



Summary of Meeting with State Rep. Alice Hausman and John DeWitt

Civic Caucus, 8301 Creekside Circle, Bloomington, MN 55437

Friday, September 5, 2008

Guest speakers: **State Rep. Alice Hausman**, chair, Capital Investment, and **John DeWitt**, co-founder Transit for Livable Communities

Present: Verne Johnson, chair; David Broden, Bill Frenzel (by phone), Paul Gilje, Jim Hetland, Jim Olson (by phone), Wayne Popham (by phone), and Clarence Shallbetter

A. Context of the meeting —This is another in a number of meetings the Civic Caucus has been holding over the last several months concerning the policy-making structure for transportation in Minnesota.

B. Welcome and introductions —Verne and Paul welcomed and introduced **State Rep. Alice Hausman** and **John DeWitt**. Hausman, who is serving her 10th two-year term in the Minnesota House, is a resident of St. Paul. She serves as chair of the Capital Investment division of the Minnesota House. She has a bachelor's degree from Concordia College, Seward, Nebraska, and an MA in education from Concordia University, River Forest, Illinois. DeWitt, a former financial systems analyst with First Bank Systems, founded Insurance Testing Corporation with two colleagues in 1990. He retired thirteen years ago. He was a co-founder of Transit for Livable Communities in 1996 and served on its board until two years ago. According to its website, Transit for Livable Communities works to improve the quality of life in Minnesota communities through a balanced transportation system that encourages transit, walking, biking, and transit-oriented development.

C. Comments and discussion —During comments by Hausman and DeWitt and in discussion with the Civic Caucus the following points were raised:

1. Transportation governing structure in Minnesota is broken —The Metropolitan Council has policy and operations responsibility for transit and some policy responsibility for highways in the seven-county metro area. However, the urbanized region extends far beyond that. A new transit ways financing board covers five of the seven counties. The Minnesota Department of Transportation

(MnDOT) has policy and grantmaking responsibilities for transit in non-metro area and for highways in the metro area. Responsibility for commuter rail is divided between the Metropolitan Council and MnDOT.

Disparities exist between transit funding and service. Park and ride lots in Apple Valley, which is in the transit taxing district, are heavily used by drivers from Lakeville, which is outside the district. A new ramp at 28th Avenue in Bloomington will accommodate more drivers from Eagan, which may make it more difficult for riders in Bloomington and Minneapolis to board light rail trains. But Hennepin county residents are taxed to pay half the operating costs of the Hiawatha light rail line while Eagan residents are in Dakota County, which does not contribute to the operating expense.

A Civic Caucus member commented that accommodating more demand on the Hiawatha line can only be satisfied by the purchase of additional cars, which will increase both capital and operating costs and increase operating deficits. Hausman felt this was not the way to look at this opportunity and investment to increase the number of LRT riders.

As air fares continue to rise from increased fuel costs some suggest it might be cheaper to ride trains between cities when the travel distance is less than 500 miles. However, we don't have the structure in place to handle such rail travel, either within Minnesota or between Minnesota and other states. Very soon, Hausman said, a high-speed train will connect the Twin Cities area with Chicago, but we don't have a support structure to bring people to such a train. A caucus member noted we also lack the funding to build such a system, whether built on existing rail beds or on new separate rail rights of way. We also lack agreement on whether its operating costs should be significantly subsidized by public funds or what portion of these expenses should be paid by the states or the federal government.

Transit revenue sources are falling short because motor vehicle sales, to which significant transit revenue is tied, are slowing down. The same trend is affecting highway financing. Highway revenue sources are also falling short of original estimates because people are driving fewer miles, which means less revenue from the gasoline tax.

A Civic Caucus member commented that the real problem to be discussed is Transportation and not only Transit. We need to look at both and how all transportation needs are being served to move both products and people-the debate/discussion may be moving too much to one side and a balance may show different issues and answers.

2. Out state transit needs are being overlooked —Hausman described conversations she had with older persons in a small town in northern Minnesota. They need transportation to grocery stores and medical clinics but such services aren't provided, other than by volunteers. This is a problem not just for older people but for anyone who doesn't drive.

