



National Overview of Funding Approaches for Local & Regional Highway & Transit Investment

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Presentation Outline

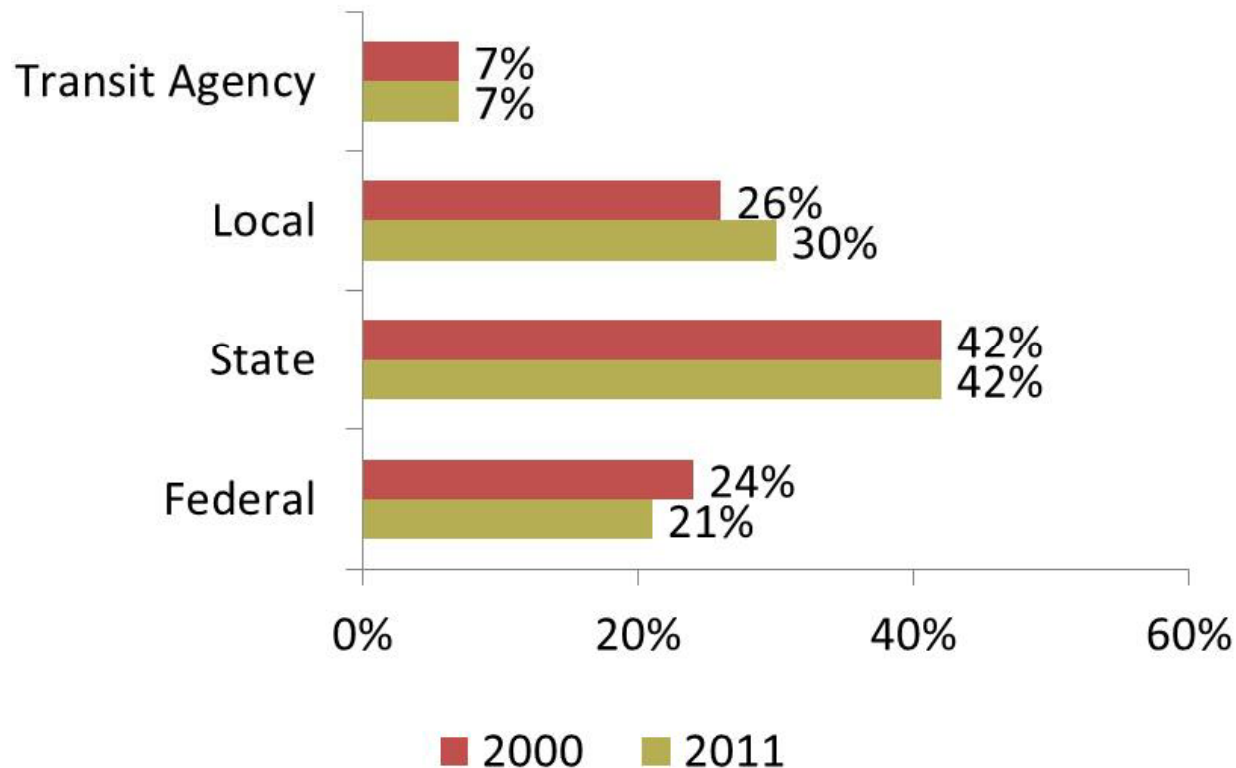
- ▶ Overview and Background – Local and Regional Transportation Funding Responsibility
- ▶ Overview of Funding Approaches for Local and Regional Highway Investment
- ▶ Overview of Funding Approaches for Local and Regional Transit Investment
- ▶ Potential Best Practices and Lessons Learned

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Overview & Background

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National Overview of Funding Sources for Highways & Transit, by Level of Government



- Sources: FHWA 2011 and 2000 Highway Statistics, Table HF-10 and American Public Transportation Association (APTA) 2013 Public Transportation Fact Book (based on FTA's National Transit Database 2011)

Note: Highways are defined as any public road or other public way on land.

Transit/Public Transportation is defined as shared passenger transportation service available for use by the general public, but does not generally include school bus, charter, or intercity bus or intercity passenger rail provided by Amtrak.

Transit modes generally include buses, street cars, trolleys, light and heavy rail, and ferries.

Primary Revenue Sources for Highway & Transit Investment

Federal

- Motor fuel excise taxes
- Commercial vehicle taxes and fees:
 - Sales tax on trucks
 - Tire tax
 - Heavy vehicle use tax

State

- Motor fuel excise taxes
- Motor fuel sales taxes
- Driver licensing fees
- Motor vehicle fees and taxes (title, reg., tags, inspect.)
- Motor carrier taxes
- Tolls

