High Subsidy Transit Routes

Metropolitan Council Committee of the Whole

February 18, 2026

Charles Carlson Metropolitan Council

Agenda

Today's Agenda:

- Recap Regional Role of Transit
- Regional Transit Providers and Funding Allocation
- Required Report on High-Subsidy Transit Routes

The Role of Transit in a Thriving Region

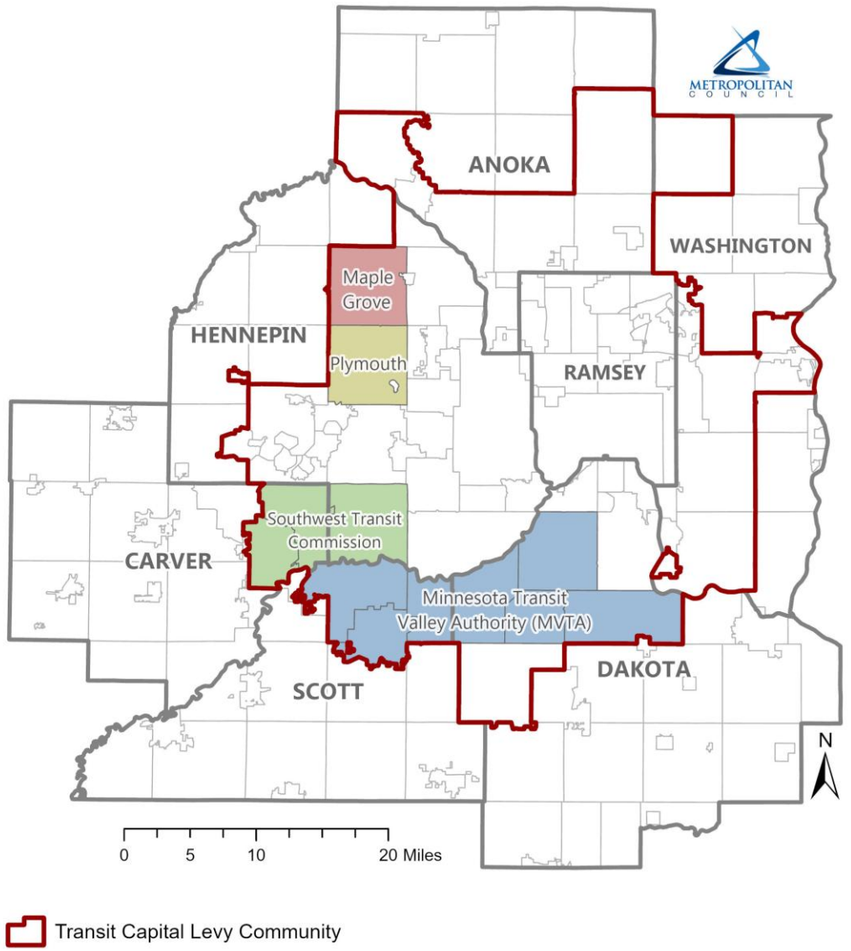
- Transit is essential to regional mobility and the state's economy. Public transportation provides:
  - Access: Vital, affordable access to jobs, education, healthcare, and more
  - Advances the Economy: 87% of trips connect people to work, retail, and entertainment
  - Safety: one of the safest modes of travel
  - Environmental benefits: Reduces energy consumption and improves air quality
  - A popular option: >135,000 trips per avg. weekday
- 26% of the region's residents (800,000 people) use transit in a typical year
  - 160,000 people use transit twice a week or more
  - An additional 24,000 use transit monthly
  - Over 524,000 people use transit occasionally
- 57,000 regional households do not have a vehicle
- 55% of transit riders have household income <$60k

Suburban Transit Providers

Background

- Replacement Service Municipalities defined in Minnesota Statutes section 473.388, often called “Suburban Transit Providers” (“STPs”)
- Legislature gave temporary permission for cities to “opt out” of Metro Transit’s predecessor in 1980s; at the time property taxes were the primary source of transit operating funds
- 12 cities total; 10 cities operate under joint powers agreements as two transit providers
- Funded by Metropolitan Council through various formulas in law and in Council policy
- Collectively, these cities comprise around 19% of regional population, 12.5% of MVST funding distributions, and 4% of transit ridership

