the issues of delivery of transportation services, elected vs. appointed council members, and the state of the Metropolitan Council as an MPO. The Blue Ribbon Commission was appointed by Governor Tim Walz and consisted of local officials, transportation experts, and other stakeholders. The Legislative Auditor's report looked at the overall governance and overlap between the Metropolitan Council and the regional providers.

Additionally, our team reviewed periodicals such as *Star Tribune, Southwest News Media,* and *Twin Cities Business* to understand the regional relationships among transit providers. Also gathered from periodicals were graphics and cartoons that looked at various tensions between providers. Finally, because the group conducted a comparative analysis with

other regions' transit governance systems, sources from outside of the Twin Cities were consulted. These sources largely consisted of service providers' websites, which allowed students to learn about the general structures of different regions.

Since the original legislation in 1984 that allowed for suburban regions to opt out of the main Metropolitan Transit Commission (MTC) and create their own, the conditions in the Twin Cities with regard to public transit have changed—from the demographic makeup of potential riders to social and political evolutions.

In 1994, the MTC was absorbed by the Metropolitan Council. This gave the Council a significantly increased scope of power with regard to the Twin Cities' transit provider balance of power, with many suburban opt outs expressing some concern over the development.

Another significant change is the continuing increase of urban-suburban transit links due to people commuting from the suburbs for employment. With a steady rise in demand, it is much more important for the Metropolitan Council and the suburban providers to maintain close cooperation to ensure the ridership demand can be served properly. Without such cooperation, the end result may be overlap of transit routes into each other's areas of responsibility, such as with the Metro Green Line SWT light-rail expansion, and even jointly operated services such as the Metro Red Line.

The recent growth in transit ridership in the region, however, has reversed in the last two years as a direct result of the COVID-19 pandemic, which significantly reduced trips of any kind all across the globe. Metropolitan Council alone saw its transit ridership decrease from 82 million rides in 2019 to 28 million at year end in 2020, a 53% reduction. The suburban providers, due to higher numbers of choice ridership services, saw even greater decreases in their ridership. The Blue Ribbon Commission report suggests that the effects of this decrease in ridership/fare

revenue, and how it will impact future transit planning strategy, is still unclear at this time, but acknowledges that the time may be right to reevaluate the current system—including inter-transit provider relationships—to be more suited for future ridership models.

In terms of governance, the Metropolitan Council is the metropolitan planning organization (MPO) in the Twin Cities region. The MPO is responsible for multi-modal transportation planning and allocating federal funding that is provided to the region. On January 14, 2015, the Metropolitan Council adopted the *2040 Transportation Policy Plan,* which describes issues and trends facing the region's transportation system.

Some of Minnesota's peer regions include Portland (Metro), Denver (Denver Region Council of Governments), Boston (Metropolitan Area Planning Council), Chicago (Metropolitan Agency for Planning), Seattle (Puget Sound Regional Council), and Atlanta (Atlanta Regional Council).

The Twin Cities' transit-governance model comes with several advantages and disadvantages over that of other peer cities. Having the suburban opt outs use their own transit providers allows them to better represent and serve the needs of their local suburban communities. In some areas, having multiple transit providers may even spur innovation to provide better service.

On the other hand, this large number of opt outs also increases the complexity of transit service, and often creates issues like route overlap, creating inefficiency. This system also gives rise to funding inbalances. which can end up isolating many neighborhoods that rely on opt-out provider service. The governor-appointed board structure also provides the benefit of reducing infighting over regional service/funding disputes (as seen in the collapse of the Counties Transit Improvement Board in 2017) between communities under the Metropolitan Council's authority,

and allows for planners to think in a more optimal way and implement transit policy that will benefit the region as a whole. On the other hand, this system gives significant power to the governor's office, with no representation for the communities themselves, which has generated significant criticism over the years from riders (via surveys(, local governments, and transit providers.

As stated above, the Twin Cities' uniqueness comes not from having multiple providers causing service fragmentation, but rather the sheer geographic scale of the service area compared to peer metropolitan areas. In comparison, Chicago has one financial oversight authority board in the Regional Transportation Board which regulates all transit providers in the Chicago metro area, including urban based Chicago Transit Authority, suburban based PACE, and far suburban commuter rail organization Metra. Essentially, Chicago's governance system is similar to the Twin Cities' but on a smaller scale, with an oversight authority to resolve funding disputes between each individual provider. This system provides advantages of better tax rate decisions and reducing competition regarding funding distribution, which is a problem that has long existed for the Twin Cities' system.

For Boston, an emphasis on folding smaller operators and providers into the wide-encompassing Massachusetts Bay Transportation Authority since 1947 means that its governance structure is incredibly consolidated, with some small exceptions like airport shuttle service. In both of these examples, robust organizations competing for funds do not exist the way that they do in the Twin Cities, with too many powerful entities providing identical services. In places that are more robust, there is a clear understanding of the different duties performed and services provided by each provider, as well as thorough and efficient communication between providers when services must change.

For Seattle, King County Metro operates all urban transit, with surrounding counties operating their own transit, with the exception of Sound Transit, which provides express service to three counties in the Puget Sound area. This system has also led to overlapping routes, but strong inter-provider communication allowed inter-county operators to re-route some of their routes to make room for Sound Transit routes when new expansions take place. The Twin Cities' transit providers face a lot of issues regarding funding disputes, overlapping of routes, and area encroachment that creates inefficiency, and even tension at times, between providers. In general, the current governing structure is not optimally appropriate with comparison to peer cities, which all have employed various methods to address these issues.

Another important distinction between the Twin Cities and peer cities regarding transit governance is the way members are elected to the transportation board. In most peer cities, board members are selected by participating city/county commissions, transit operators, or state representatives, and some seats are even elected directly by the residents of the region in question. The suburban providers generally follow some form of this structure, but the governor of Minnesota appoints every member of the Metropolitan Council. This has brought up questions of transparency regarding the Council with no direct input from local governments.

This also means that the Twin Cities' governance system is potentially much more affected by the ebb and flow of politics compared to other systems. With the election of each new governor, the entire Council membership is often replaced, leading to wild swings in transit policy at times, which is not seen in other metro areas. While there are peer regions that have a similar number of robust providers as the Twin Cities, the population they serve is often much greater than our region, with Atlanta having as many robust transit providers as the Twin Cities, but double the number of people to serve.

A wealth of knowledge can be learned about the relationships between Twin Cities transit providers to help inform future legislation simply by looking at the issues cited in both the Blue Ribbon Commission report and the Legislative Auditor's report. To summarize our group's findings, funding streams are questionable, creating competition, considerable overlap in services, and a general distrust between Metro Transit and suburban providers. Changes can be made at the Capitol that put service and riders ahead of bitter arguments, and help these providers both find common ground and rebuild trust.

Since the principal legislation was passed to allow for suburban transit providers to opt out of the Metropolitan Council's service, funding has always been a point of contention. Many of the original disputes stemmed from the mandate that 30 percent of a transit agency's costs be paid for from passenger fares. This is a high bar when compared to other regions, and has led some of the less densely populated areas of the Twin Cities to have less access to transit funding and therefore fewer routes (Platt, 2015).

Prior to the opt-out legislation, this lack of passenger-fare revenue in the suburbs often resulted in a refusal by the metropolitan planning organization at the time to serve suburban communities where there was not high ridership potential. Another issue is the decrease in the Motor Vehicle Sales Tax (MVST) over time, which was the result of a legislative interest in reducing taxes. The MVST produces the highest revenue when car purchases are at their highest, which is often when transit is doing poorly. With the influx to suburbs of millennials, who typically own fewer cars per capita, as well as new developments in transportation we, overall revenue from this tax is likely to continue decreasing as the demand for transit increases (Figure 1).

Finally, there is an increased subsidy for some services that is not seen in other peer regions. Suburban services often require double the subsidy per rider as Metro Transit services (Platt, 2015). In future legislation, one lesson to take away is that the property tax is generally agreed upon to be a more optimal tax revenue source because of its consistency and its reflection of population growth. As mentioned by SWT CEO Len Simich in an article for *Twin Cities Business,* this would allow for places like Shakopee that are growing in population to generate more revenue for services. Representatives of the Met Council concurred. The one issue we see this as potentially raising is the fact that this could produce equity issues, as we see in the funding for public education. Places where homes are undervalued due to historic segregation could potentially be disadvantaged by a reliance on property tax for transit revenue. One other idea to consider is that transit in the Twin Cities should focus on the most efficient and reliable services. Because transit funding is so limited, focusing on segregated/separated right-of-way services and consolidating when appropriate will lead to a much more effectively funded system.

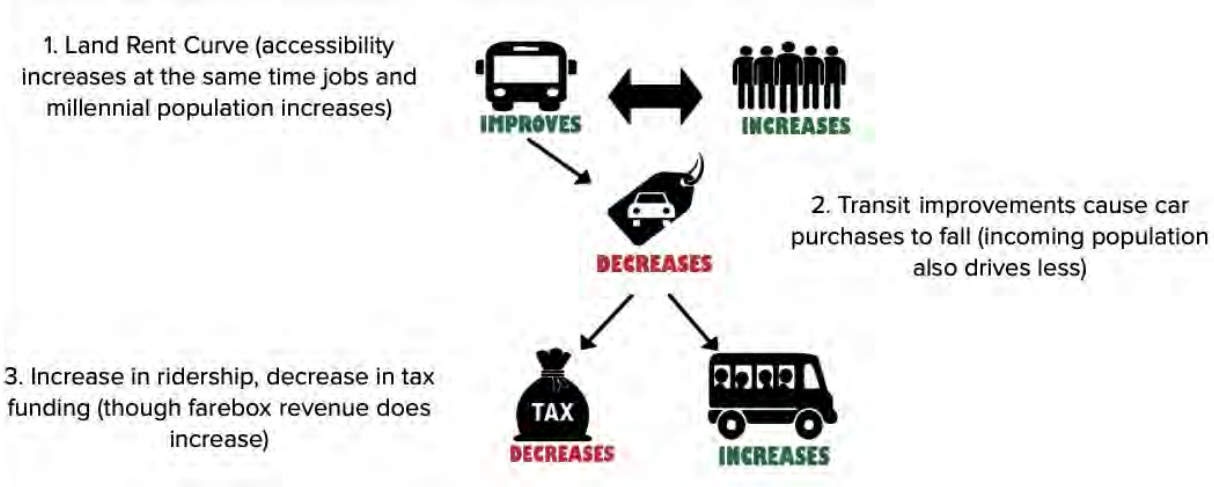

Figure 1: a graphic showing how the land rent curve (increased accessibility from transportation improvement in a place which results in an increased desire for people to move there) can lead to lower vehicle sales and therefore a decrease in the MVST funding while the number of people who use the services increases.

The initial opt-out legislation was supposed to create a greater ability for regions to provide transit services. But with the presence of a powerful MPO continuing, this has led to overlap in services. According to the Blue Ribbon Commission report and the Legislative Auditor's report, there is often confusion as to who provides what service to where, and why one service exists in harmony with a similar one provided by a different provider. One example of this is the Southwest expansion of the Green Line LRT, which will likely create conflicts and service overlap with the suburban service SWT already provides.