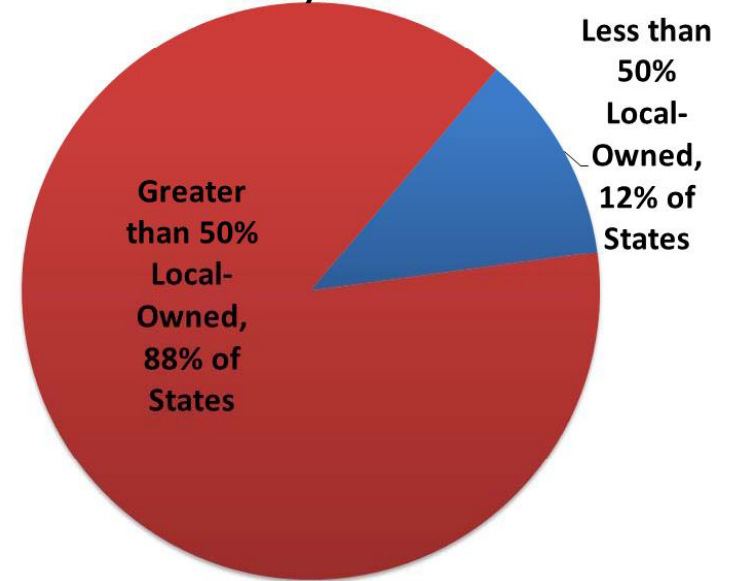
Local

- Property taxes
- Sales taxes
- Fares for mass transit
- Tolls

State vs. Local Responsibility for 'Local' Roads

- ▶ Wide spectrum across country
- ▶ In a few states, the state is largely responsible for all roads, leaving little to localities (e.g., DE, VA, NC)
- ▶ In other states, localities take on a larger role (e.g., FL, NJ)
- ▶ In most states, local governments receive a share of state enabled transportation funds
 - ▶ Includes funds generated by state taxes and fees and funds received by the state from the Federal Government
 - ▶ Funds can flow through the state to localities; or directly to localities
- ▶ When reviewing the funding levels of states to local transportation, these differences can greatly skew the results

Percent of Public Road Miles Owned by Localities*



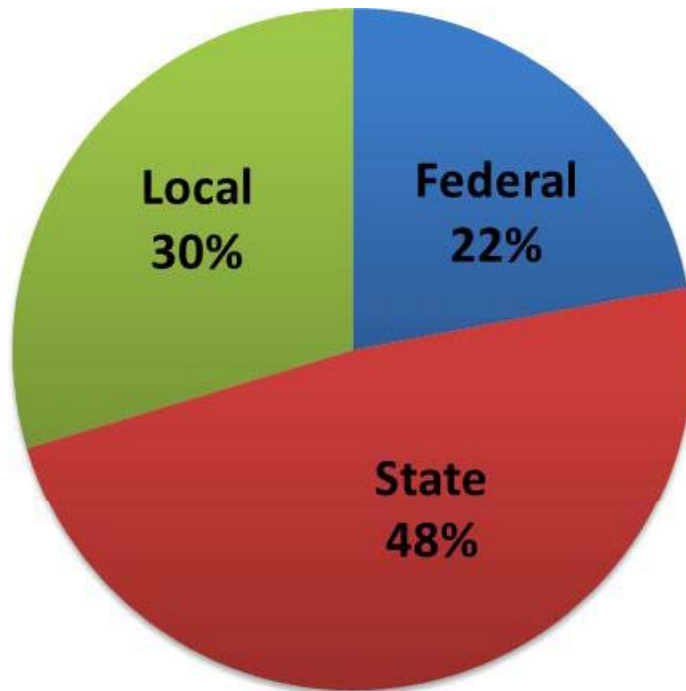
* States where localities own less than 50% of public road miles include: WV 8%, DE 13%, VA 19%, NC 22%. MD localities own 83% of the public road miles, ranking MD 24th



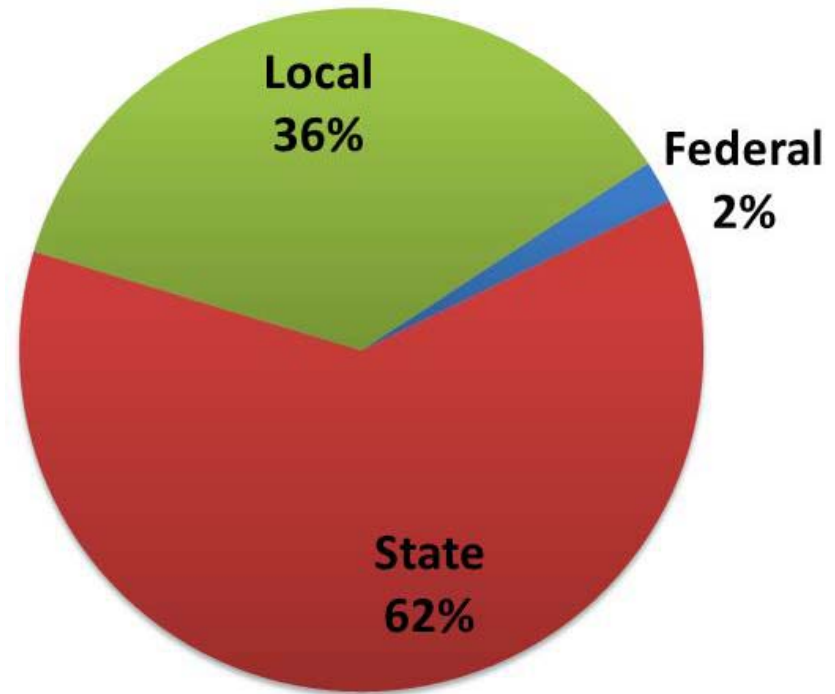
Highway Funding & Disbursements by Level of Government