Suburban Transit Providers
May 2025



Transit Funding Allocation Policy

Revision adopted Sep. 10, 2025

- Revised funding policy:
  - Continues longstanding allocation of motor vehicle sales tax (MVST)
  - Updated federal Sec. 5307 formula allocation to use full federal formula for all providers
  - Requires direct recipient relationship for federal funds unless Council delivers service by agreement
  - Allocates sales tax equivalent to Council transit debt service levy funds in replacement service cities (regional transit capital or RTC)
  - Allocates regional transportation sales tax

2026 Estimated Funding (Feb. 2025 forecast, $MM)

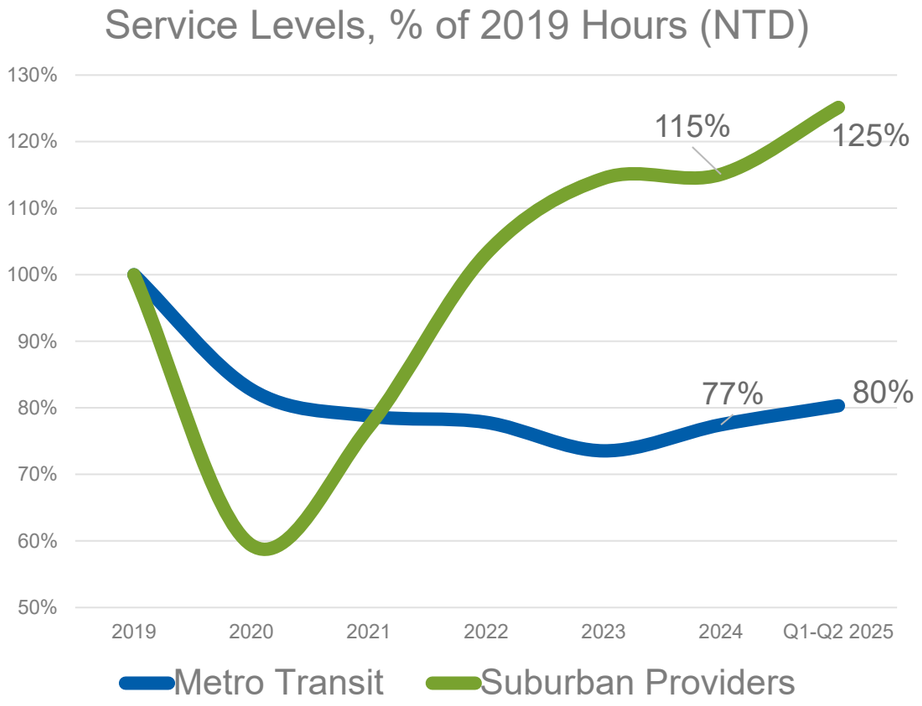
473.388 Provider	MVST	Federal	RTC	Sales Tax	Total
Maple Grove	$5.1	$1.0	$1.6	$2.4	$10.12
MVTA	$28.3	$5.3	$6.5	$10.7	$50.71
Plymouth	$7.5	$1.0	$2.1	$2.7	$13.34
SW Transit	$13.5	$2.2	$3.0	$3.9	$22.53
473.388 Total	$54.4	$9.5	$13.2	$19.6	**$96.70**

Transportation Sales and Use Tax

Sales and Use Tax Allocation

- Replaced interim allocations 2023-2025
- Distributed **by population**, after accounting for significant state and county operating sources replaced by the new 2023 sales tax (across 25-year forecast period 2026-2050)
- Of transit share of sales tax (95% of 83%):
  - **4.55% adopted allocation to Replacement Service Municipalities (suburban providers)**
  - 12.35% July 2025 request from Suburban Transit Association
  - >13.7% in house bills introduced April-May 2025 directed to SWT, MVTA, UMN, plus required unspecified additional to other cities

Transit Service Levels



Note: Maple Grove service delivered by Metro Transit included in Metro Transit total
Q1-Q2 2025 compares to Q1-Q2 2019