While proponents of the Southwest expansion often believe this will be more efficient, the service that the suburban providers already provide is often centered around commuters riding in comfortable coach buses, which serves the business class and is likely to be different from the riders served by the future LRT (Platt, 2015). But the overlapping nature of these two services will still provide for competition for riders, especially as the southwestern suburbs grow. One consideration from the various reports our group reviewed is that there is little support to create more suburban providers, and these sources often cite the creation of the Minnesota Valley Transit Authority (which consolidated and absorbed several independent suburban transit lines) as a positive. There are also no explicit calls for the elimination of suburban transit providers, but the Legislative Auditor's report explicitly stated that there is room for consolidation to eliminate fragmentation. There is, however, general support for the legislature to clarify goals for transit provision, which can help Metro Transit and suburban transit providers think more regionally about the future of transportation so that overlap does not occur and decisions are made with clear outcomes in mind.

Throughout the consultation of sources both primary and secondary, one overarching theme was a strong feeling from suburban transit providers of being ignored by the Metropolitan

Council. This started even before the legislation was passed and regions outside of the core Twin Cities were paying for services they were not receiving. Often, suburban transportation providers and counties feel alone when attempting to develop and fund their services.

Next, our group believes the method by which Metropolitan Council members are installed lacks transparency. The governor-appointed system often leads to a strong feeling of partiality or favoritism being shown to the urban core, with little accountability for decisions made. As a result, even the most trivial decisions can turn into bitter disputes. Everything from the size of a park-and-ride to the definition of bus rapid transit results in general disagreements and a lack of communication between suburban providers and the Metropolitan Council/Metro Transit.

To change this, we recommend that the legislature consider changing how Metropolitan Council members are installed. While we saw little support for having the Council be an *entirely* elected body, we did see compelling arguments for the transparency and representation that having some Council members elected could provide. We also see strong arguments for having staggered terms so there is no potential for every seat to flip when a new governor is elected. Both the Blue Ribbon Commission's and Legislative Auditor's reports recommended four-year terms. Both reports included strong recommendations for having elected officials more involved than just at the Transportation Advisory Board (TAB).

Finally, we strongly recommend better communication between Metro Transit and the suburban providers. The hiring of more communication professionals and intergovernmental relations personnel could potentially give both suburban providers and the Metropolitan Council specific people to talk to who are experts in both conflict resolution and legislative affairs.

Standards for park-and-ride sizes and other features of transportation will lead to less infighting and less decisions needing to be made overall.

Given the large fragmentation of the Twin Cities' transit governance system and the increasing need for inter-cooperation between the different providers, it is critical that strong working relationships and mutual trust be established and maintained between the opt-out providers and the Metropolitan Council. Some steps that could be taken to improve relationships include changing the member-selection process of the Metropolitan Council, separating the Metropolitan Council from Metro Transit, and reevaluating the current transit funding procurement and distribution approach.

Restructuring the member selection process to include representatives from local governments, transit agencies, and maybe even residents will do a lot to improve the transparency of the Metropolitan Council, bring more perspectives to the planning process, and open an easier channel of communication between providers and governments to resolve potential issues and better coordinate new services. This would also bring the system more in line with other peer cities with similar metropolitan areas, since no other metro area of similar size and population has the entirety of either its main transit authority or MPO members solely governor appointed.

Our group's recommendation is that each city within the metro area that is not a member of a suburban-provider board get a seat alongside the current 16-member district seats. The governor should retain the ability to appoint a few seats directly. All opt-out providers should also get "guest" seats which are not on the board itself and do not have voting rights, but enable them to quickly know what the Council is planning and conduct negotiations much more easily.

If the suggestion above is too difficult to implement, it may also be helpful to separate Metro Transit into its own independent government agency instead of being under the Metropolitan Council, as it was prior to 1994. In most peer cities, the MPO is often solely responsible for planning and does not participate in daily operations of transit service. One of the major arguments in favor of government appointments is the ability to plan for the whole metro system without local interest infighting. This allows the MPO to continue to provide this benefit, while letting the independent Metro Transit have more representation, which is more important since it is the main agency that will need to run the services on a day-to-day basis and work with suburban providers to set up service routes. This option will bring the governance system more in line with the recommendations of the original Citizen's League report, which called for a representative-based MTC as well as peer cities which separate their MPO from their transit operation agency.

Our third recommendation seeks to address the main source of conflict between providers, according to the reports we reviewed and client interactions, which is the lack and uneven distribution of funding, which leads to suboptimal demand service, maintenance, and even isolation of the suburban providers, since Metropolitan Council gets much more funding than the opt-out providers. The Chicago metro area's system, where an oversight board controls funding distribution and tax rates, could be an improvement to the current system. This is similar to something the Twin Cities had before in the CTIB, but instead of setting a flat tax rate across all participating cities and counties, this new agency would be able to change the rate to reflect where more transit projects and developments are located, and plan accordingly. Additionally, motor vehicle sales tax rate in areas with high levels of development could be raised, and additional taxes such as income tax can even be used to ensure the transit services receive

enough funding to maintain good service. This option also provides an additional way for transit providers to bring their concerns regarding budget/financing to a specialized government oversight organization, which should improve communication.

In conclusion, our project analyzed the relationships in the Twin Cities for governing transit and implications at the legislative level, as well as evaluating these relationships in the context of other regions, guided by the five questions that were assigned to our group. The first question asked how the relationships between the Met Council and suburban providers have changed over time since the initial opt-out legislation. Our group found that there was an increase in attention to the urban center of our region since the original legislation, that cooperation between suburban providers and the Metropolitan Council has significantly deteriorated, that there is a strong difference between the types of riders these respective providers cater to, and fragmentation and overlapping services abound even with some consolidation of suburban providers in recent years.

The second and third questions asked about our governance structure in the Twin Cities region compared to other regions, and whether or not the roles are inappropriate when compared to peers. Our group found that while some regions have appointed members on the boards of their regional transportation provider, there are at least some members of their governing bodies who are elected instead of appointed. Our group also found that while it is fairly common to have more than one transportation provider in a region, the robustness of our providers in the Twin Cities and the identical roles they serve are unique, especially for the size of our area compared with peer regions. Finally, there has been a collapse in communication between Metro Transit and the suburban providers, an issue that is not as significant in other peer regions, which leads to these communities having more centralized and focused service.

The fourth and fifth questions asked our group to reflect on the relationships between the different providers and identify lessons learned for future legislation as well as recommendations for improving ridership. Our group concluded that there are three general areas of systemic communication breakdown which have led to strained relationships: tight funding, service overlap, and considerable distrust. In the end, our group found that overlap can be decreased and money spent more efficiently by having shared goals across providers, as well as having more communication resources and codified standards. Our group also believes that the funding options must change overall given the unpredictability of the MVST, and that the method for the installation of members of the Metropolitan Council must change. Finally, while no source called for the elimination of all suburban providers, consolidation should occur.

Implications

The implications of this study are widespread. First of all, our group is not alone in calling for many of these changes, such as less reliance on the MVST and a change in how Metropolitan Council members are selected. However, these sources are often not consolidated in the manner that they are in this report, and we could see the issuance of this report renewing public interest in changing these policies that have failed Twin Cities transit. Another implication is the ability for this study to continue, especially at the legislative level. If this study was a full year, more legislative resources would have been consulted and former legislators interviewed. The potential to tie each issue discussed here to the relationship between suburban providers and the Metropolitan Council could lead to strong legislative change in the future. Next, our recommendations for hiring will hopefully create more opportunities to involve communication experts in the planning process. This is especially important during our current pandemic, as

workplaces remain fluid. To touch more on the implications of the pandemic, there will most certainly be resulting legislation in Saint Paul to respond to the issues COVID-19 has brought, as well as new funding from the American Rescue Plan that could create competition. Our research gives highlights for the legislature the urgency to create centralized goals for the distribution of this funding, as well as examples of more effective approaches to funding and governance from other regions.

Appendix: Selected Images Underscoring the Problems with Transit Governance in the Twin Cities

Figure 2: "Minnesota Transportation Funding" by Steve Sack via Star Tribune (2015)

Figure 3: Image from "Transit Showdown in the Southwest Metro" by Adam Platt via Twin Cities Business (2015)

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Team 5: Assessing the Effectiveness of Transit System Governance Measurement in the Twin Cities Region

By Sebastian Coll, Ben Freier, and Ashley Sherry

Questions for Consideration:

1. How are suburban transit providers currently measured? What is the effectiveness ofthe current measurement?

2. Are there other effectiveness metrics that could better assess the overall value of suburban transit providers? How might they apply to the Twin Cities? Are there new metrics that could be designed? How might these new or other metrics (better) informfuture governance and legislation?

3. What types of support from the perspectives of data, governance, and legislation areneeded to implement such metrics?

Objective

Our group's objective was to research and inform future legislation about transit governance in the Twin Cities region. By doing so, this project will help to further improve operational assessment of effectiveness, equity, and sustainability related to transit generally, and transit systems in SouthWest Transit's service area and the entire seven-county Twin Cities metropolitan area.

Background

Cheaper and more reliable transportation has been in demand since metropolitan areas started expanding. To combat this and increase equity, public transit was developed to get people places within these urban areas. Efficiency of these public transit systems is paramount to save money, reduce injuries, and provide access to jobs. In this project, we will examine how the efficiency and effectiveness of transit providers is currently measured. We will assess the current metrics and tools used to evaluate local transit systems. We will also examine other metrics that could better assess the value and effectiveness of suburban transit providers, and how they could be applied to the Twin Cities. Ideally, some of these new metrics could be used to help uncover the efficiencies and inefficiencies of current systems, and better inform future governance and legislation around public transit. In presenting some potential new metrics and performance standards, we will also show what data would be needed to implement these new metrics, and what sort of governance and policy support would be needed to gather and respond to said metrics.

Section I: Current Methods of Evaluation: Performance Standards & Metrics

Currently, the standard for assessment of transit systems is to evaluate the operational cost of the system. This can take many forms, and many systems will assess effectiveness based not only on costs per passenger, but also per route, as well as in comparison to the subsidy provided to run said system or route.

These performance standards, and the metrics used to measure them, are very widely used. Other transit documents from the region reference them and adopt them as well, as it is what the Metropolitan Council uses in its Regional Route Performance Analysis. These metrics are limited in their scope, and as such don't acknowledge some necessary factors in terms of assessing the quality of a transit system.

Performance Standard: Cost-Effectiveness

As a concrete and local example, the Minneapolis Transportation Policy Plan[1] (TPP) establishes performance standards for transportation systems. There are only two listed. One of them is "cost effectiveness,'" and it is based on a single metric: *subsidy per passenger* (as compared to peer systems). There are three threshold levels defined, as described by the table below.[2]

Table 1

Threshold Level	Subsidy per Passenger	Monitoring Goal	Possible Action
1	20 to 35 percent over peer route average	For quick review	Minor modifications to route
2	35 to 60 percent over peer route average	For intense review	Major changes to route
3	Greater than 60 percent over peer route average	For significant change	Restructure or eliminate route

[1] 2040 TPP, Appendix G
[2] Table 1: Assessment threshold levels for the metric *Subsidy per Passenger*

Assessing a transit system by its cost-effectiveness follows from the philosophy that transit is a product rather than a service, and that the more profit resulting from this product, the more successful it is. This is problematic because *public* transportation should remain an accessible service, and assessing a transit system by its cost-effectiveness does nothing to assess its accessibility or how well it is serving the people who need it most. After all, assessing by cost-effectiveness disincentivizes transit investment in impoverished communities or areas that are in higher need of the very service that is being assessed.