*Local sources fund just under one-third of highway costs nationally.
Most federal funds are expended by localities and states, increasing local disbursements to 36%.*

Highway Funding Receipts
2011



Highway Disbursements
2011



► Source: FHWA 2011 Highway Statistics, Table HF-10 dated March 2013

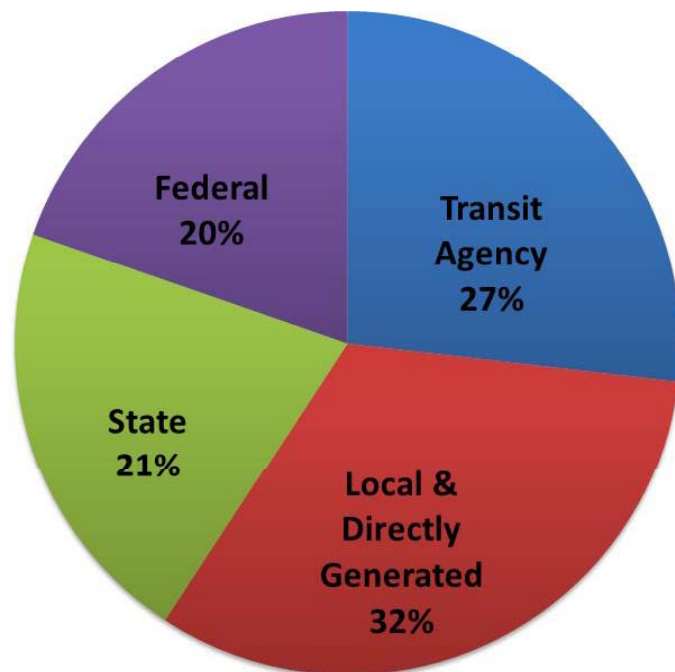
State vs. Local Responsibility for Transit

- ▶ Predominantly local/regional responsibility
- ▶ Transit agency organizational structures, with differing funding latitude and authority
 - ▶ Independent authority or district
 - ▶ Municipal and county government systems
 - ▶ Municipal Transit Agency
 - ▶ Joint Powers
 - ▶ State Transit Agency (e.g., Maryland Transit Administration)
 - ▶ Maryland—as one of the few states that owns and operates a transit system—is unique regarding the amount of state investment in transit

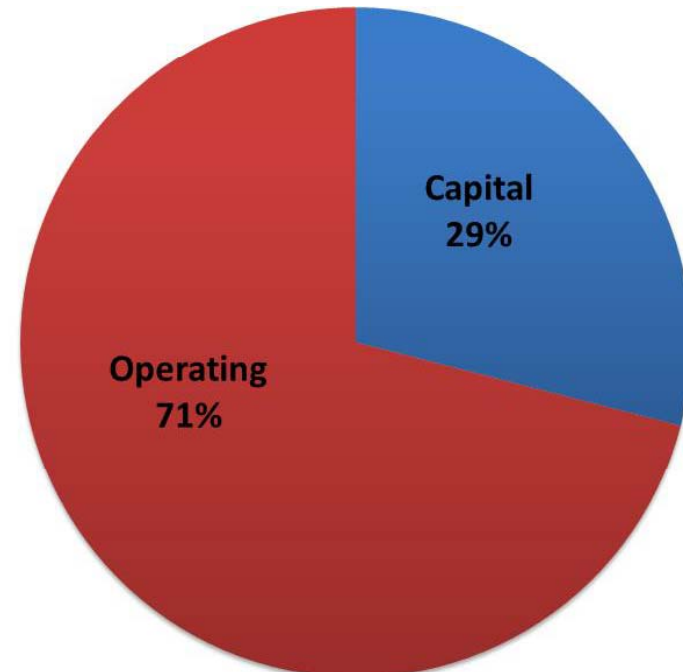
Transit Funding by Level of Government & Disbursements

Nearly 60% of transit costs are funded by localities and directly generated sources (i.e., dedicated taxes) and transit agency revenues (i.e., fares, advertising, etc.).