This is another area where transportation may be as much a factor as the transit. If products cannot be delivered out state economically and timely then businesses cannot survive and transit becomes more important-as one example.

3. Create a Minnesota Transit Authority —Hausman is working on a bill to be introduced in the 2009 Legislature that would create a Minnesota Transit Authority. Key provisions: pull Metro Transit

out of the Metropolitan Council and non-metro transit out of MnDOT and give those responsibilities to the new Minnesota Transit Authority. The Authority would assume all responsibilities of the regional rail authorities. The opt-out transit agencies would remain although subject to subsidy per ride limits. The recently established Counties Transit Improvement Board (CTIB) and its ¼ cent sales tax would also remain independent.

The Minnesota Transit Authority would be responsible for development and operations of all bus service, LRT, commuter rail and any Minnesota portion of interstate high speed rail in Minnesota.

The Minnesota Transit Authority would have nine members:

- the mayor of Minneapolis or a member of the Minneapolis City Council chosen by the City Council
- the mayor of St. Paul or a member of the St. Paul City Council chosen by the City Council
- one Hennepin County commissioner, chosen by the County Board.
- one Ramsey County commissioner, chosen by the County Board.
- three county commissioners from Anoka, Carver, Dakota, Scott and Washington Counties.
- Two residents from greater Minnesota, appointed by the Governor, one from north of the metro area and one from south of the metro area

The chair would be selected from among the nine appointees.

Existing revenue sources for transit would be continued. The state sales tax would be increased statewide by another one-fourth of a penny and dedicated for transit operations statewide. The new tax would be on top of the one-fourth-of-a-penny enacted in the five largest metro counties in 2008.

4. A transit emphasis will help correct other problems - DeWitt explained that the state's emphasis has traditionally been on easing traffic congestion. But today we face multiple challenges including petroleum availability and price, global warming, an obesity epidemic, and an aging population. Transit can play a critical role in addressing all of these. Gov. Pawlenty's Climate Change Advisory Group evaluated reductions in driving of 18%, 28% and 43% by 2025 but failed to make any recommendations. The group did unanimously recommend that 60% of the Twin Cities growth be accommodated in the already developed area. But Met Council staff informed the group that our region's transit system could accommodate no more than 30%. The Met Council's goal is to double transit ridership by 2030. This will increase transit's modal share from 2.3% to 3.3% when population growth is factored in. This leaves us far short of where we need to be.

5. Why not put decision making on highways and transit into a single transportation organization? —Hausman said that while such an effort would be desirable, it is impossible to achieve so long as gasoline taxes and motor vehicle license fees continue to be dedicated by the constitution to roads and highways. She said highway interests are much too powerful to ever permit these user revenues to be placed in one fund to support all transportation modes.

A Civic Caucus member noted that recent actions by the Legislature seem to be producing more dedicated funds and more funding silos, not fewer. The member cited a constitutional amendment enacted in 2006 that divides up the state sales tax on motor vehicles between transit and highways and an amendment proposed in 2008 to increase the state sales tax specifically for outdoors, water and the arts.

In the best of all worlds, Hausman replied, she would agree that all funds should be non-dedicated, but the dedicated approach seems the only way to generate new revenue in a political environment dominated by lawmakers opposed to any form of tax increase.

It's puzzling, a Civic Caucus member said, why leaders of budget, finance and appropriations committees in the Legislature are so willing to let state revenues be ever more fragmented among various dedicated funds, which, in turn reduces the influence of the Legislature over revenues and spending.

5. Who'd be responsible for covering operating deficits? —The speakers and members of the Civic Caucus discussed problems associated with covering the difference between operating expenses and fare box revenue. Currently, one caucus member noted, taxpayers need to supply approximately 70 percent of the funds needed to operate transit in the metro area. In the alternatives discussed, for example, would local jurisdictions be responsible for operating deficits of transit lines within their borders? Would the state pick up the tab for all operating deficits? Would fare box user fees cover all operating expenses of some transit such as peak period services that benefit many employees in the downtowns who might otherwise be faced with parking charges for their autos? What new revenue sources can be explored? A specific question was raised about whether land owners located near transit stations should pay some of the transit expense when such owners receive windfalls because of transit improvements. Such a principle could also apply to land that benefits from access to freeways. One person inquired whether beneficiaries and users should pay all operating expenses.