Performance Standard: Productivity

The other performance standard utilized by the TPP is "productivity." The metric used here is *passengers per in-service hour,* or the total number of passengers carried divided by the in-service time. Based on this metric, the TPP establishes different route types, based on the level of service:[3]

Table 2

Route Type	Route Average*	Minimum per Trip**
Core Local Bus	≥ 20	≥ 15
Supporting Local Bus	≥ 15	≥ 10
Suburban Local Bus	≥ 10	≥ 5
Arterial BRT	≥ 25	≥ 5
Highway BRT	≥ 25	≥ 5
Light Rail	≥ 70	≥ 50
Commuter Express Bus	Peak ≥ 20; Off-peak ≥ 10	Peak ≥ 15; Off-peak ≥ 5
Commuter Rail	≥ 70	≥ 50
General Public Dial-a-Ride	≥ 2	N/A

[3] Table 2: Assessment categorizations for the metric *Passengers per In-Service Hour*

This can be a useful metric because it provides insight into how many people are being drawn to use the service. Presumably, the more effective and efficient a service is, the more people who may have chosen another alternative will be drawn to use it. However, there are many lower traffic service routes and modes that remain critical in certain areas or certain communities, so this metric should be used more as a guideline for adaption of the system (e.g which vehicles to use where, timeframe of scheduling, etc.) rather than an overall measure of success. Route and system performance is also captured by some other simple metrics often used at a large scale such as in-service miles, total ridership, and average delays,[4] but these are hard to apply to any peer-comparison as there are many other factors involved and they become difficult to control for.

Peer Selection

It is worth noting that there exists a selection of metrics, pertaining directly to the transit system or to the service area in which it provides transit service, that are used to help inform peer selection in studies or in developing thresholds such as those used by the 2040 TPP. These include *operating budget*, *annual number of trips, fleet sizes, service area population, service/route miles, and general service characteristics.*

Other Data/Metrics Available

There is currently a good amount of data gathered by the Met Council with regards to the local transit providers (MTS, Metro Transit, MVTA, SouthWest Transit, Plymouth, Maple Grove Transit). This data is used to calculate the aforementioned metrics, and again, is mostly related to

[4] "*Blue Ribbon Report*", MN Governor's Office, 2020

costs and revenues. This data is simply taken from farebox information and counter sensors that can measure boarding/alighting of transit buses and trains. The simplified statistics include *Total Cost, Fare Revenues, Net Subsidy, Total Passenger Trips, Annual Hours, Subsidy per Passenger, Subsidy Compared to Peer Average and Review Level* (used as a key metric), and *Passengers per Hour* (also used as a metric).

There do exist other metrics that are measured and recorded by many transit providers, but are not used to determine key benchmarks, or govern/inform any large-scale change. These include safety metrics, such as *incidents/injuries/fatalities per revenue miles*, which are used for regional reporting but don't have much of a currently applied use on the local scale.[5] They also include some metrics that are tied to cost-effectiveness but could be adapted and used from an environmental lens (discussed in section II), such as *fuel consumption* and *fleet mileage.*

Section II: Proposed Metrics, Methods of Assessment, and Justifications

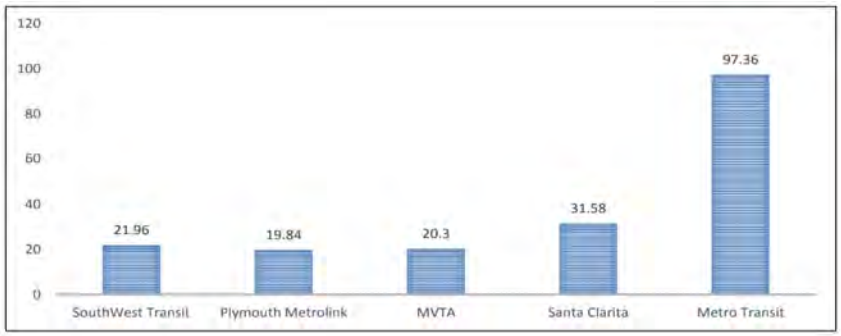
In this section we will propose a variety of different performance standards and metrics that could be used to evaluate the effectiveness of transit systems, in addition to the existing ones. They are sorted into a few categories based on what they are trying to address, whether it be service quality/accessibility, equity concerns, or environmental concerns. We also include a section commenting on the impact of the COVID-19 pandemic, as it has wildly changed travel behaviors and is a critical consideration in the context of current assessments of transit systems.

[5] "*Blue Ribbon Report*", MN Governor's Office, 2020

Adaptation of Existing Metrics

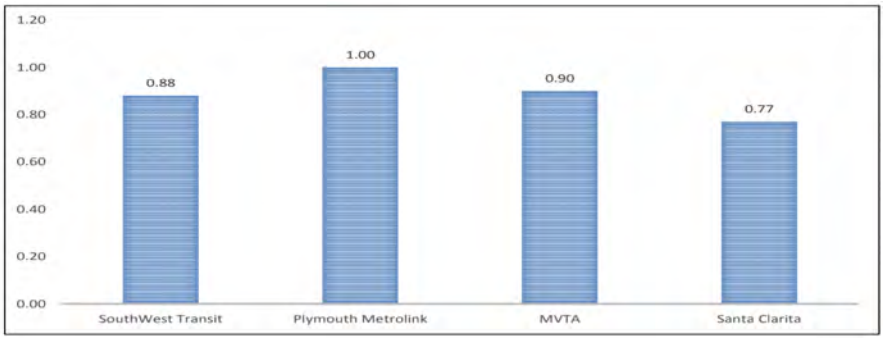
There is enough existing data to create many metrics and deploy them in a multitude of ways, but from a governance and policy perspective, mainly the two mentioned above are utilized. One key issue with those particular metrics is that they fail to take into account the service distances for a particular provider. SouthWest Transit, for example, has a comparatively high operating cost and low passenger-per-service-mile rate, but they also have the longest service routes mileage-wise. These metrics fail to take into account the mileage of providers' routes, "which skews the *passengers per in service hour* statistic in favor of agencies that run relatively shorter distance routes" ("*SWT Comprehensive Operations Audit,*" 2017). These metrics, and similar ones, should be normalized over miles traveled by the system. As an example, Figures 1 and 2[6] show the observable difference made by such a change (note that the MetroTransit data is omitted from the "Passengers/mile" data, as they don't use this metric. The normalization does change the ranking of measurements between the other three providers.)

Figure 1



[6] Figures 1, 2 (next page): *Passengers per In-Service Hour* and *Passengers per In-Service Mile* – SWT and peers (SWT Comprehensive Operations Audit. 2017).

Figure 2



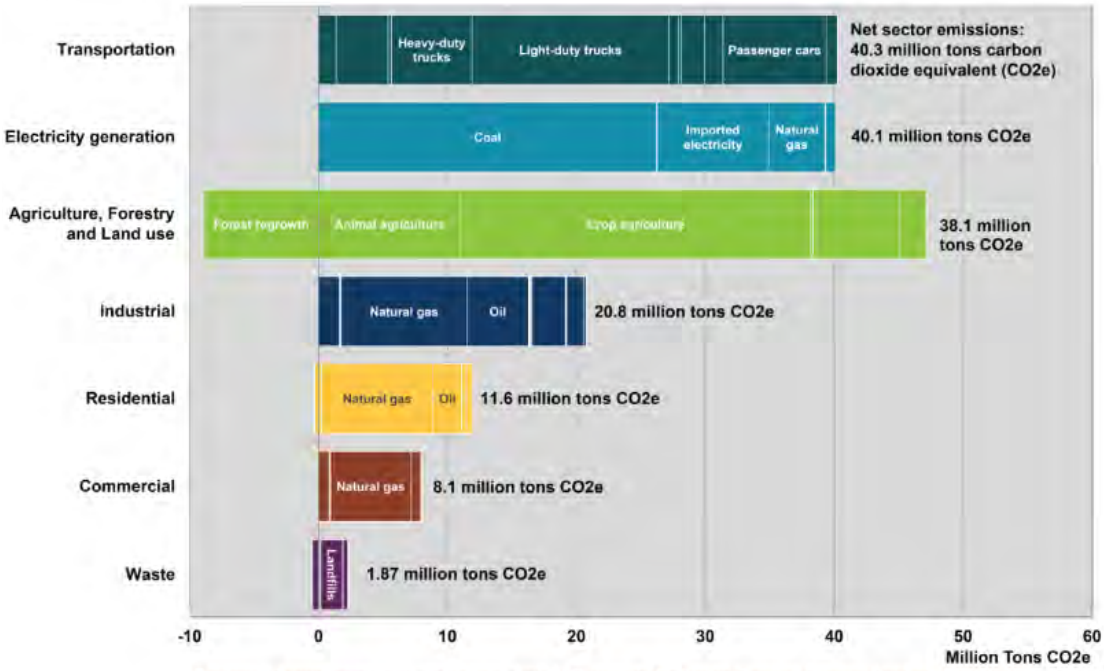
Service and Mode-Choice Metrics

There is data available to calculate and monitor a wealth of service- and mode-choice–based metrics. Similar to the performance measures discussed above, these could be used to monitor the overall usage of a transit system, as well as its usage in the larger transportation ecosystem of a city. These include metrics that compare transit to other mode choices, such as transit's *mode-choice percentage* or *mode share per hour/mile/trip.* With enough data regarding the overall population (including survey data and other such collection methods discussed in section III), there could also be a calculation of such metrics as *average VMT per person per trip*, and the respective *mode choices in VMT per person.* In other words, insight into how often people decide to use transit, and how they combine it with other modes, helps track the overall favorability of the system and how effectively it is drawing riders who may have other options. This can tie in to both the environmental and equity categories outlined below (for a transit system to be equitable and environmentally friendly, it must be adaptable and accessible enough to serve people who choose to combine it with other modes).

Environmental Metrics

The environment is something that is massively impacted by transportation and its negative effects. With this being the case, it is important to not only have metrics to compare with other metro areas, but also have internal metrics that you aim to establish and assess improvement. Transportation is the leading net cause of carbon emissions, as seen in the Figure 3[7] below and according to an in-class lecture.[8] Having more ridership on public transit decreases the amount of carbon emissions into the atmosphere.

