



Summary of meeting with Matt Kane

Civic Caucus, 8301 Creekside Circle, Bloomington, MN 55437

Friday, June 20, 2008

Guest speaker: Matt Kane, policy fellow for infrastructure and economic development, Growth and Justice

Present: Verne Johnson, chair; Chuck Clay, Paul Gilje, and Jim Olson (by phone)

A. Context of the meeting : This meeting is another in a series of meetings on the question of continuing major transportation issues in Minnesota.

B. Welcome and introduction: Verne and Paul welcomed and introduced **Matt Kane**, policy fellow for infrastructure and economic development, Growth and Justice. Growth and Justice is a non-profit policy research organization that looks at cost-effective, public-sector investments by state government that will lead to economic growth for Minnesota and expanded economic prosperity for the state's people and places.

Kane has worked on public policy issues for more than 20 years, primarily at the national level. Prior to joining Growth and Justice in 2007, Matt worked for the Washington-based Northeast-Midwest Institute, the National League of Cities, and a national association of economic development centers. He also taught economic development classes at the University of Michigan. Matt has testified before Congress about local economic development and worker dislocation. He holds a bachelor's degree from the University of St. Thomas and a master's degree from the University of Minnesota through the Humphrey Institute of Public Affairs.

C. Comments and discussion —During Kane's comments and in discussion with the Civic Caucus the following points were raised:

1. Metro structure a practical accommodation to reality —Commenting on divided transit authority between the Metropolitan Council and county governments in the metro area, Kane said the arrangement is a practical accommodation to reality. A new quarter-cent sales tax for transit is, by law, being imposed by county governments, not the Metropolitan Council. It is somewhat unrealistic to put the county commissioners on the hook for raising the funds and expect them to hand off decision-making authority to another government entity. Thus, the counties are empowered to decide how the new tax money will be distributed, consistent with the Metropolitan Council's policy plan. In the best of all worlds, you'd probably place more authority in the Council, but we have to be practical, he said. Moreover, many legislators consider the Council to be too closely tied to the Governor, because all Council members are appointed by the Governor to terms that are co-terminus with the Governor.

Growth & Justice is not a fan of the sales tax, Kane said, because it hits lower income persons disproportionately.

2. Whether transportation funds are distributed as entitlements, rather than according to needs —It was noted that several weeks ago, Ken Orski, a national transportation consultant, was critical of the way transportation funds are distributed in Minnesota. Orski's concern was that the funds are largely distributed to different levels of government according to statutory or constitutional formulas that bear little relationship to need. In effect, Orski said, the funds are "entitlements" for various levels of government.

Kane noted that the 2008 Legislature changed a formula for distribution of funds among counties to give greater account to transportation needs, not just an automatic distribution among counties, irrespective of needs. He also said that the Legislature has an interest in assuring that all parts of the state are treated equitably in distribution of revenue.

3. Need for authority at the metro level as well as the state level —A Civic Caucus member inquired whether more leadership and planning responsibility ought to exist at the state level, because of the critical role that transportation plays in the overall economy of the state.

Kane agreed that a statewide transportation system allows the safe and easy movement of people and goods. It makes places accessible to people. And it lays the base for business activity that fosters economic prosperity. Commerce needs roads, and businesses incur costs from congestion delays and poor road conditions. Wise investments in transportation infrastructure help put Minnesota's households in a better position to benefit from economic growth. And a high-quality transportation system makes for faster commutes, reduced delays, fewer accidents, less fuel consumption and better air quality.

He noted, however, that it is useful to place some authority at the metro level, instead of with the state, because experience nationally has shown that metro-level decision makers are more likely to explore a variety of options for dealing with the much more complex transportation problem in the metro area, and more likely, too, to consider transit as a viable option. Because of the much larger number of trips and the accompanying congestion in the metro, investments in transit are important.

4. Congestion is a reflection of a strong economy —Having a vibrant economy such as in the Twin Cities area inevitably produces congestion, Kane said. We'd not want to reduce economic activity as a way to ease congestion. Getting rid of congestion isn't the goal, he said. The goal is providing access to destinations for people.

The upcoming Central Corridor LRT line connecting the downtowns of Minneapolis and St. Paul isn't so much designed to ease congestion as it is to assure access for people, he said. Projections indicate that buses won't be able to accommodate all demand in the corridor in future years, he said. As part of a more complete transit system and an expanded LRT network, the line will allow more people to move in less congestion.

Light rail is but one element of that comprehensive system, he said. The flexibility of buses and their lower upfront costs make them a critical part of the plan. We need to keep in mind both costs and who is served when exploring transit modes.

He noted that major rapid bus service will shortly be added to I-35 and to Cedar Avenue south from Minneapolis well into Dakota County.