Legislative Report: High-Subsidy Transit Route Analysis

Legislative Study Background

Report: Laws of Minnesota 2025 chapter 8, article 2, section 120:

1. Calculate per-passenger operating subsidies, by route type
2. Estimate capital and operating savings from discontinuing each high-subsidy route
3. Estimate and evaluate the cost of Metro Mobility rides provided near high subsidy routes

Defining Transit Subsidies

- Transit is delivered using public funds and passenger fares
- Providers allocate overhead costs across routes, report data to Metropolitan Council annually
- Operating costs less fare revenue = Subsidy
- Subsidy / Passengers = **Per-passenger operating subsidy**

Per-Passenger Subsidy Thresholds

- Guidance in Imagine 2050 Transportation Policy Plan
- Transit providers report route-level data on costs, ridership, service hours
- Routes are compared:
  - By route type (express, local, BRT, etc.)
  - Across service days (Weekday, Sat., Sun.)
- Purpose: help providers evaluate and improve transit route cost effectiveness
- Service change interventions recommended at 3 levels
  1. Minor modification
  2. Major changes
  3. Restructure or eliminate

Route Type	2024 Average Subsidy (weekdays)	Tier One- Minor Modifications >20-35% over peer average	Tier Two- Major Changes >35-60% over peer average	Tier Three- Restructure/ Eliminate >60% over peer average
Core Local Bus	$13.29	$15.95	$17.95	$21.27
Supporting Local Bus	$13.52	$16.23	$18.26	$21.64
Suburban Local Bus	$37.05	$44.46	$50.01	$59.28
Commuter Express Bus	$18.80	$22.56	$25.38	$30.09
Arterial BRT	$6.50	n/a	n/a	n/a
Highway BRT	$14.99	n/a	n/a	n/a
Guideway BRT	No 2024 routes	n/a	n/a	n/a
Light Rail	$5.66	$6.79	n/a	n/a
Commuter Rail	$119.04	n/a	n/a	n/a

Per-Passenger Subsidy Reduction Options

Operating Savings

- Increase ridership
- Change providers
- Reduce internal cost drivers
- Reduce service levels
- Explore other service types/options
- Eliminate routes

Strategies to Reduce Per-Passenger Subsidy

Increase Ridership

- Service revisions can make routes more attractive, or ridership can grow naturally over time
- Increased ridership spreads costs across more passengers, reducing per-passenger subsidy
- New services may develop over time and meet regional guidance

Change Providers

- Contracted services often cost less than directly operated service
- Frequently used by Metropolitan Council on routes with subsidies that otherwise may be High Subsidy
- Regional goal to contract 20 percent of regular route services

Reduce Cost Drivers

- Decreased overhead costs, efficient scheduling, or other efficiencies lower cost
- Some cost drivers are outside of providers' control, such as fuel
- Services and operating models vary across all providers, corresponding overhead costs vary

Strategies to Reduce Per-Passenger Subsidy (2)

Reduce Service

- Decreasing frequency or span of service reduces total costs and can lower subsidy
- Most common approach providers use to address high subsidy services
- Ridership may also decrease with service reductions, so high subsidies may persist

Change Service Type

- Regular route service does not operate cost effectively in all areas
- Demand response services (i.e. microtransit) may better match market and provide access

Eliminate Routes

- Greatest potential savings if implemented
- May result in loss of regular transit access
- Focus of this study

Results: High Subsidy Routes

2024 Route Count (All service days)	Met Council	MVTA	SW Transit	Plymouth	Maple Grove	Total
Meets Guidelines	180	17	2	3	4	206
Level 1 (minor modifications)	8	6	0	2	0	16
Level 2 (major changes)	11	2	1	0	0	14
Level 3- High Subsidy (restructure/eliminate)	9	18	0	1	0	28
Total	208	43	3	6	4	264

2023 High Subsidy Route Costs ($ millions)

Transit Provider	2023 Regular Route Operating Costs	Operating Costs on High Subsidy Routes	High-Subsidy Routes Percentage of Operating Cost
Metropolitan Council	$467.8	$12.7	2.7%
Minnesota Valley Transit Authority	$30.4	$8.9	29.4%
Southwest Transit	$4.6	$0.2	4.3%
Plymouth MetroLink	$3.0	$0	0%
Maple Grove Transit	$2.5	$0	0%
2023 Total	$508.4	$21.8	4.3%