Figure 3

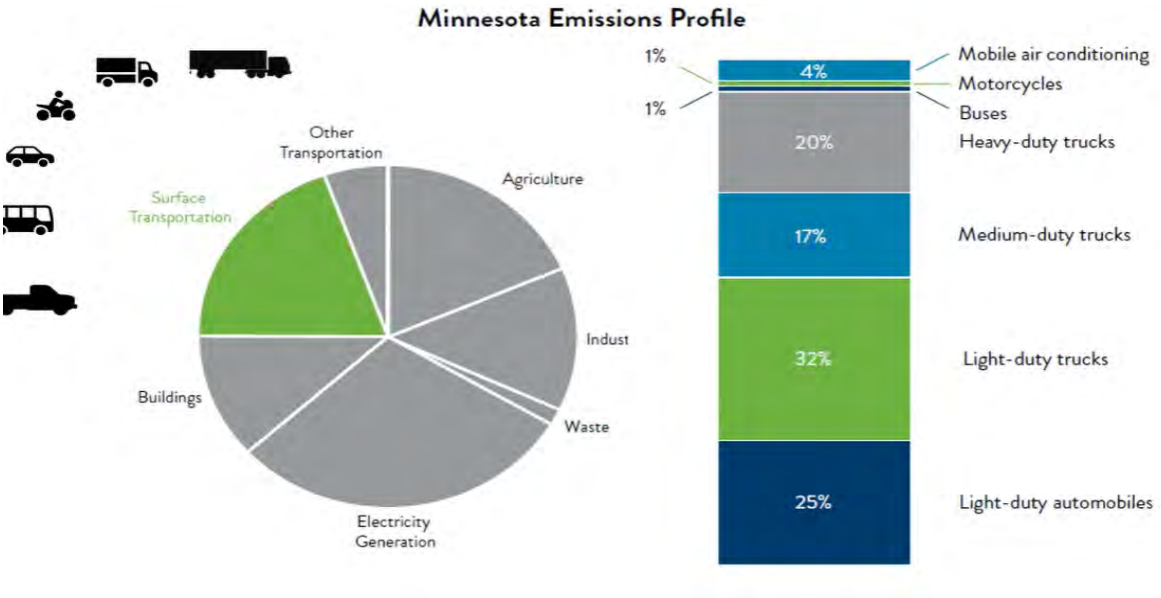


In terms of metrics for the environment, *total carbon emissions* of public transit in each metro area is one that could be used for comparision across regions, as well as the *overall*

[7] Figure 3: Sector Carbon Outputs. Source: "Greenhouse Gas Emissions Data" Minnesota Pollution Control Agency (website).
[8] Simons, S. (2021, November). *Transportation and the Environment: Clean Transportation*. Lecture.

percentage of carbon emission between public transit and all other modes of transport. This could lead to informative reports such as figure 4,[9] from Siri Simons' lecture, "Transportation and the Environment: Clean Transportation." This data for all of Minnesota, but it could be disaggregated for counties/cities.

Figure 4



The *total CO_2 emissions savings* by using transit over individual passenger cars is another metric that could be calculated, but isn't necessarily something that needs to be compared. Every transit authority can look at their impact, as well as monitor fuel efficiency on the buses. Fuel efficiency on the buses would be another internal calculation. *Congestion savings* would be another useful metric, by showing how much congestion has been reduced through public transit. This could be a comparison among peers, but it could also be an internal goal to improve. Another comparison between peers could be an *air pollution improvement metric*, which would be calculated the same way as carbon dioxide emissions savings, but using the air

[9] Figure 4 (next page): Minnesota Emmissions Profile

quality index. In the same way, you can also calculate the noise reduction that public transit delivers. That would be an internal metric, however.

COVID Impacts

The COVID-19 pandemic has had a significant impact on transit systems, both in terms of reduced ridership and revenue, as well as the state's overall financial situation. The long-term effects of this pandemic will not be fully understood for many months and potentially years into the future, but it is important to start considering the ongoing impacts of the pandemic on residents' travel needs and choices. According to the Governor's Blue Ribbon Panel Report, "the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act helped financially support the system in the short term; however, transit funding shortfalls are expected in the next biennium and beyond."[10] Since these impacts are not fully understood yet, it is very likely that changes to the transit system design and mix of services will need to be made in the coming years due to change in travel demand. Once there is a "new normal," it is likely the effectiveness measurement will have to change.

Teleworking because of the COVID-19 pandemic has a huge impact on transit systems. Those who can telework no longer need public transit systems to get to work. Many companies have made it clear that when the pandemic ends, teleworking will still be available for those who can utilize it. Tables 3,[11] 4,[12] and 5[13] highlight the population that is telecommuting. This information was found in Adeel Lari's lecture on "Telecommuting Impacts of COVID-19."[14]

[10] "*Blue Ribbon Report*", MN Governor's Office, 2020
[11] Table 3: Percentage of Population Teleworking by Race
[12] Table 4 (next page, top): Percentage of Population Teleworking by Educational Attainment
[13] Table 5 (next page, bottom): Percentage of Population Teleworking by Income
[14] Lari, A. (2021, November). *Telecommuting Impacts of Covid-19*. Lecture

Table 3 shows that minority populations have a consistently lower amount of people telecommunicating compared to the white population. Table 4 shows that people with more education are more likely to work from home. Table 5 shows that the higher income you have, the easier it will be to work from home. This data proves that minorities are the ones who are still utilizing public transit and traveling to work during the pandemic.

Table 3

Race	**USA (Sept. 2020)**	**USA (June-July 2021)**	**MN (June-July 2021)**
White	29.9%	30.71%	36.25%
Asian	37.0%	40.84%	50.55%
Black	19.7%	23.85%	36.72%
Hispanic	16.2%	22.26%	22.25%

Table 4

Educational Attainment	**USA (Sept. 2020)**	**USA (June-July 2021)**	**MN (June-July 2021)**
Less than High School	4.2%	10.55%	10.53%
High School Graduates	12.6%	14.56%	18.19%
Some College or Associate Degree	24.2%	26.55%	34.6%
Bachelor's Degree	51.9%	50.63%	56.08%

Table 5

Income	USA (Sept. 2020)	USA (June-July 2021)	MN (June-July 2021)
Less Than $25,000	12%	10%	17%
$25,000 - $34,999	17%	13%	18%
$35,000 - $49,999	22%	15%	16%
$50,000 - $74,999	30%	24%	30%
$75,000 - $99,999	42%	33%	34%
$100,000 - $149,999	54%	46%	50%
$150,000 - $199,999	65%	58%	70%
$200,000 and Above	73%	68%	65%

We must consider the population that uses transit systems in our effectiveness measures. Figure 5[15] shows that the white population of transit users went down significantly during the pandemic and the black and Hispanic population of transit users went up significantly from 2017 to 2020. Figure 6[16] shows that people with a lower household income tended to use transit more than people with a higher income during the COVID-19 pandemic. Figure 7[17] shows the types of users using transit in 2020.[18] This data helps us understand who would use transit systems during major service disruptions like the COVID-19 pandemic, and we can cater routes toward the people actually using the service.

[15] Figure 5 (next page, top): Transit Ridership Comparison on Race. Data Source: APTA 2017 Report on Public Transit Ridership; Transit Survey of U.S users during the first week of April, 2020.
[16] Figure 6 (next page, bottom left): Transit Riders Based on Income. Data Source: APTA "Who Rides Public Transportation?" (2017), Transit Survey of Users (April 2020).
[17] Figure 7 (next page, bottom right): Types of Users using Transit Based on Industry. Data Source listed on figure.
[18] Figures taken from Fan, Y. (2021, November). *Advancing Equity and Empathy - Human-Centered Transportation for Connecting Minnesota*. Lecture.

Figure 5

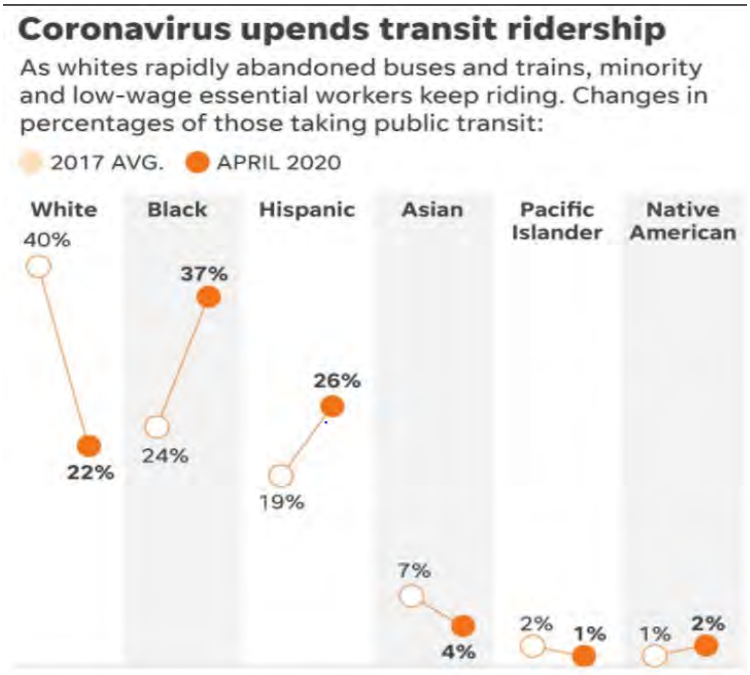


Figure 6

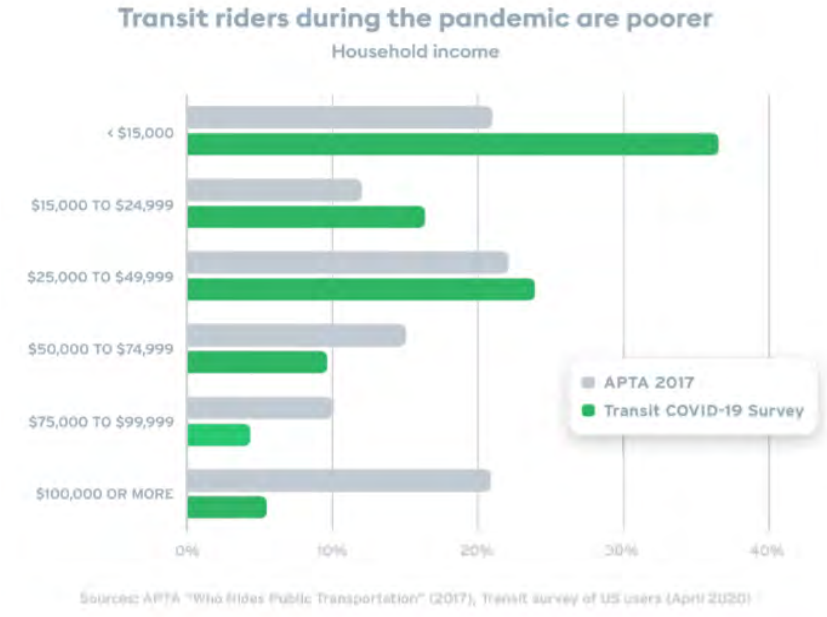
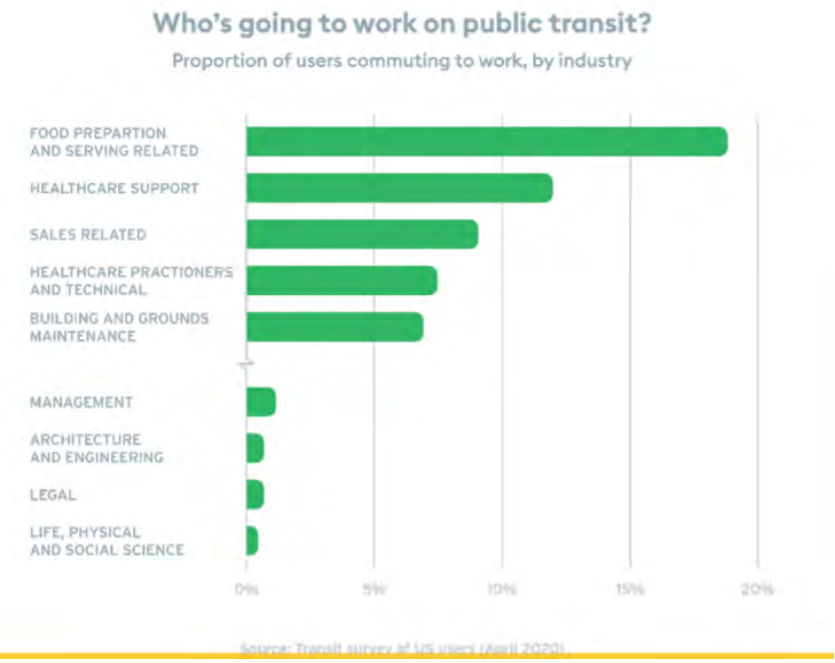