5. Serving downtown versus suburban destinations —A Civic Caucus member noted that much more attention is given to transit service for the downtowns, where not more than 15 percent of the region's jobs are located, rather than to suburban destinations. Kane replied that mass transit requires a high density of jobs at the destination end in order to be fiscally viable. The downtowns have vastly higher densities of jobs than does any suburban destination. A member commented that perhaps more innovative approaches—than a corridor approach— are needed in designing suburban transit service. Kane responded that it is difficult to design a system to well serve potential transit users in locations with low densities for housing and low concentrations of jobs, but innovative approaches would be welcome.

6. Comparative expense between buses and rail —LRT has larger up-front capital expense, but lower operating expense than buses, Kane said. LRT has fewer drivers, fewer vehicles, and uses electricity, not petroleum, for fuel. In terms of dollar amounts, although not percentages, express buses that operate non-stop from suburbs to the downtowns require a more subsidy than local buses that pick up and discharge passengers every block, he said.

Kane acknowledged that tensions will exist between the Metropolitan Council and the metro counties over use of the new county-based transit tax. The counties are not as anxious to use those funds for operating subsidies as is the Metropolitan Council.

7. What about reducing congestion?— A Civic Caucus members said that large numbers of people in the metro area remain deeply concerned over sitting in traffic. Kane acknowledged that congestion is an important issue, politically and in terms of quality of life. He said that the metro area needs a wider range of options for getting to where they need to go and that land use matters, too, in terms of where people live vis-a-vis where they work. Kane said that the use of pricing mechanisms to encourage drivers to seek lower cost alternatives has appeal. He noted that the forthcoming changes to the 35W corridor under the federal-state-local Urban Partnership Agreement will provide valuable insights into a variety of transportation options, including congestion pricing, traffic management strategies, and transit structured to offer riders clear advantages over driving.

It will become more important in coming years, he said, to move to a different approach—other than the gasoline tax and vehicle license fees—to paying for the cost of roads. Growth & Justice favors tapping into income tax revenues. Another approach, he said, would be to charge motorists based on vehicles miles traveled, perhaps varying the rate based on when, where, and how far a trip occurs. In response to a question, Kane said he is not opposed to considering a parking tax, too.

8. Making rail and highway decisions in the same jurisdiction? —Asked whether rail and highway decision-making will occur in the same governmental body, Kane replied that decisions need to be very well coordinated, but one has to recognize the practical difficulties, in light of legislative action.

9. More and different transportation funding is needed —Kane characterized the work of the 2008 Legislature as a down payment on catching up on a transportation backlog. To the extent that gas taxes fade in the future as an effective source of transportation revenues, we likely will need to look at variety of sources to produce the adequate income stream, he said. Growth & Justice believes that to

secure additional public funds for investments in transportation and education, Minnesota should look to income tax increases targeted toward higher income earners. Kane cited the Minnesota Department of Revenue's *2007 Minnesota Tax Incidence Study* ( http://www.taxes.state.mn.us/legal_policy/other_supporting_content/07_incidence_report_links.pdf) which shows that for combined state and local taxes, state residents earning the most pay a smaller share of their income in taxes than those in the middle-income range. Specifically, earners in the top income category pay 10.9 percent of their income in state and local taxes, while those in the fourth through ninth categories pay 11.5 to 12.3 percent. Kane said that state and local taxes as a percentage of total income in Minnesota have declined since the 1990s.

10. How policy recommendations at Growth & Justice are made —Growth & Justice, according to its mission statement, is a progressive economic think tank committed to making Minnesota's economy simultaneously more prosperous, fair and environmentally sustainable. The Growth & Justice website describes its policy development process as follows:

a. Starting with the facts. First, with the input of expert advisors, we design a project that will take a fresh, fact-based look at an important strategic issue facing the Minnesota economy. The subject matter experts may do original research or suggest current research that bears on the issue.

b. Reframing the issue. A steering committee of community members provides context on how the issue affects a broad range of citizens, businesses and institutions. Together with Growth & Justice staff, they review the research, discuss its implications and propose approaches to the issue.

c. Testing ideas. Next, we invite a broad cross-section of citizens and thought leaders to public round tables where they comment on the issue and react to our ideas. As part of this process, we aim to shake up traditional thinking and mold competing world views into a broader consensus. This citizen input is brought back to the steering committee, where it is incorporated.

d. Initiating statewide discussion. Through a formal report, legislative testimony, public forums, published opinions and other forms of outreach, Growth & Justice helps build broad support for policies that grow the economy and spread prosperity to more Minnesotans.

11. Thanks —On behalf of the Civic Caucus, Verne thanked Kane for visiting with us today.