2024 High-Subsidy Route Operating and Capital Savings ($millions)

Transit Provider	2024 Regular Route Operating Costs	Operating Costs on High-Subsidy Routes	High-Subsidy Percentage of Operating Cost	Capital Savings*
Metropolitan Council	$528.7	$14.4	2.7%	$41.95
Minnesota Valley Transit Authority	$28.8	$7.6	26.3%	$23.22
Southwest Transit	$3.3	$0	0%	$0
Plymouth MetroLink	$3.8	$1.3	35.3%	$6.58
Maple Grove Transit	$2.6	$0	0%	$0
2024 Regional Total	$567.1	$23.3	4.1%	$71.75

Capital Savings* reflects peak buses used on high subsidy routes x average 40’ bus (or 30’ bus suburban local) pricing in 2026

2024 High-Subsidy Routes

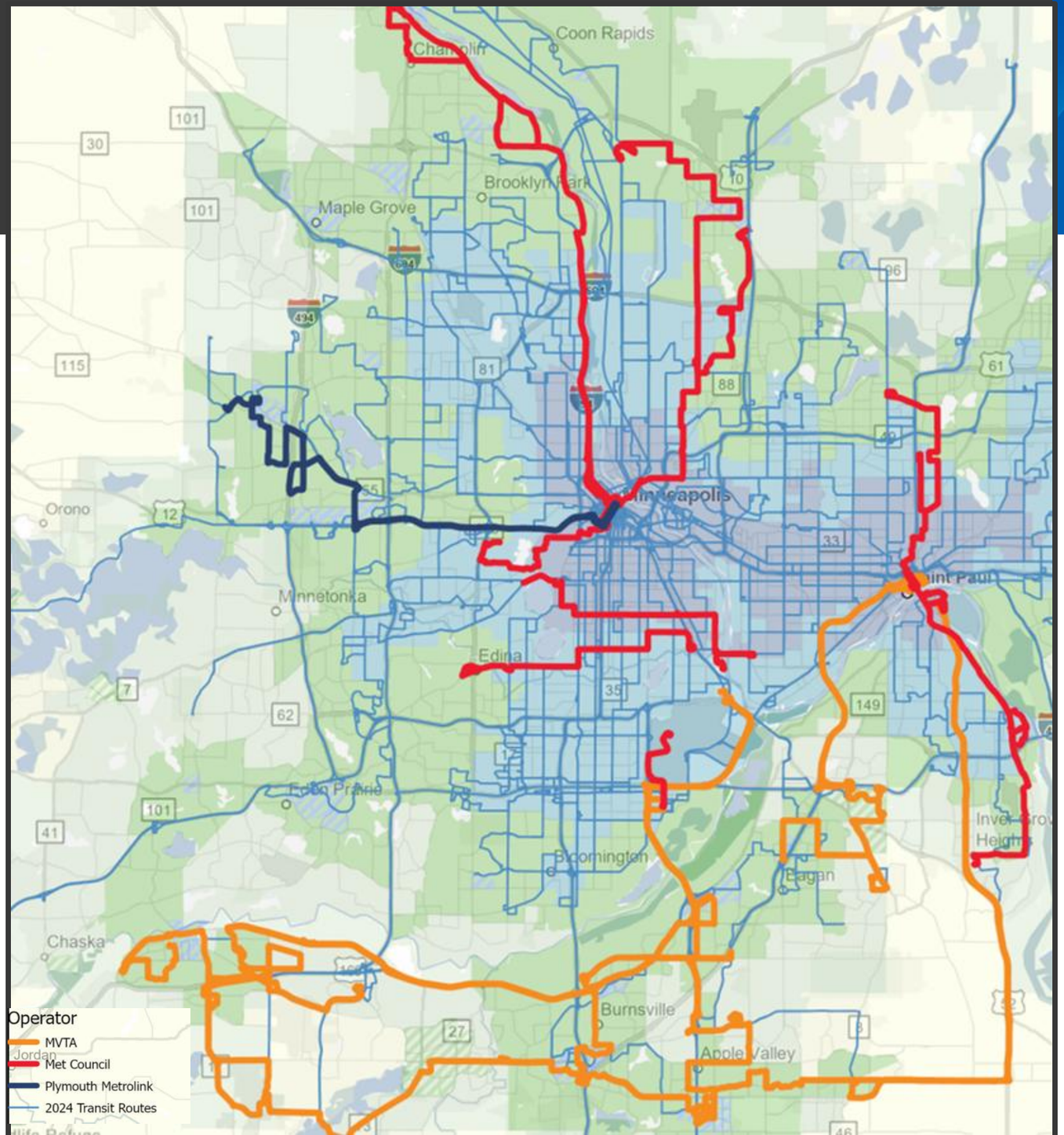
Transit Market Areas

- Estimate demand for transit
- Developed from built form and demographic factors (incl. density, vehicle availability)
- Indicate transit services with potential success by market type