Figure 7



The current effectiveness measures of transit systems heavily rely on revenue or cost. For example, some of the current effectiveness measures include *fare revenue versus operating cost* and *operating cost per passenger mile*. This cannot be the case in the future. The COVID-19 pandemic has changed the way people work. Even though the long-term effects on the transit system are not yet known, teleworking will not go away. We must find ways to measure the effectiveness of our transit systems in other ways. Providing affordable and efficient transit for those who need it is extremely important. Revenue and cost are not the most important measures of effectiveness for transit systems. As a society we must create transportation systems that are fair and impartial. Transit needs to be looked at as a service rather than a product. Therefore, we must look at the equity of our transit systems. To advance transportation equity, we must "support fair decision-making processes that promote diversity and incorporate meaningful

public engagement, so that all populations, particularly underserved and underrepresented populations experiencing longstanding disparities, can achieve positive social outcomes."[19]

Some effective measures that should be incorporated are listed below.

1. *Percentage of trips that are work commutes*
2. *Percentage of people using transit that cannot work from home*
3. *Percentage of people using transit that do not own a private vehicle*

These measures can show who still relies on public transit even through something major like a pandemic. By looking at this data during the COVID-19 pandemic, we can analyze who still relies on public transit. Most of the current data indicates that minorities and people in the restaurant and food service fields used public transit through the pandemic. It is possible that these people did not have the option to work from home or had another mode of transportation. Looking at these new effective measures helps show the importance of the public transit systems for the communities of people that need it.

Section III: Support Needed from Data, Governance, Legislation

The metrics that we have proposed all need to be calculated in certain ways. We will attempt to describe how we think these metrics can be calculated using data, and what support would be needed from local governances and legislation to implement the metrics. These metrics can be categorized as follows:

[19] Fan, Y. (2021, November). Advancing Equity and Empathy - Human-Centered Transportation for Connecting Minnesota. Lecture.

- Metrics already in use, or readily calculable given existing data, but not widely used in terms of assessment and governance
- Metrics that will require additional data, but could be readily adopted as assessment and performance measures once such data are available
- Metrics that will require substantial funding to be feasibly calculated and used

Section I has covered many examples of the first type of metric, and section II included some discussion of mode choice and productivity metrics that could also fall into that same category. Metrics discussed below fall into the second or third categories, with discussion on the tools available to calculate and use them as assessment tools. It is worth mentioning that many of the same data sources used to determine larger population-scale metrics for peer selection also contain useful information for calculating some of these metrics, such as data from the U.S. census or American Community Survey. It is also worth mentioning that one large hurdle to the actual implementation of these assessment and governance tools is the cooperation of and collaboration between different peers (i.e., cities and service providers). Many metrics are only used internally to measure internal benchmark compliance and goal-keeping, and many are used in conjunction with neighboring providers to assess and coordinate regional service, or as a peer-comparison tool with transit providers in other service areas or regions.

For environmental metrics, *total public transit emissions* in each of the suburban transit authorities can be calculated with the Afleet Tool.[20] This can be compared to the *overall emissions* of transportation in the same area, giving us a *percentage of public transit emissions in the system*. This would be good to compare each suburban transit authority to each other and

[20] https://greet.es.anl.gov/afleet_tool

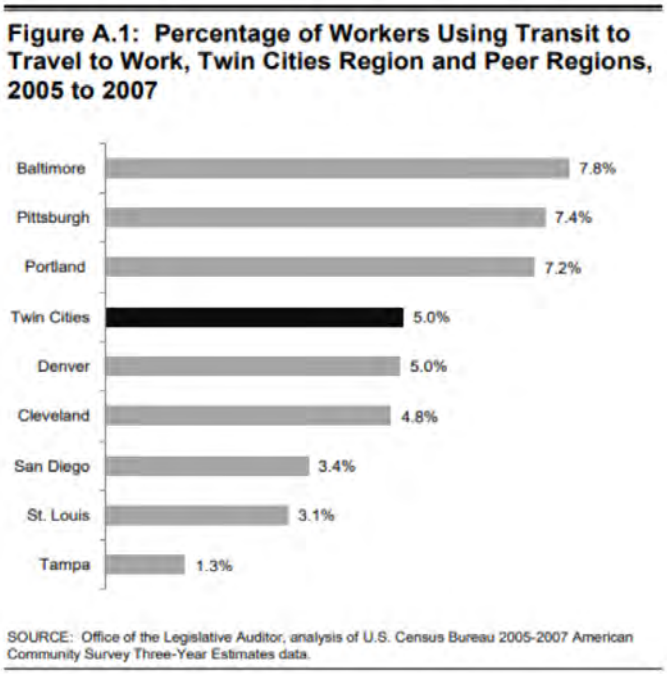
Metro Transit, along with other peer areas in the country. We can use that data and convert it to the number of trips that would have been taken by cars in the system without having the public transit option. This data can be extrapolated to find out how much emissions you are saving. *Fuel efficiency* of the buses is a simple miles-per-gallon calculation, but could be useful to try and improve that metric. The National Transit Database[21] has a lot of useful information that can be used to assess the efficiency of buses and perform other calculations. Air pollution improvement would be able to be calculated using the federal CMAQ calculator.[22] It can be used to calculate *emissions savings* for the given network as well. This has many tie-ins to the *air quality index*. The *noise reduction through public transit versus passenger cars* is a much harder metric to quantify, but the Department of Transit developed a study on the noises and vibrations of public transit,[23] which could then be used to compare to the equivalent number of passenger cars that would have been used instead of transit, giving us a difference in actual noise generated compared to what it could have otherwise been.

We must consider the COVID-19 pandemic and equity in our transit effectiveness metrics. SouthWest Transit currently administers an annual on-board survey that looks into important data like *Does your place of business allow telecommuting?, How many days per week do you telecommute?, What is your approximate household income?,* and *If buses were not available, how would you make this trip?* These types of surveys will be extremely important to obtain data for new effectiveness measures like the *percentage of trips that are work commutes*, *percentage of people using transit that cannot work from home*, and *percentage of people using*

[21] https://www.transit.dot.gov/ntd/2020-ntd-reporting-policy-manual
[22] https://www.fhwa.dot.gov/environment/air_quality/cmaq/toolkit/
[23] https://www.transit.dot.gov/sites/fta.dot.gov/files/docs/research-innovation/118131/transit-noise-and-vibration-impact-assessment-manual-fta-report-no-0123_0.pdf

transit that do not own a private vehicle. Figure 8[24] shows the percentage of workers using public transit to travel to work. If we take that percentage and compare it to the percentage of workers who used public transit throughout the pandemic, we can analyze how many people relied on transit or didn't have the choice to work from home throughout the pandemic. Through surveys like the SouthWest Transit annual on-board survey, we can compare data every year to see if public transit is expanding and accessible to those who need it. More questions should be added to these surveys to get a good understanding of who relies heavily on transit systems. This information can also be used to advocate for funding because all people have the right to access safe and affordable transit systems.

Figure 8



[24] Figure 8: Percentage of workers using public transit to travel to work. Data Source: Office of the Legislative Auditor, Analysis of U.S Census Beaureau 2005-2007 ACS 3-Year Estimates. Taken from "*Governance of Transit in the Twin Cities Region".* Office of Legislative Auditor, MN

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Team 6: Proposing the Evolution of Transit System Legislation in the Twin Cities Region

By Frank Koenen, Kribashini Narayana Moorthy, and Hana Randle

Questions for Consideration:

1. What was the intended purpose of the original enabling Suburban Transit legislation?
2. Have the original goals or aims of the enabling Suburban Transit legislation been achieved? Are those goals still relevant?
3. How might the goals be served, or alternatively, be changed, considering new innovations in public and private transportation (e.g. shared mobility, micro mobility, automated vehicles, etc.)? What changes to transit policy or legislation, if any, are needed to allow these innovations to better meet the goals of Suburban Transit?

Introduction

The goal of this project between the University of Minnesota's Resilient Communites Project (RCP) and SouthWest Transit is to assess the purpose of Minnesota's suburban transit legislation and propose changes to ensure the relevance of the goals of suburban transit for the future. To accomplish this goal, three questions will be analyzed.

- First, the intended purpose of the original suburban transit legislation will be studied and summarized by researching historical documents and other information related to the original legislation.
- In addition, we will analyze the goals and aims of the suburban transit enabling legislation in the Twin Cities, and whether the goals stated in the legislation have been met.
- Finally, we will consider the relevance of the original goals and aims of the legislation for the future of transit in the Twin Cities region. This includes considerations around new innovations and non-traditional forms of public transit, ranging from micro-mobility to autonomous vehicles to enhanced bus services.

The current opt-out system in the Twin Cities is rooted in legislation that is approaching fifty years since it was enacted. New innovations in the field of transportation, the impact of COVID-19 on transit systems, as well as broader societal change through the years mean that the current legislation and transit organization structures may no longer be adequate.

It is time to rethink goals pertaining to transit, especially in the suburban regions around the Twin Cities. It is important to incorporate these changes into state legislation to make regional transportation governance more effective, equitable, and accommodative of future change.