Transit Funding Receipts
2011



Transit Disbursements
2011



- ▶ Source: American Public Transportation Association (APTA) 2013 Public Transportation Fact Book (based on FTA's National Transit Database 2011)

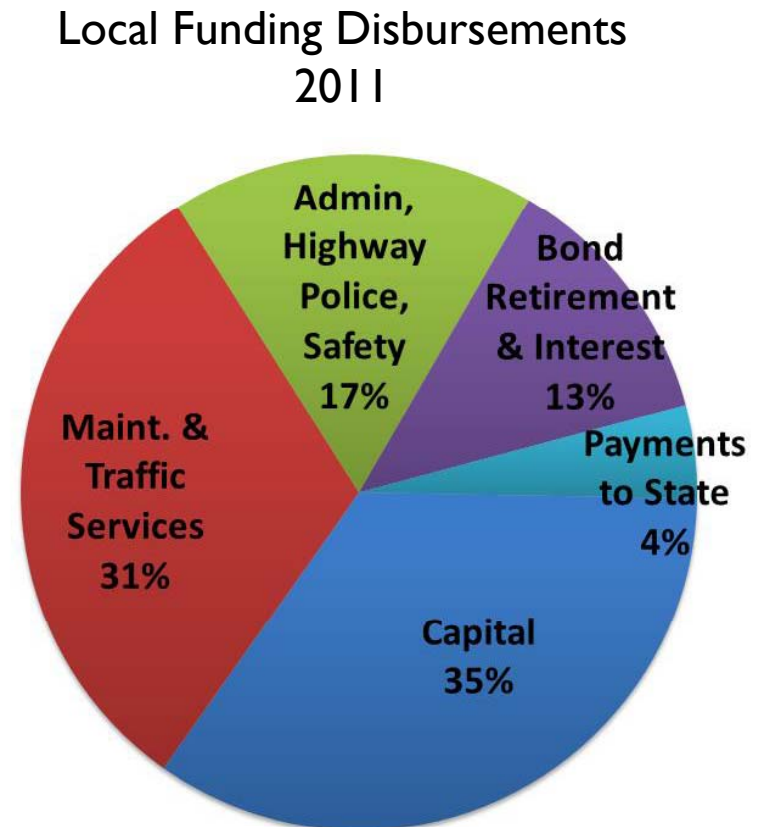
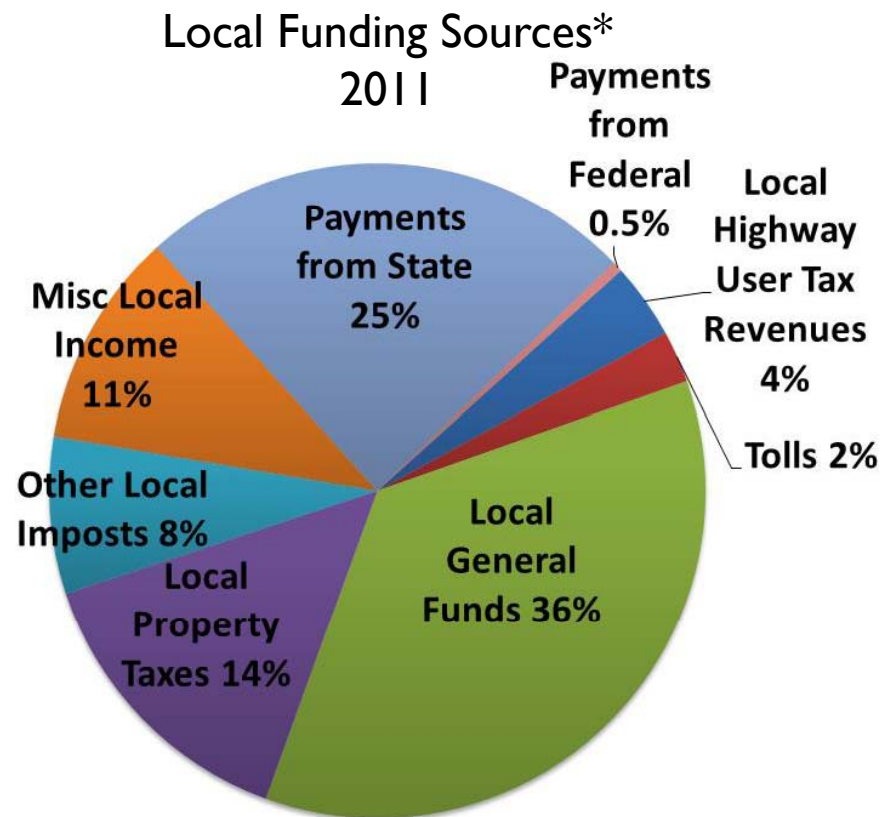




Local & Regional Highway Investment

Overview of Funding Approaches for Local & Regional Highway Investment

Roughly one-half of local funding for highways are provided by general funds and property taxes. A variety of other sources, including state and federal funding provide the remainder.



► Source: FHWA 2011 Highway Statistics, Table LGF-21 as of October 2012.

* Note: Excludes bond proceeds. Local funding sources shown can be leveraged to issue bonds and repay debt.