6. Responsibility for asserting the state's interest —Hausman and DeWitt were asked who will represent the state's interest in transit, under the proposed Transit Authority, given the fact that they feel transportation is so key to the economic development of the state. The proposed Transit Authority, it was noted, would be dominated by local officials, with no overall state participation, except that two appointees would be selected by the Governor.

DeWitt said that cities with successful transit systems like Denver and Portland, OR, have all done so with so-called independent transit boards. In different regions, these boards may be elected, appointed by the governor, or a council of governments (COG). A Civic Caucus member said that persons on such transit boards formed as a COG are wearing two hats. They're representing the units of local governments that elected them, such as cities or counties. And they're supposedly representing the larger area covered by the transit boards. But they're only accountable to the localities or the districts where they were elected. DeWitt said many of these local officials have more interest in transit than some statewide elected officials.

Continuing the discussion of representation, Hausman said that the Metropolitan Council—which runs Metro Transit and which plays a central role on roads and highways in the metro area, too—is

appointed by the Governor. The Council, she said, is more interested in serving the Governor than the interests of the metropolitan area.

A Civic Caucus member said that British Rail in the United Kingdom is run by a board of all public members, not local officials, and has been partially privatized.

7. Paying attention to the importance of moving goods as well as people —Commenting on the need to help people in small towns get to their destinations by transit, a Civic Caucus member noted the economic viability of some small towns results because of the difficulty in transporting products to small town stores. Without those products the small town merchants can't stay open.

8. How to set priorities when faced with a mountain of needs —A Civic Caucus member noted that in transportation—both highways and transit—there never seems to be enough money to cover the needs. Their growth appears to outdistance growth in the overall economy. In addition, so much of the investment in transportation benefits localities- specific cities or even interchanges or station stops not the total economy of the metropolitan area or of the state. The difficulty, therefore, becomes one of setting priorities intelligently, which means, the member said, establishing a governing structure that equitably represents all parts of the state and can weigh all options against each other in light of their contribution to agreed upon goals. Such goals might include congestion reduction, increased mobility, and the relative contribution to improved air quality. But we seem to be moving in other directions, with separate governing structures and separate funding sources for transit and highways that are insufficient to keep up with the escalating mountain of needs.

Acknowledging the needs problem, Hausman said she had been informed that it would cost about \$15 billion to add one lane to the 694/494 beltway around the Twin Cities.

9. Doing a better job of organizing transit services already provided —Hausman cited a host of different bus services serving greater Minnesota that arrive daily at Minneapolis-St. Paul International Airport. Such buses have no scheduled stops along the way, because they're only serving the localities where the service begins. One of the caucus members noted a fleet of coach buses from throughout the Midwest came to the Twin Cities to transport visitors to the Republican national convention in St. Paul. Hausman observed this large movement of people to St. Paul from hotels in Minneapolis and the suburbs was largely coordinated and provided by private organizations.

In response to a question about the transportation of low income residents to jobs outside of the downtowns, Hausman noted that almost all of the new jobs in our region have been created in the suburbs that are essentially inaccessible to the transit dependent. The Minnesota Department of Human Services is increasingly concerned about connecting the aging residents of Greater Minnesota to the goods and services they need when they can no longer drive

10. Where will additional money come from?— It was noted that the Governor and State Legislature will make key decisions on sources of money for transit and highways, no matter what the governing structures. Currently, different dedicated revenues serve, separately, (a) state highways, (b) county state aided highways and roads, (d) city state aided roads, (e) metro transit, (f) five-county transit ways, and (g) transit in some cities and counties in greater Minnesota.

11. Thanks —On behalf of the Civic Caucus, Verne thanked Housman and DeWitt for meeting with us today.