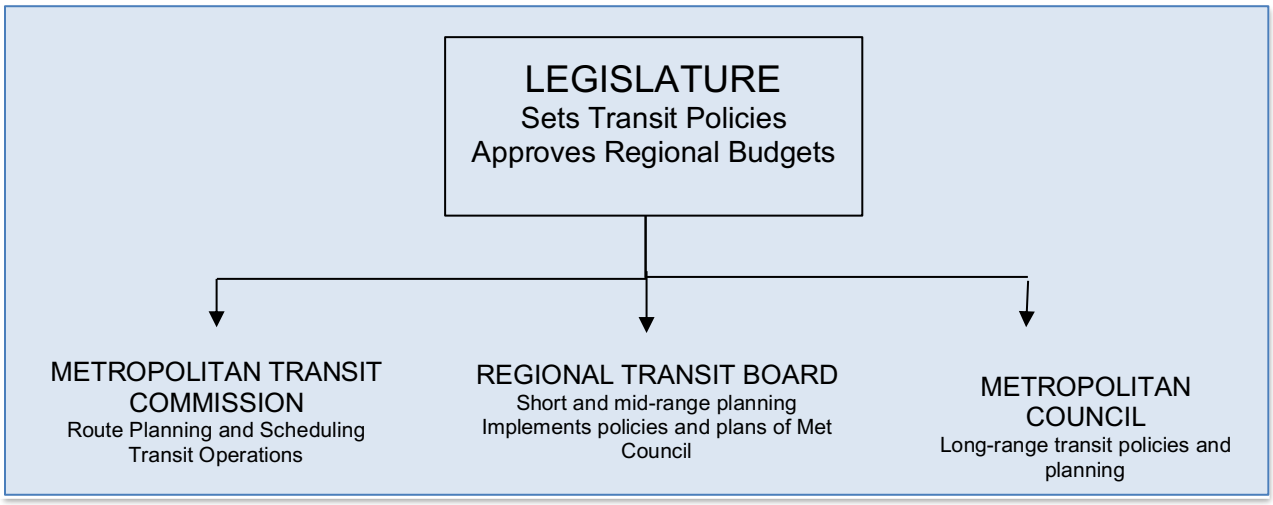
Section 1. Intended Purpose of the Original Suburban Transit Legislation

History of Suburban Transit Legislation

A. 1988 Auditor Legislative Report

The 1984 Legislative Study Commission on Metropolitan Transit established a transit planning structure that is unique among large U.S. metropolitan areas. The Legislature limited the Metropolitan Transit Commission (MTC, the precursor to today's Metro Transit) to transit operations and short-term planning, and allowed the region's Metropolitan Council to continue long-range transit planning and policy setting. In addition, the Legislature established a third agency, the Regional Transit Board (RTB), to conduct mid-range planning, implement the policies and plans of the Metropolitan Council, and arrange for transit services. This led to the formation of a three-tiered transit planning structure in the Twin Cities, as illustrated below.

Figure 1. Twin Cities Regional Planning Structure



In 1987, the Legislative Audit Commission directed the Program Evaluation Division to evaluate metropolitan transit planning and the Regional Transit Board. The two legislative goals that were set forth to guide this evaluation included

1. To study the progress towards the 1984 Legislature's Transit goals, and
2. To analyze the performance of the Regional Transit Board in 1984.

B. 1991 Auditor Legislative Report

The 1991 auditor's legislative report noted that the Regional Transit Board (RTB) had recently adopted new plans to improve suburban transit service and reduce Metro Mobility expenditures. The Suburban Transit Association Providers at that time included

- Maple Grove Transit
- Minnesota Valley Transit Authority
- Plymouth Metrolink
- SouthWest Transit

Recommendations were provided to address five categories of problems:

1. Internal Regional Transit Board structural problems
   - The Legislature should address the problems with RTB's internal structure by either: making the position of RTB chair part-time or permitting the chair to select the executive director with the board's approval.
2. Light rail transit (LRT) funding and governance structure
   - The Legislature should not fund LRT construction unless a satisfactory alternatives analysis has been prepared.
   - The Legislature should change the governance structure for light rail transit.
3. Financial disincentives for automobile use
   - The Legislature should examine options for increasing automobile user costs to better reflect the costs to the region of automobile travel.
4. Funding for transit improvements
   - The Legislature should be generally supportive of the concepts contained in the Metropolitan Council's facilities plan.
   - However, the Legislature should require RTB and the Council to provide information on the potential cost-effectiveness of the recommended service improvements and transit hub projects.
5. The need for continued oversight of the Regional Transit Board
   - The Legislature should require RTB to prepare an annual performance report for existing transit services.
   - The Legislature should require RTB to report at least annually on its progress in implementing its five-year plan.
   - The Legislature should give the Metropolitan Council authority to review and approve RTB's annual capital budget and review and comment on RTB's operating budget.

The 1991 Auditor's report gave more importance to the goals and objectives of the Regional Transit Board. The Legislature supported the increased funding, a trend that continued in the following years.

C. 2011 Auditor Legislative Report

The legislation considered between the years 1991 and 2011 is not reported here due to lack of resources on our team to conduct this analysis. The 2011 Auditor Legislative Report acknowledged various issues pertaining to the Twin Cities Transit System, as follows.

- Governance of transit in the Twin Cities region is complex and made more difficult by the uneasy relationships among the various organizations involved with transit in the region.
- Coordination among transit organizations in the region is time consuming and inefficient.
- The Metropolitan Council's structure has created a lack of credibility with many stakeholders and transit organizations in the region.
- Transit resources have been unpredictable.
- Minnesota statutes do not identify how "supplemental" Motor Vehicle Sales Tax (MVST) revenue should be allocated for transit in the region.
- There is no agreed-upon set of priorities for transit in the region, and state laws prohibit consideration of all potential transit corridors.
- The Legislature should restructure the governance of the Metropolitan Council to increase its credibility, accountability, and effectiveness as the regional transit planner.

Most of the issues related to the governance of the transit system, especially the role of the Metropolitan Council. It concluded that the structure of the Met Council must be addressed before other aspects of transit governance could be corrected.

The following are the recommendations contained in the 2011 Auditor Legislative Report:

1. The Legislature should restructure the governance of the Metropolitan Council.

2. Although several governance structures have merit, we recommend the Legislature follow Option 2, which calls for a mix of appointed and elected Council members serving staggered terms.
3. Separating Metro Transit and the Metropolitan Council would provide some benefits, but would also likely present drawbacks.
4. Given the current structure, Metro Transit and the Council should not be separated. Given the current structure of the Metropolitan Council and the taxing authority of the Counties Transit Improvement Board (CTIB), CTIB should not be eliminated.
5. Given federal requirements and the current structure of the Metropolitan Council, the Transportation Advisory Board should not be eliminated.
6. The suburban transit providers should not be eliminated, although there are opportunities for consolidation.
7. The Legislature should amend Minnesota Statutes 279B.09 to explicitly give the Metropolitan Council authority to allocate the supplemental Motor Vehicle Sales Tax revenue in the Twin Cities region.
8. The Metropolitan Council should allocate supplemental Motor Vehicle Sales Tax revenue based on the needs of the region.
9. The Legislature should amend Minnesota Statutes 473.446, subd. 2, to extend the transit taxing district so that all communities under the Metropolitan Council's jurisdiction are included in the transit taxing district.
10. Smaller city-run suburban transit providers should consider consolidating. Those suburban providers that remain should work collaboratively with the Metropolitan Council to improve bus transit service in the region.
11. The Metropolitan Council should coordinate with stakeholders to establish regional transit priorities and prioritize potential transitways for future development based on data and the needs of the region.
12. The Metropolitan Council should only incorporate into the region's Transportation Policy Plan those transitways that are at or near the top of the region's transit priority list.
13. The Minnesota Legislature should repeal Laws of Minnesota 2002, chapter 393, sec. 85, and allow consideration of the Dan Patch corridor.

14. The Legislature should designate in law the Metropolitan Council as the federal grantee and constructor of New Starts transitway projects in the region.
15. The Legislature should not commit capital funds to a transitway development project without ensuring that operating revenues for the first five to ten years have been identified.
16. The Legislature should clarify the goals and priorities of transit in the Twin Cities region.
17. The Metropolitan Council should work with stakeholders to adopt a set of measures that examine the performance of the transit system as a whole, according to the goals outlined in statute.
18. The transit providers in the region should work with the Metropolitan Council to identify such measures and ensure that data are comparable across the providers in the region.

The 2020 Blue Ribbon Panel recommendations are consistent with the recommendations in the 2011 Auditor's Legislative Report.

Stakeholder Interview

To understand the current dynamics of metropolitan transit planning in more depth, we interviewed stakeholders at SouthWest Transit to talk about the proposed 2011 legislation and consider its relevance now, especially for suburban transit systems. Excerpts from the interviews conducted are included below.

Question: Given the complex nature of governance of the transit system in the Twin Cities, have you ever faced challenges in working with other suburban operators?

Answer: There really aren't any legislative hindrances. The transit governance setup provides enough political incentives not to "encroach" on another operator's riders/purpose. Meaning it's not an issue for a provider to bring riders between their own service area and another provider's service area. However, there would be an issue if a provider were to provide rides that do not involve their designated service area population—[an] example would be if Minnesota Valley

Transit Authority (MVTA) provided an Eden Prairie to Eden Prairie [route] for some reason. I do not know for certain if there is explicit legislation forbidding such a ride to occur, but I am not aware of any such language.

The Metro [Transit] system crossing into and operating in another transit provider's service area certainly does not serve to lessen the complications around transit governance in this region. At the end of the day, the suburban providers are extensions of the cities they operate in. In our case, Eden Prairie made its own decision to allow [Metro Transit's] Southwest LRT to come into its community, understanding that it would create such complications. That said, Eden Prairie also made it clear that they value SouthWest Transit and intend for us to stay the city's bus transit provider. I'd assume MVTA's communities have said the same thing regarding [Metro Transit's] Orange Line and Red Line operating in MVTA's service area. Long way of saying, we will see how these complicating factors evolve.

Question: Given that the 2020 Blue Ribbon report was consistent with the recommendations of the 2011 Auditor's Legislative report and new innovations in technology, are there any goals set at SouthWest Transit to cater to those innovations ?

Answer: Short answer, yes. We are actively working on securing an [automated vehicle] pilot project. We are in discussions with Uber at the moment related to integrating SouthWest Prime into the Uber platform. We have had similar conversations with both Uber and Lyft in the past. We currently are retrofitting one of our Prime vehicles to turn it into an [electric vehicle] (EV) and we are actively planning for our fleet's transition to entirely EVs over the next 15+ years. We are also looking at software as a service (SaaS) and mobility as a service (MaaS) options that will one day allow people to book multi-modal trips instantaneously using their phones to get from anywhere to anywhere. Short term, the transition to EVs will have the most immediate impact on our services. We are also looking at sustainable energy solutions—such as solar roofs and canopies on our facilities—with the goal of becoming energy independent (along with a zero-emission fleet).

Question: How quickly can a suburban organization adapt to these new technologies, and what would be the time-frame ?

Answer: It is easier to adopt new technologies in our organization. . . . Being a small and nimble transit agency generally allows us to adopt new technologies quicker than larger transit agencies —again, generally speaking. If we don't have adequate funding, we then are reliant on grants or other competitive funds to pilot new technologies. So even if we have the operational capacity to implement new technologies, far too often we are left waiting to implement them while larger government agencies go through long drawn-out processes of allocating us funds—an example being that we [were awarded] funds for two demonstration electric vehicles from MnDOT earlier this year and we still don't have access to the funds.