State Funding Mechanisms for Local & Regional Highway Investment

- ▶ **Direct Funding Support from State**
 - ▶ Flow through of Federal funds
 - ▶ Portion of state highway funding from:
 - ▶ Gas tax
 - ▶ Sales tax (general and auto-related)
 - ▶ Vehicle and driver fees
- ▶ **“Piggyback” Taxing Opportunities for Localities**
 - ▶ Vehicle registration fees
 - ▶ Sales taxes
 - ▶ Business license fees
 - ▶ Gas taxes

Local Funding Mechanisms for Local & Regional Highway Investment

Traditional Tax- and Fee-Based	Common Business, Activity, and Related	Project Revenues	New 'User' or 'Market-Based'
<ul style="list-style-type: none">• General Revenues• Sales Taxes• Motor Fuel Taxes• Property Taxes• Vehicle Fees (title, reg., tags, inspect.)• Advertising Revenues• Concession Revenues/Rest Stops	<ul style="list-style-type: none">• Employer/Payroll Taxes• Car Rental Fees• Vehicle Lease Fees• Parking Fees• Realty Transfer Taxes/Mortgage Recording Fees• Corporate Franchise Taxes• Room/Occupancy Taxes• Business License Fees• Utility Fees/Taxes• Income Taxes• Donations• Other Business Taxes	<ul style="list-style-type: none">• Value Capture / Beneficiary Charges (more common for transit)• Special Assessment Districts• Community Improvement Districts/Community Facilities Districts• Impact Fees• Tax Increment Financing Districts• Right-of-Way Leasing	<ul style="list-style-type: none">• Tolling• Congestion Pricing• Emission Fees• Vehicle Miles Traveled (VMT) Fees

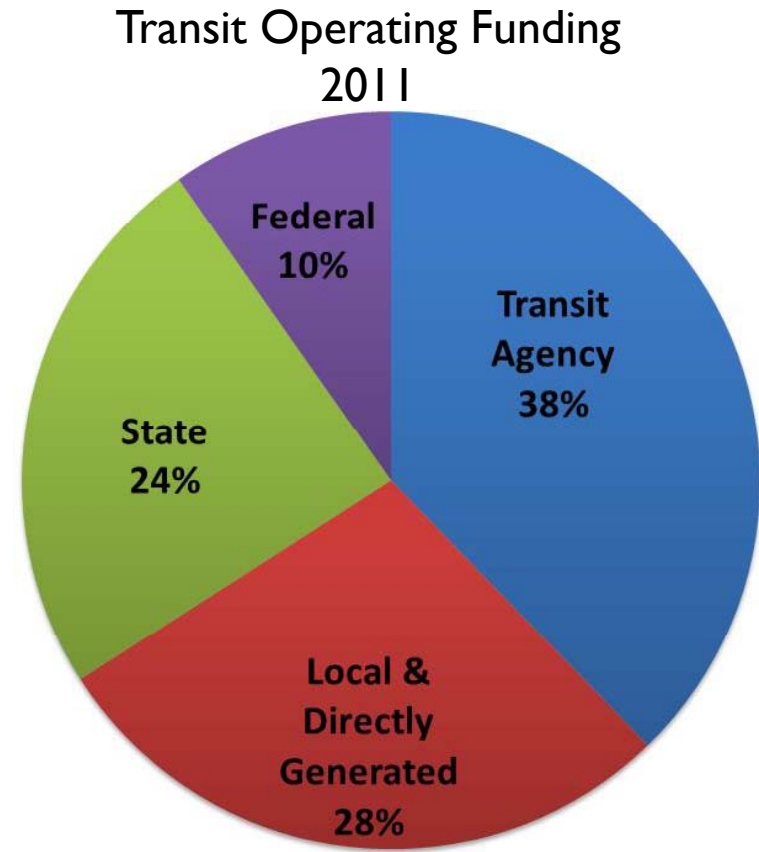
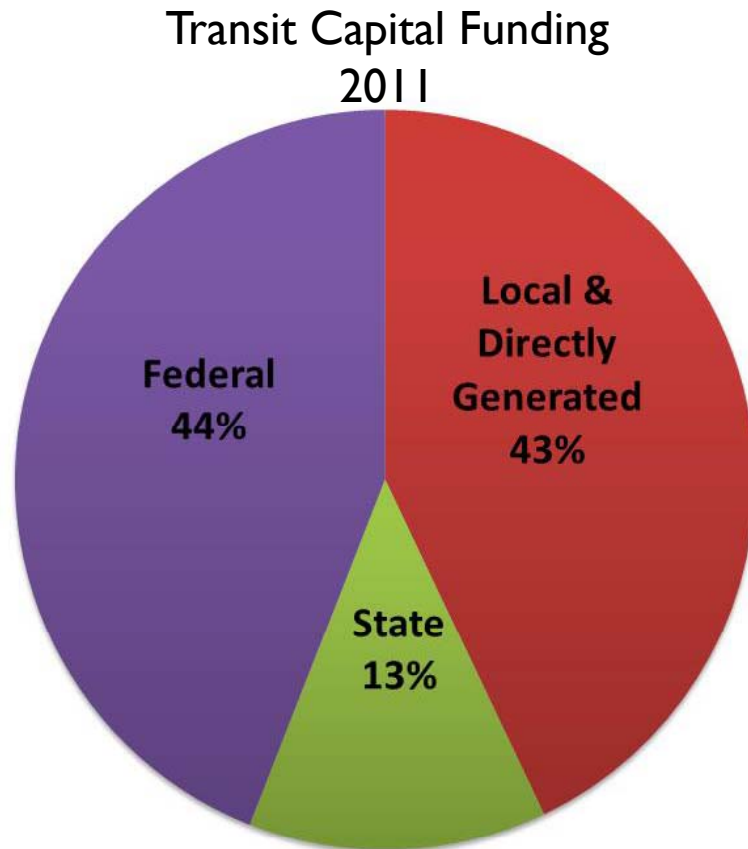
Source: Adapted from Transit Cooperative Research Program (TCRP). Report 129. Local and Regional Funding Mechanisms for Public Transportation. 2009.



