The Basics on How Public Transit is Funded

www.T4america.org
@t4america
Overview

- No transportation system usually pays for itself
- No transit system in the US pays for itself
- Yet we often use “farebox recovery” as fiscal test
- Broader economic benefits of transit
  - Not generally attributed to transit investment
  - Rarely factored into cost-benefit analysis
  - Rarely “captured” to help finance transit system
Roads Do Not “Pay for Themselves”
# Economic Benefits of Transit

## Short-Term Economic Impact per Billion Dollars of National Investment in Transit

<table>
<thead>
<tr>
<th>Economic Indicator</th>
<th>Impact per $1 Billion in Spending on Transit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jobs created</td>
<td>35,600 Jobs Created</td>
</tr>
<tr>
<td>Business Sales</td>
<td>$3.5 Billion in New Business Sales</td>
</tr>
<tr>
<td>GDP - Value Added (in Billions of Dollars)</td>
<td>$1.8 Billion Increase in GDP</td>
</tr>
<tr>
<td>Labor Income (in Billions of Dollars)</td>
<td>$1.6 Billion Increase in Labor Inc</td>
</tr>
<tr>
<td>Tax Revenue</td>
<td>$472 Million in New Tax Revenue</td>
</tr>
</tbody>
</table>

Demand for all forms of transit is booming
2014 MAJOR NEW TRANSIT INVESTMENTS US&CANADA

PROJECTS

BUS RAPID TRANSIT

COMMUTER RAIL

HEAVY RAIL

LIGHT RAIL

STREETCAR

CONVENTIONAL

DIESEL MULTIPLE UNITS (DMUS)

ELECTRIC MULTIPLE UNITS (EMUS)

NEW YORK CITY

DENVER (16)

HONOLULU

VANCOUVER

PROJECT COST

$815 BILLION TOTAL

COST EFFICIENCY

BILLIONS OF US DOLLARS

BRT CRT HRT LRT STREETCAR STATIONS

MILLIONS OF US DOLLARS PER MILE OF TWO-WAY SERVICE

БRT CRT HRT LRT STREETCARS

Transportation for America for America
Public Transit Sources of Revenue

2011 Public Transit Funding Sources (Billions of Dollars)

- $15.6 Fares etc
- $11.27 Federal
- $12.2 State
- $18.9 Local

Source: APTA 2013 Public Transportation Fact Book
Public Transit Sources of Revenue

Funding Sources for Transit:
**Federal**: STP Funds, New Starts, Small Starts, TIGER
**State**: Motor Fuel Taxes, General Fund Expenditures, Property Taxes, Income Taxes, Sales Taxes,
**Local**: Property, Income, Sales, License Fees, User Fees, Business Activity Taxes

**Financing Instruments**: General Obligation Bonds, Revenue Bonds, Tax Increment Bonds, Private Activity Bonds, TIFIA, RRIF

Source: APTA 2013 Public Transportation Fact Book
Highway and Transit Spending at the Federal, State, and Local Levels

*Highest Proportion of Transit Spending Nationally is at the Local Level*


Note: This figure excludes the roughly 2 percent of federal spending that flows directly to highway and transit infrastructure.
How Much Do States Spend of Their Own Dollars on Transit?

State spending on transit as a percentage of total transit spending, FY 2010-2012

Source: National Transit Database

State and Local Funding Sources

Exhibit 6-23 State and Local Sources of Transit Funding (Millions of Dollars)

- General Fund: $6,996.3 million, 23%
- Fuel Tax: $770.4 million, 3%
- Income Tax: $557.3 million, 2%
- Sales Tax: $7,697.5 million, 26%
- Property Tax: $445.4 million, 1%
- Other Dedicated Taxes: $2,622.1 million, 9%
- Other Public Funds: $10,829.1 million, 36%

Source: National Transit Database.

Capital vs Operating
Transit Funding: Operating vs Capital

- Two major kinds of budgeting: capital & operations
- Sources are different for both:
  - Fares cover some operating costs but not all
  - Feds major player in capital costs, not operating
- Funds for operations are usually tight
  - More local sources – sales taxes, ballot measures
  - Sometime agencies take capital funds to cover operations
  - Often a big focus on how to reduce operating costs
Capital Funding vs. Operating Funding

- Starting in 1998, Congress restricted federal transit funding to capital expenditures only (except for rural communities).
- Operational funding was to come from local and state sources.