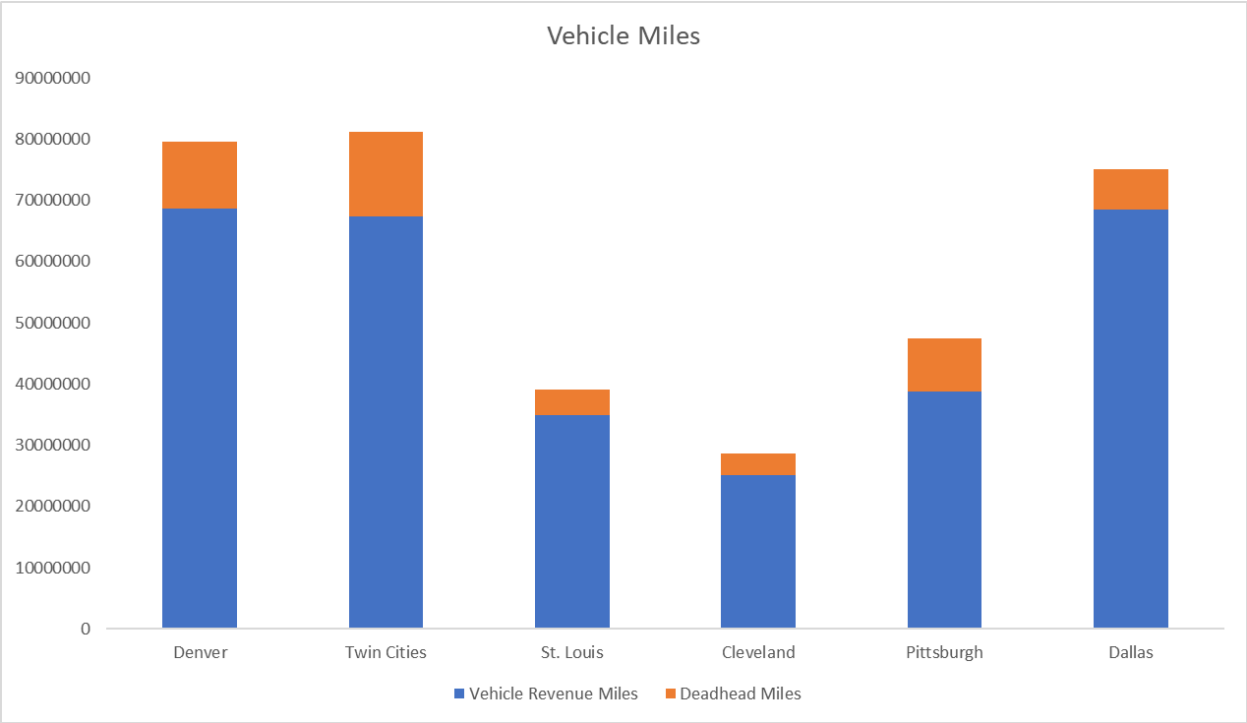
In summary, the suburban transit legislation established few specific goals, and thus new legislation should be considered to ensure the effective functioning of the suburban transit system.

Section 2. Peer Region Analysis of Intended Goals

To analyze the goals set by the legislature, it was necessary to evaluate performance using available measures. To determine the best approach for analysis, several pieces of literature were reviewed to identify relevant performance measures. The literature included *The Geography of Urban Transportation,* by Geneiveve Guiliano and Susan Hanson; Florida Department of Transportation's, *Best Practices for Evaluation Transit Performance* report*;* and *Methodology for Performance Measure and Peer Comparison in the Public Transportation Industry,* released by the Transportation Research Board. Additionally, the Metropolitan Council's *2040 Transportation Policy Plan* was reviewed for goals and benchmarks. Generally speaking, none of the available measures set any universal best-practice standards or goals given the different contexts of each region. Most encouraged using peer-region comparisons as a way to measure and analyze performance. Metro Transit did set benchmarks in the 2040 policy plan. However these benchmarks only focused on cost effectiveness and productivity.

A peer-region analysis was conducted to identify potential performance measures and goals. To conduct a peer region analysis, the goals of the opt-out transit agencies and Metropolitan Council were reviewed and compared to best practices performance measures. Additionally, a peer group was identified using an approach recommended in *A Methodology for Performance Measure and Peer Comparison in the Public Transportation Industry*. Peer regions were also selected from the central United States, with coastal cities eliminated due to different geographies and transit modes. The regions included were Denver, Colorado, St. Louis, Missouri, Cleveland, Ohio, Pittsburgh, Pennsylvania, and Dallas, Texas. These regions all have suburban transit providers, although Denver's consists more of vanpools and other overlapping services with the central city. Data was downloaded from the National Transit Database to use as a standardized information source that can be compared across regions. The data available also limited consideration of some potential performance measures, depending on how the data was aggregated. The 2019 dataset was used for one-year comparisons, as it was the last year before COVID-19–related disruptions. A five-year analysis of ridership from 2015 to 2021 was used to analyze ridership growth and decline.

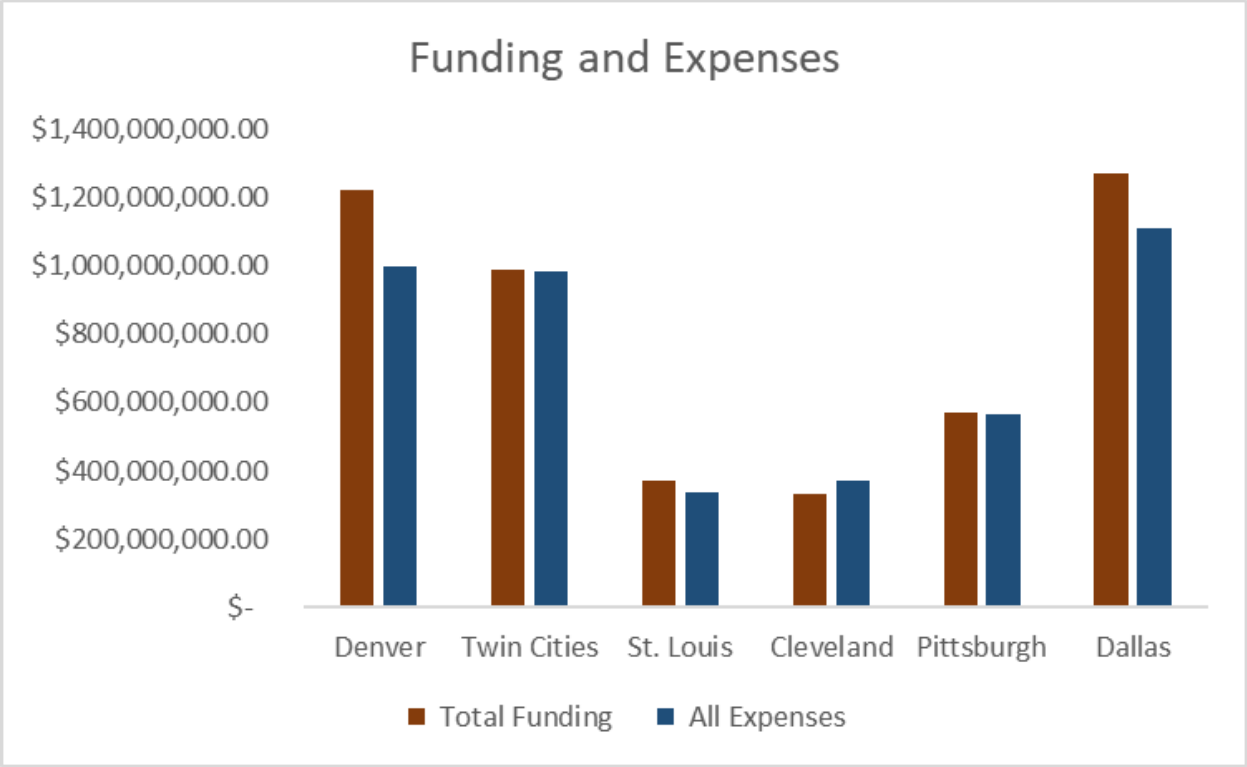
Figure 2. Vehicle Miles



Source: National Transit Database

The first metric we reviewed was vehicle revenue miles when compared to vehicle revenue miles in 2019, to analyze how efficiently the transit is being run (Figure 2). This is crucial as labor is one of the highest costs of transit, and vehicle time without revenue potential is detrimental to transit cost efficiency. The regions included all had below 20% of vehicle hours being deadhead (non-revenue generating) time. The lowest deadhead time and most effective use of vehicles was found in Dallas, which had only 9% of vehicle time being deadhead hours. The two metro regions with the lowest amount of revenue-generating mileage overall were St. Louis and Cleveland, which had 11% and 12% deadhead hours, respectively. Denver, with relatively higher overall vehicle mileage, had 14% of vehicle time being deadhead hours. The Twin Cities had one of the highest deadhead-hour rates at 17%, and the highest of the regions with over five million vehicle miles. Only Pittsburgh, with a smaller ridership, was higher with 18% of time being deadhead hours.

Figure 3. Funding and Expenses



Source: National Transit Database

Most organization funding was sufficient to cover expenditures for 2019, as seen in Figure 3. Only Cleveland had a shortfall, while the other smaller regions had slightly more funding than expenses. Among the three largest organizations, the Twin Cities had a nearly equal amount of funding and expenditures, while Dallas and Denver had a surplus of revenue.

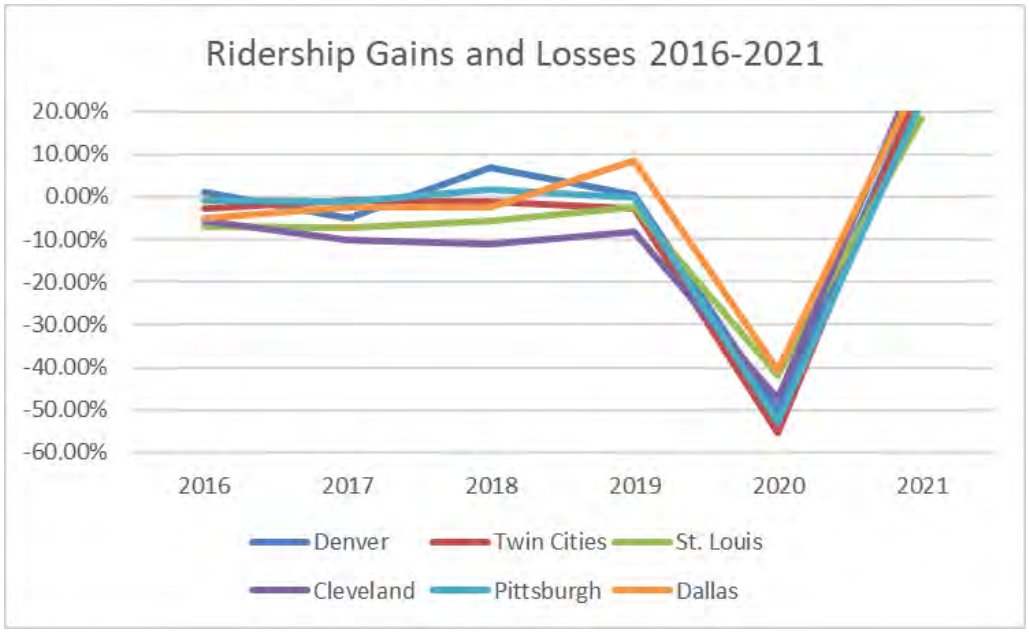
The amount of generated revenue recovered in relation to expenses in 2019 was compared among regions (Table 1). This includes farebox, but also other sources of revenue such as advertising, park and ride revenue, and concessions. The Twin Cities was on the lower end of generated revenue recovery. Only Dallas was lower at 13%. Pittsburgh had the highest recovery rate among the peer regions, although Denver had only a slightly lower recovery rate. The Twin Cities does not meet the initial intent of little to no subsidy for transit. That goal is questionable, but it should be noted that when compared to peer regions, the recovery rate is low.