Local & Regional Transit Investment

Transit Capital & Operating Funding by Level of Government

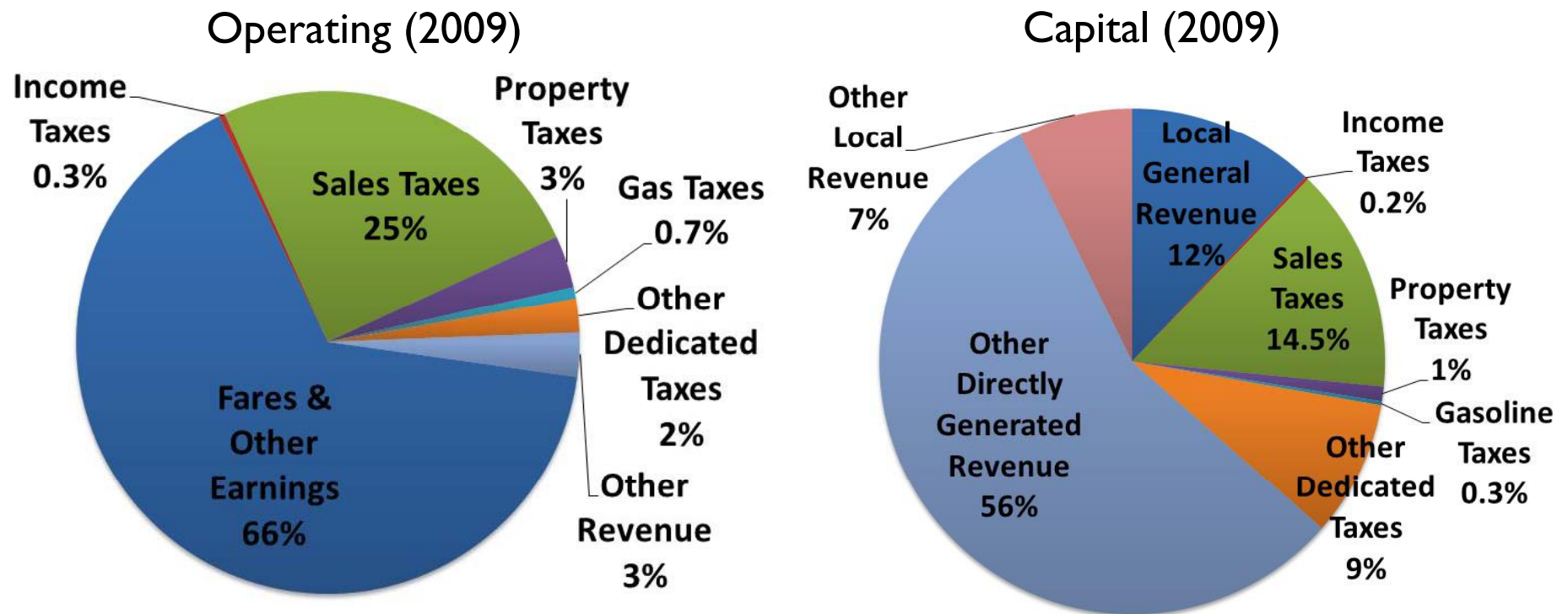
*Local and transit agency funding contributes two-thirds of operating costs
but a lesser share of capital costs.*



► Source: American Public Transportation Association (APTA) 2013 Public Transportation Fact Book (based on FTA's National Transit Database 2011)

Overview of Funding Approaches for Local & Regional Transit Investment

Among local and transit agency funding sources, fares and other agency revenues are the dominant source for operating costs while directly generated revenues of localities and transit agencies fund the majority of capital costs.



