



Greater Minnesota Transit Account Balance Policy

Policy # FM022
Effective:

Policy Owner: Financial Controller & Director, Office of Financial Management

Policy Contact: Director, Office of Transit and Active Transportation

Policy Statement

The Minnesota Department of Transportation must maintain a reserved fund balance in the Greater Minnesota Transit Account of:

- not less than 10 percent of the total annual Transit Assistance Fund balance forward from the previous year; and
- not more than 20 percent of the total annual Transit Assistance Fund balance forward from the previous year.

In conjunction with Minnesota Management & Budget's (MMB) annual budgeting process prescribed at [Minnesota Statutes §16A.103](#), the MnDOT Office of Financial Management, in cooperation with Office of Transit and Active Transportation staff, must prepare a formal budget forecast for the Greater Minnesota Transit Account share of the Transit Assistance Fund in November and February every fiscal year. The forecast must cover the current fiscal year and two additional biennia into the future.

If any forecast projects the account balance target will not be met, MnDOT will propose mitigating actions.

Potential actions include:

- Supplemental budget submissions
- Postponement or acceleration of grant applications and awards
- Modifications of local match rates

Reason for Policy

This policy ensures an appropriate level of reserve in the Greater Minnesota Transit Account to protect against uncertainty and volatility in revenue. State statutes do not require a specific balance be maintained in the Greater Minnesota Transit Account; however, it is important that a sufficient amount is maintained to avoid a deficit or significant surplus in the account at the end of a biennium. Therefore, setting an appropriate amount for the reserved fund balance is an important management decision that statutes reserve for the Commissioner.

Investments in Greater Minnesota transit are guided by the Greater Minnesota Transit Investment Plan, which MnDOT is directed to prepare under [Minnesota statute 174.24, Subd. 1a](#). Investments toward reaching the goal outlined in the investment plan must fit within the available revenue. This policy strikes a balance. It ensures that the programmed investment advances these goals by making funding available to Minnesota's transit

providers in a timely manner while also maintaining sufficient reserve funds to address catastrophes and inaccurate revenue forecasts.

The revenue used to calculate a fund balance is always based on a mixture of estimated and actual revenue for a given budget period. Having a reserved budget balance of not less than 10 percent of the Greater Minnesota Transit Assistance Account balance forwarded will protect against events that could potentially affect this revenue. This may include a significant shift in motor vehicle sales and lease trends or a substantial economic recession causing a reduction in expected revenues. In addition, it provides a funding source for assisting transit providers who experience a catastrophe in which equipment is destroyed while insurance is settled.

The Greater Minnesota public transit participation program must be managed to prevent the reserved account balance from exceeding 20 percent limit so that designated transit funds become actual service as promptly as possible. This must be done within the confines of [Minnesota Statutes 174.24, Subd. 3a, paragraph c](#), which requires a local match for operations and [Minnesota Rules 8835.0320, subpart 3](#), which requires a local match for capital assistance. Statutes and rules allow for deviations to be made for local match in hardship or exceptional circumstances. To maintain the Greater Minnesota Transit Account balance below 20 percent of the Transit Assistance Fund balance forward, MnDOT may offer opportunities for transit systems experiencing hardship or exceptional circumstances to apply for grants with a lower local match.

Applicability

All MnDOT employees must comply with MnDOT policies.

Key stakeholders affected by this policy include:

- Office of the Commissioner
- Chief Financial Officer
- Modal Planning and Program Management Assistant Commissioner
- Financial Controller & Director, Financial Management
- Director, Office of Transit and Active Transportation
- Director, Government Affairs

Definitions

Transit Assistance Fund

[Fund established by Minnesota Statute 16A.88](#) to receive revenue from motor vehicle sales tax (MVST) and motor vehicle lease sales tax (MVLST) to be used to fund transit in the State of Minnesota. The MVST appropriation to the Transit Assistance Fund must be at least 40 percent of the total revenue according to the [Constitution, Article XIV, Sec. 13](#), and is currently set at 40 percent by [Minnesota Statute 297B.09](#). Of this revenue, 90 percent is allocated to metropolitan transit and 10 percent is allocated to the Greater Minnesota Transit Account. In addition, the Greater Minnesota Transit Account receives 38 percent of the total MVLST revenues.

Greater Minnesota Transit Account

[Fund established by Minnesota Statute 16A.88 Subdivision 1a](#) to receive funds from the Transit Assistance Fund directed to transit in Greater Minnesota (outside the seven-county Twin Cities metropolitan area). The Greater

Minnesota Transit Account receives 10 percent of the of the total MVST revenue appropriated to the Transit Assistance Fund and 38 percent of the total MVLST revenues.

Account Balance (Greater Minnesota Transit Account)

The amount of revenue from the MVST and MVLST dedicated to Greater Minnesota Transit less any contractual obligations (expenditures and encumbrances) at a point in time. MVLST is accounted for in the current fiscal year, but [Minnesota Statute 297A.815, Subd. 3\(b\)](#) does not call for revenues to be deposited until July 15 of the following fiscal year. It is always expected that this revenue is carried forward each year and is available.

Responsibilities

Commissioner

- Ensure that an appropriate account balance is maintained in the Greater Minnesota Transit Account.

Chief Financial Officer

- Ensure that the budget process provides appropriate information to the Commissioner and the Director of the Office of Transit and Active Transportation, to meet the obligations of this policy.
- Work with the Director of the Office of Transit and Active Transportation and stakeholders to recommend revenue or spending changes to manage the account balance, as needed.

Director, Office of Transit and Active Transportation

- Work with the Chief Financial Officer and stakeholders to recommend revenue or spending change to manage the account balance, as needed.

Policy Owner (Director, Office of Financial Management)

- Review policy every two years, or sooner as necessary, to ensure policy remains up-to-date.
- Ensure documents and training associated with the policy remain current.
- Work with Policy Coordinator to revise policy and/or confirm its accuracy.
- Communicate policy revisions, reviews, and retirements to stakeholders.

Resources & Related Information

Resources

- Business Data Catalog (BDC) – accessible from employee Intranet
- MnDOT’s [Policy Website](#)

History & Updates

Title: *Greater Minnesota Transit Account Balance Policy (2020)*

| Revision | Date | Comments |
|--------------------------|-----------|--|
| Initial Adoption | 7-27-2018 | Policy #FM022 adopted |
| 1 st Revision | | Policy revised and converted to new template |

Authorization

Policy Owner:

Signature: _____

Print Name: _____

Date: _____

Governance Committee has reviewed this policy and recommends approval:

Signature: _____

Print Name: _____

Date: _____

Responsible Senior Officer:

Signature: _____

Print Name: _____

Date: _____

Policy Review

This policy has been reviewed by the Policy Owner, the policy content is current, and no significant modifications are needed. Minor modifications have been noted in the “Comments” section.

| Date | Policy Owner Signature | Comments |
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