Table 1. Generated Revenue Recovery

Region	Recovery Ratio
Denver	21%
Twin Cities	**15%**
St. Louis	16%
Cleveland	15%
Pittsburgh	21%
Dallas	13%

Source: National Transit Database

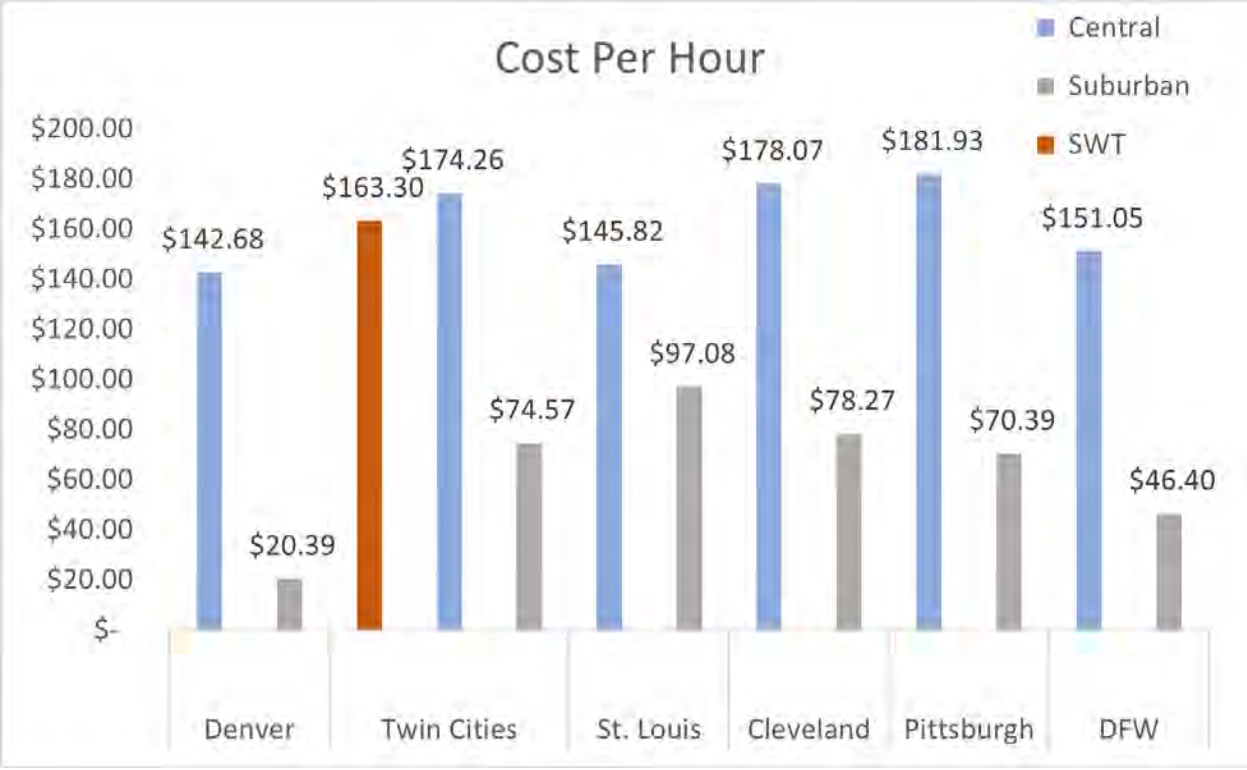
Figure 4. Ridership Gains and Losses



Source: National Transit Database

Another stated goal was to increase ridership to decrease vehicle usage. To analyze success at achieving this goal, the regions were compared based on how much ridership increased or decreased from year to year between 2015 and 2021. The number used for 2021 was created by taking the ridership until October, and using that figure multiplied by 1.166666 to estimate the remaining two months. The first period used was the increase from 2015 to 2016. These years were chosen due to the completeness of data disaggregated down to the individual organization. As seen in Figure 4, the regions generally lost less than 10% of ridership per year, with some years before 2020 including gains. Only Cleveland was losing more than 10% of ridership before 2020. However, the impact of COVID-19 was devastating for all organizations. All have gained back roughly 20% of their ridership when compared to 2019, but the initial loss was so great that most are still below half of their former ridership.

Figure 5. Cost Per Hour (2019)



Source: National Transit Database

The cost of operation per hour was also analyzed, broken down between the central cities and suburbs, across all regions for 2019. SouthWest Transit was also analyzed individually, but is still counted in the Twin Cities' overall suburban cost. Metro Transit is in the middle of the regions reviewed in terms of cost per hour (Figure 5). SouthWest Transit's cost per hour is very high when compared to other suburban organizations, and is actually higher than several central city organizations. While the cost per hour is high, when analyzing the cost per passenger mile, SouthWest Transit performed better than peer regions, as seen in Figure 6. Only Denver's non-central city provider had a lower cost per passenger mile, however that organization runs through the metropolitan area and is not a standard suburban provider. SouthWest Transit was lower in cost per passenger mile than all other peer regions' suburban providers. The Twin Cities suburban transit providers are again in the middle of the pack of the peer regions, being comparable to Cleveland. In comparison to its respective suburban transit provider, Metro Transit is similar to other organizations when compared to peer regions. Generally the cost per passenger mile is regarded as a more reliable metric of efficiency as compared to cost per hour, and more weight should be given to SouthWest Transit's excellent performance on that metric.

Figure 6. Cost Per Passenger Mile

Source: National Transit Database.

Section 3. The Future of SouthWest Transit in the Regional Network

The character of suburban transit is fundamentally different from that of urban and regional transit systems. This necessarily means that agencies' approaches to transit provision in these areas should also be fundamentally different. When jurisdiction of public transportation is split between agencies, as is the case here in the Twin Cities, there is a need to understand the role each agency should play in their own service area, and in how these agencies relate and interact with each other. This section discusses current understandings of the role of suburban transit agencies in contributing to regional mobility, and how this role may evolve in the face of rapid innovation in the transportation sector.

Various forms of decentralized transit governance have existed across the United States, with different results. In some cases, balkanization of transit weakened efficient planning and impeded social equity (Weinreich & Bonakdar 2020). Other sources contend that decentralized systems "yield better economies of scale, enhance local control, and improve bus operations to better meet customers' ever-changing demands," but only if well-executed (Chen 2003). So, what does a well-executed multi-agency transit system look like? Three common characteristics are evident in the research (Weinreich & Bonakdar 2020, Chen 2003, Smith 1987).

1. Clear delineation of agencies' roles and jurisdictions according to observed niches in travel behavior and demand
2. Transit services are planned and operated to best accommodate these niches on an informed basis
3. Cooperative engagement between agencies to define common goals and integrate transit networks

For SouthWest Transit this reasonably translates to the portion of the regional commuter shed wherein travel is organized on a suburban, low-density, commuter-style pattern of travel. More specifically, it encompasses the portion of suburban residents that face systemic inaccessibility due to the auto-oriented suburban environment. Notably, these studies stress a clear delineation between local transit jurisdictions and regional ones, stating that cross-area transit is best managed by a regional transit agency, such as the Southwest LRT extension that will be operated by Metro Transit. SouthWest Transit's role in this future scenario is to facilitate both

commutes to these regional transit hubs and to serve intra-jurisdictional trips that simply cannot be served by the regional agency.

This need to provide suburban transit on a non-traditional basis is perhaps best expressed by the national resurgence of demand-responsive transportation (DRT) or "microtransit" services such as SouthWest Prime, in which vehicles flexibly serve individual origins and destinations without a fixed route or schedule. This is not a particularly new technology, but it was born of the same need to serve that suburban niche. DRT services saw a substantial decline in the late 20th century, but have seen substantial growth in the past few years in places like Sacramento and the southwest suburbs of the Twin Cities. The past decline is a result of a major obstacle to DRT services: they are quite expensive to operate. According to the FTA, the average passenger subsidy per unlinked DRT trip was $39.51, compared to $4.90 for standard local buses (FTA 2018). While some attribute this high cost to the complex technological requirements of DRT dispatch (Enoch et al. 2006), the critical problem is that the most expensive part of transit operation is almost always labor. A 2014 study for the Texas Department of Transportation found that transit operator costs generally made up 25–50% of transit agency's overall budgets (Edrington et al. 2014). That said, DRT is not an unsuccessful form of suburban transit. On the contrary it serves its purpose quite well, but its purpose is coverage, not ridership.

The success of systems like Sacramento's SmaRT Ride and SouthWest Prime is due to innovations in the operation of DRT systems and a fundamental understanding of their ridership niche. Sacramento streamlined DRT services by replacing door-to-door routing with "virtual bus stops'' at a passenger's nearest street corner to minimize travel time and improve efficiency. SouthWest Prime operates with a clear understanding of its role in transportation equity by providing special programs for groceries and medical appointments. These and other such improvements have led to a growth in ridership in these services in spite of the ongoing COVID-19 pandemic, and should be a principal focus for SouthWest Transit's future operations.

Yet another transportation innovation offers substantial opportunities for improved suburban transit: autonomous vehicles (AVs). AVs present a difficult situation to plan for; we know very little about how they'll be owned, operated, and regulated, and yet we know that their effects on the urban landscape could be monumental. But while the prospect of AVs raises lots of concerns,

it also adds a lot of intrigue about how we can re-envision public transportation. The greatest benefit could be to the very same DRT systems previously discussed. As stated, the financial inefficiency of DRT comes from the high cost of operator salaries, a difficulty which is compounded by the ongoing shortage of transit operators across the country. Automation provides a possible solution to both reduce the cost of DRT services while increasing the quality and quantity of service. Less operating costs means more vehicles can be operated for the same amount of money, which means shorter travel times and greater system capacity. These improvements may even be great enough to garner a new influx of choice transit riders and substantially improve regional equity. The other possibility is that private or personal ownership of AVs may critically reduce transit patronage, but this is something that can be countered by offering AV DRT services at a low set fare that makes it competitive for daily commuting purposes, while maintaining the equity of access currently enjoyed by SouthWest Prime users. Noting that SouthWest Transit is already investigating autonomous buses for its system, it is recommended that this approach be pursued and funded as an opportunity to improve transit service and cost efficiency in the future.

Section 4. Recommendations

The State of Minnesota and Metropolitan Council must set clear and defined roles within the regional transit context. Jurisdictions, and roles within those jurisdictions, must be better defined among the organizations. The Blue Ribbon report notes the mistrust between organizations, and there needs to be a greater level of inter-agency cooperation.

The efficiency of a regional organization running regional lines is a more effective use of resources and creates regional network integration. The suburban providers should continue their operations of serving a suburban niche. Equitable mobility is a goal that should be continued to be pursued and ensured for residents in the community.

SouthWest Transit and other organizations must remain open to capital investment in emerging technologies and other non-traditional forms of transit. The continued changing technology will lead to opportunities for more efficient service. Willingness to invest initially will lead to faster financial savings in the long-term.

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