- Source: American Public Transportation Association (APTA) 2013 Public Transportation Fact Book (based on FTA's National Transit Database 2009, data no longer reported)

Transit Agency Types by Forms of Governance

Model	Examples	Primary Revenues	Distribution by Population
State Transit Agency	Maryland, New Jersey, Delaware, Rhode Island, Connecticut	<ul style="list-style-type: none"> •General revenues •Sales taxes •Fares/earned income (concessions, advertising, lease revenues, etc.) 	Unique/NA
General Purpose Transit Authority/District	Texas (metro, urban, rural), Washington State Public Transit Benefit Areas, Ohio Transit Authorities (Cleveland, Akron, Cincinnati, Toledo, Columbus), Florida County Transit Districts	<ul style="list-style-type: none"> •Sales tax or directly generated revenue are largest sources •Can tap larger proportion of directly generated revenue •Fares/earned income (concessions, advertising, lease revenues, etc.) 	>1 million: 49% 200,000-1 million: 54% <200,000: 31%
Special Purpose Regional Transit Authority/District	BART (San Francisco Bay Area), WMATA, UTA (Utah), RTD (Denver), CTA, Pace, Metra (Chicago)		
Municipal Transit Agency	Honolulu Transit (City of Honolulu), CATS (Charlotte, NC), City of Phoenix Public Transit Department, SFMuni (City and County of San Francisco)	<ul style="list-style-type: none"> •Somewhat greater balance across sources than authorities •Property tax use concentrated here •Also tap sales taxes •Fares and earned income (concessions, advertising, lease revenues, etc.) 	>1 million: 51% 200,000-1 million: 46% <200,000: 69%
Joint Exercise of Powers or Joint Powers Authority	JPB/Caltrain (Santa Clara, San Mateo, San Francisco Counties), Trinity Railway Express (DART and Fort Worth Transit), Virginia Railway Express (Northern Virginia and Potomac and Rappahannock Transportation Commissions)		

Sources: Transit Cooperative Research Program (TCRP). Regional Organizational Models for Public Transportation. Final Report. Booz Allen Hamilton. January 2011 and TCRP Report 129. Local and Regional Funding Mechanisms for Public Transportation. 2009.

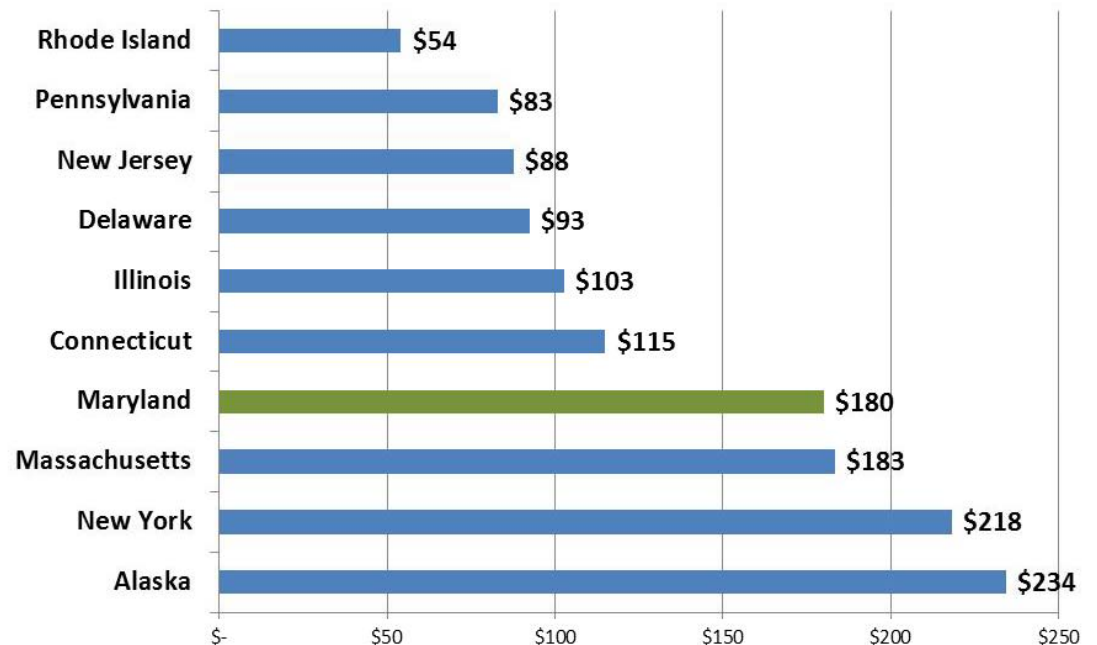
State Funding Mechanisms for Local & Regional Transit Investment

- ▶ **Direct Funding Support from State**
 - ▶ Flow through of Federal funds
 - ▶ Portion of state transportation funding from:
 - ▶ General revenues
 - ▶ Gas taxes
 - ▶ Sales taxes (general and auto-related)
 - ▶ Vehicle and driver fees
 - ▶ Lottery income and other misc. revenue sources
- ▶ **“Piggyback” Taxing Opportunities for Localities**
 - ▶ Vehicle and driver fees
 - ▶ Sales taxes (general and auto-related)
 - ▶ Business license fees
 - ▶ Gas taxes

State Transit Funding: Maryland is Unique

- ▶ State of Maryland owns and operates a transit system (Maryland Transit Administration)
- ▶ Maryland contributes the 6th largest amount of funding to transit (behind, NY, CA, IL, MA, & PA)
 - ▶ Maryland is 4th on a per capita basis (behind AK, NY, & MA)*

Top Ten States for Funding of Transit
Per Capita (FY2011)*



*Note: removed DC because per capita figure is artificially high (\$626) due to fact that WMATA extends beyond DC's boundaries and therefore serves a population much larger than that of DC. The per capita figure is calculated only for District investment per District resident population.