- Provide guidance on service design criteria such as frequency and span of service

High-subsidy routes may indicate a <u>mismatch</u> between market area guidance and actual service levels

Market index formula:

$$TMI \sim -8.41 + 0.68 \cdot d_{pop} + 0.87 \cdot d_{jobs_total} + 0.23 \cdot walkability + 0.074 \cdot d_{renter} - 0.0044 \cdot d_{jobs_4} - 0.0019 \cdot d_{jobs_5} - 0.027 \cdot d_{jobs_6} + 0.05 \cdot d_{jobs_7} + 0.0032 \cdot d_{jobs_8} - 0.0052 \cdot d_{jobs_9} - 0.032 \cdot d_{jobs_{10}} - 0.024 \cdot d_{jobs_{11}} - 0.025 \cdot d_{jobs_{12}} - 0.0053 \cdot d_{jobs_{13}} - 0.0065 \cdot d_{jobs_{14}} - 0.011 \cdot d_{jobs_{15}} + 0.00085 \cdot d_{jobs_{16}} - 0.008 \cdot d_{jobs_{17}} + 0.02 \cdot d_{jobs_{18}} - 0.00029 \cdot d_{jobs_{19}} - 0.01 \cdot d_{jobs_{20}} + 0.76 \cdot parkride - 0.22 \cdot s(d_{zerovehhh}) - 0.13 \cdot d_{jobs} \cdot d_{pop}$$