Source: AASHTO. Survey of State Funding for Public Transportation. Final Report 2013. Based on FY2011 data.

Federal 'New Starts' Grant Program

- ▶ Federal grant program to fund new transit systems and extensions to existing transit systems
- ▶ Approximately \$2 billion appropriated annually to about 20 projects in various stages of construction
 - ▶ Additional approx. 20 projects in evaluation phase
- ▶ Requires multi-step, multi-year project evaluation and rating process to be eligible
- ▶ Maximum federal share is 80% of project cost; requires local match
 - ▶ Level of local match affects rating



Local Funding Mechanisms for Local & Regional Transit Investment

Traditional Tax- and Fee-Based	Common Business, Activity, and Related	Project Revenues	New 'User' or 'Market-Based'
<ul style="list-style-type: none">• General Revenues• Sales Taxes• Property Taxes• Contract/Purchase-of-Service Revenues• Lease Revenues• Vehicle Fees and Taxes (title, reg., tags, inspect.)• Advertising Revenues• Concession Revenues	<ul style="list-style-type: none">• Employer/Payroll Taxes• Car Rental Fees• Vehicle Lease Fees• Parking Fees• Realty Transfer Taxes/Mortgage Recording Fees• Corporate Franchise Taxes• Room/Occupancy Taxes• Business License Fees• Utility Fees/Taxes• Income Taxes• Donations• Other Business Taxes	<ul style="list-style-type: none">• Transit-Oriented Development/Joint Development• Value Capture/Beneficiary Charges• Special Assessment Districts• Community Improvement Districts/Community Facilities Districts• Impact Fees• Tax Increment Financing Districts• Right-of-Way Leasing	<ul style="list-style-type: none">• Tolling• Congestion Pricing• Emission Fees• Vehicle Miles Traveled (VMT) Fees

Source: Adapted from Transit Cooperative Research Program (TCRP). Report 129. Local and Regional Funding Mechanisms for Public Transportation. 2009.

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Potential Best Practices & Lessons Learned

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Potential Best Practices & Lessons Learned: Every State is Different

- ▶ Taxing paradigms
- ▶ Split of responsibilities between state and local government
- ▶ Legislative authority granted to local governments
 - ▶ Home Rule - state constitution amendment grants localities the ability to pass laws to govern themselves as they see fit (within state and federal constitutions)
 - ▶ Dillon's Rule - locality must obtain permission from state legislature to pass a law/ordinance which is not specifically permitted under existing state legislation
- ▶ Local government structures
 - ▶ Overlapping vs. independent political subdivisions
 - ▶ City within County (e.g., Annapolis in Anne Arundel County, MD)
 - ▶ Independent City/County (e.g., Baltimore County, MD, Baltimore City, MD)
 - ▶ Strong vs. Weak Counties
 - ▶ Form of Government
 - ▶ Council-Manager
 - ▶ Mayor-Council

Sample of Recent Initiatives Affecting Local Transportation Investment

Inclusion of local funding as part of state and select local initiatives met with mixed success (2013 & 2012):

- ▶ **Failed**
 - ▶ NH: 2-year 5¢ per gallon gas tax for rural and town roads in state transportation plan
 - ▶ NV: Required return of percentage of special fuel tax revenue to county in which generated for use on county roads
 - ▶ PA: Required counties to put to referendum a countywide 1% sales and use tax for 10 years to fund transportation. 25% of funds would be allocated to PennDOT for projects in the county and 75% to the county with 20% of county's share designated for municipal projects
- ▶ **Enacted**
 - ▶ GA: 46 of 159 Georgia counties (or 3 of 13 regions) voted to implement a 1% local option sales tax for transportation (for 10 years) (Voters in the 10 county Atlanta metro region rejected the tax)
 - ▶ CO: Enables localities to spend portion of highway users tax revenues on transit projects
 - ▶ MN: Authorizes Olmsted County to impose up to 0.25% general sales tax and/or up to a \$10-per vehicle wheelage tax to pay a portion of medical center transit infrastructure costs with excess for other county transportation projects
 - ▶ OK: Increases in increments the percentage of Vehicle License and Registration Act fees allocated to county Improvements for Roads and Bridges Fund, reaching 20% in 2014
- ▶ **Other Examples of Interest**
 - ▶ MD: A special assessment district pioneered by the White Flint Partnership to convert Rockville Pike in north Bethesda into a pedestrian and transit oriented place
 - ▶ GA: Atlanta Downtown Improvement District is channeling revenues from a pre-existing assessment on downtown properties towards downtown streetcar project, providing up to \$20 million over 20 years

Primary source: National Conference of State Legislatures (NCSL). Transportation Funding and Finance Legislation Database.