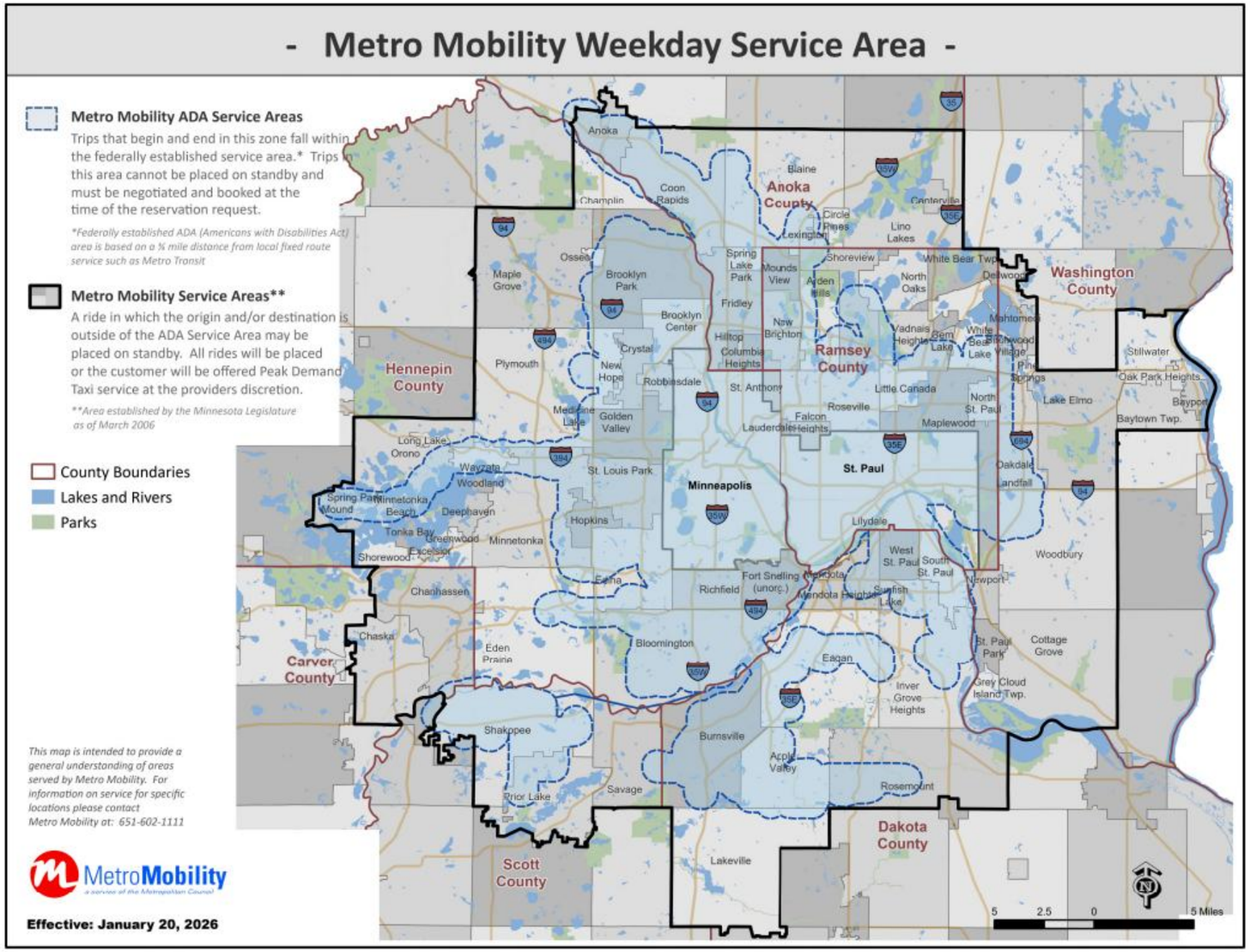


Metro Mobility Rides Near High Subsidy Routes

Cost of Metro Mobility near HS Routes

High-Subsidy Routes Contribute to Paratransit Costs

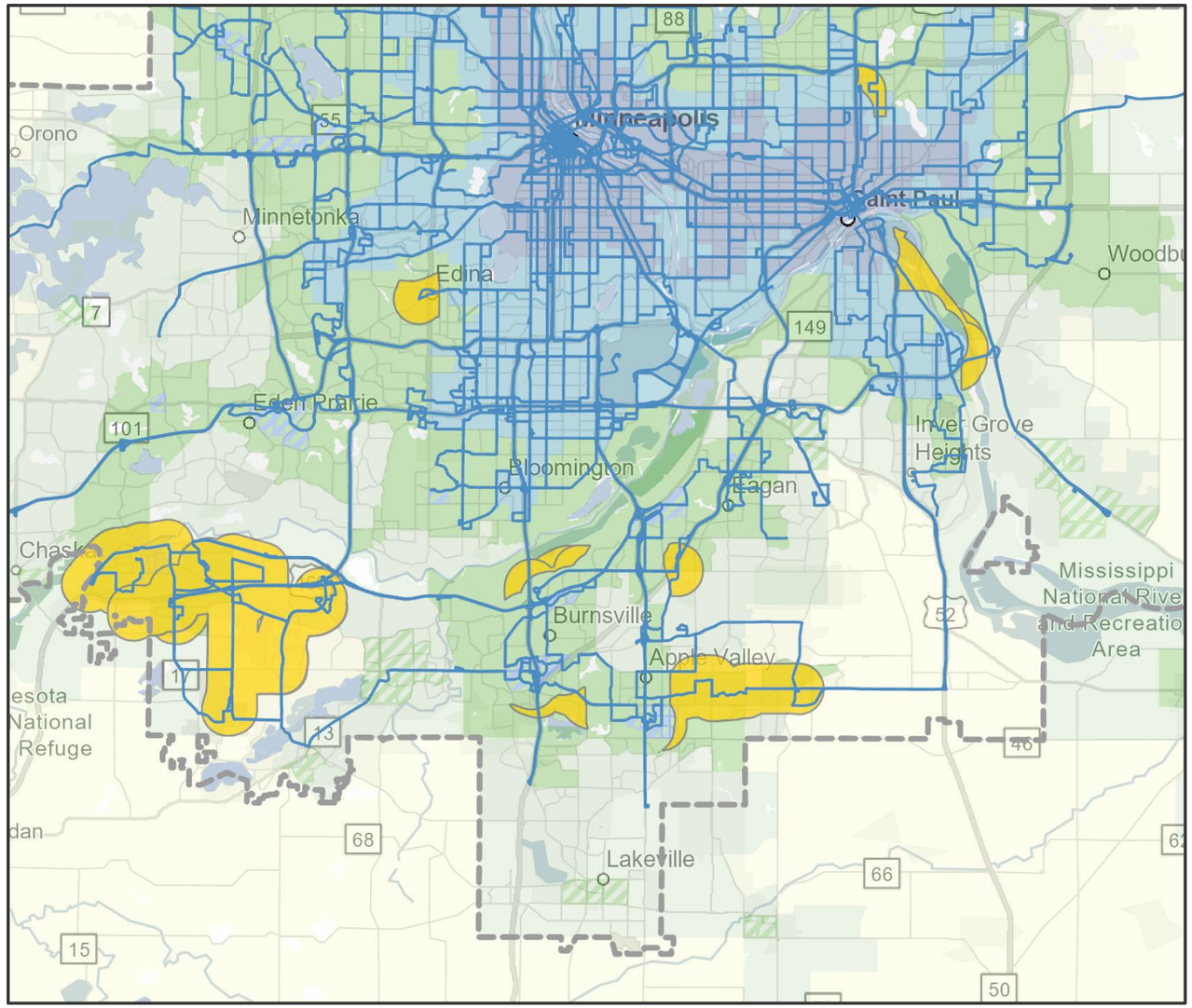
- As a state forecasted program, Metro Mobility costs are paid from the general fund on a forecast basis
- Services are provided in two areas:
  - Federally mandated, for trips along all-day local routes
  - State mandated, defined in state law for a set of cities in the region
- Some high subsidy routes require federally mandated paratransit service, often at higher cost



Areas Near High-Subsidy Routes

Cost Evaluation

- Areas shown in orange include:
  - Portions of federally mandated ADA service area near all-day high-subsidy local routes
  - Minus areas covered by non-high-subsidy routes
- Cost estimation
  - Miles of paratransit service on Metro mobility trips serving these areas
  - times per-mile cost of Metro Mobility
  - Equals total cost of Metro Mobility trips near high subsidy routes



Cost of Metro Mobility near HS Routes

Cost Results

Transit Provider	2023 ADA costs near high subsidy routes	2023 Count of High-Subsidy Routes	2024 ADA costs near high subsidy routes	2024 Count of High-Subsidy Routes
Met Council	$288,723	2	$921,845	2
MVTA	$79,776	1	$5,202,996	4
Total	$368,500	3	$6,124,841	6

Summary and Conclusions

Legislative Report Requirements

1. Calculate per-passenger operating subsidies, by route type
2. Estimate capital and operating savings from discontinuing each high-subsidy route
3. Estimate and evaluate the cost of Metro Mobility rides provided near high subsidy routes

Report Summary

- Transit providers evaluate and report per-passenger costs annually to the Metropolitan Council
- High-subsidy routes have per-passenger subsidies >60% above peer route averages, per 2050 TPP
  - 28 high-subsidy routes out of 264 routes operated in 2024
  - High-subsidy routes vary by route type and provider, $24 to $201 per passenger in 2024
  - High-subsidy routes represented 0%-26% of providers' expenses, 4.1% for the region overall
- Discontinuing the 2024 high-subsidy routes could save $23M annually and $72M of capital expenses
- Metro Mobility trips near high-subsidy routes cost $6.1 million in 2024, 5.9% of program total costs

Charles Carlson

Executive Director
Metropolitan Transportation Services
(651) 602-1761

METROPOLITAN
COUNCIL