**2012 Capital Funding Sources**
- Federal: 43.7%
- State: 11.9%
- Local: 44.4%

**2012 Operating Funding Sources**
- Federal: 8.9%
- State: 25.6%
- Local: 37.2%
- System-Generated: 28.4%

Source: APTA Fact Book 2014
2008 Operating Costs – “Big 7” Operators Nearly $2 billion

- **Operator’s Wages**: 17%
- **Fringe Benefits**: 34%
- **Other Wages**: 26%
- **Expenses Transfers**: 4%
- **Other Purchased Transportation**: 4%
- **Casualties and Liabilities**: 2%
- **Utilities**: 3%
- **Tires and Others**: 5%
- **Fuel and Lube**: 4%
- **Services**: 7%

Source: National Transit Database, “Big 7” only. Includes ferry, cable car and paratransit.
### Various Cost Metrics Compared

<table>
<thead>
<tr>
<th></th>
<th>All Bus Modes</th>
<th>Commuter and Hybrid Rail</th>
<th>Demand Response</th>
<th>Heavy Rail</th>
<th>Light Rail and Streetcar</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost per Vehicle Revenue Mile</strong></td>
<td>$9.29</td>
<td>$15.09</td>
<td>$3.41</td>
<td>$10.48</td>
<td>$16.36</td>
</tr>
<tr>
<td><strong>Cost per Unlinked Passenger Trip</strong></td>
<td>$3.70</td>
<td>$10.20</td>
<td>$24.89</td>
<td>$1.83</td>
<td>$3.16</td>
</tr>
<tr>
<td><strong>Cost per Passenger Mile</strong></td>
<td>$0.90</td>
<td>$0.42</td>
<td>$3.01</td>
<td>$0.39</td>
<td>$0.64</td>
</tr>
</tbody>
</table>

Source: APTA 2013 Public Transportation Fact Book
Denver RTD Capital vs. Operating

RTD Capital

- Private and local financing: 46%
- Federal grants: 39%
- Bonds: 15%

RTD Operating

- Sales Tax: 68%
- Passenger Fares: 17%
- Federal Grants: 12%
- Advertising: 1%
- Other: 2%

CATS/Charlotte Capital vs Operating

* Local operating assistance: 99% from the City of Charlotte, 0.9% from Mecklenberg County, 0.1% from Huntersville

Creativity in Funding Construction Costs
## Cleveland Health Line

<table>
<thead>
<tr>
<th>Financing</th>
<th>System Design</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Federal:</strong></td>
<td><strong>System and Alignment:</strong></td>
</tr>
<tr>
<td>• New Starts Grant: $82,200,000</td>
<td>• 7.1 miles with 36 stations with off-board</td>
</tr>
<tr>
<td>• Formula (FTA 5309): $600,000</td>
<td>fare collection</td>
</tr>
<tr>
<td><strong>State:</strong></td>
<td>• 4.5 miles of dedicated right-of-way</td>
</tr>
<tr>
<td>• Ohio DOT: $75,000,000</td>
<td>• Articulated diesel-electric hybrid buses</td>
</tr>
<tr>
<td><strong>Local:</strong></td>
<td><strong>Performance:</strong></td>
</tr>
<tr>
<td>• Greater Cleveland Regional</td>
<td>• 5 minute peak and 10-15 minute off-peak headways</td>
</tr>
<tr>
<td>Transit Authority: $20,800,000</td>
<td></td>
</tr>
<tr>
<td>• Cleveland Clinic: $3,400,000</td>
<td></td>
</tr>
<tr>
<td>• City of Cleveland: $8,000,000</td>
<td></td>
</tr>
<tr>
<td>• MPO: $10,000,000</td>
<td></td>
</tr>
<tr>
<td><strong>Ridership:</strong></td>
<td><strong>Population and Employment:</strong></td>
</tr>
<tr>
<td>• 15,100 weekday (2011)</td>
<td>• 41,000 population within ½ mile of the line</td>
</tr>
<tr>
<td><strong>Population and Employment:</strong></td>
<td>• 134,000 total employment within ½ mile of the line</td>
</tr>
</tbody>
</table>

Cleveland Health Line BRT

Funding for the Euclid Avenue/HealthLine Corridor*
in Millions of Dollars

- $200
- $150
- $100
- $50
- $0

- $82.2 New Starts
- $75.0 Ohio DOT
- $20.8 Transit Authority
- $3.4 Cleveland Clinic
- $8.0 City of Cleveland
- $10.0 MPO

41% Federal Grants
38% State Grants
21% Local Funds

*Project funding data provided by Greater Cleveland Regional Transit Authority.
Tucson, AZ Modern Streetcar

Funding for Tucson Streetcar in Millions of Dollars

- $63.0 TIGER Grant
- $5.9 New Starts
- $9.0 Federal Formula (STP)
- $6.0 AZ DOT (HURF)
- $2.0 City of Tucson
- $75.0 Sales Tax Revenue
- $48% Federal Grants
- 4% State Funds
- 48% Local Funds

Transportation for America
PORTLAND STREETCAR FUNDING

Operations

- 30 m/h max speed
- Single-car operation
- 13-min headways
- 19 hrs/day, 7 days/week
- Runs in street w/traffic
- Vintage car on weekends
Financing – Cost Elements

- Civil elements: $34.5
- Maintenance facility: $4.0
- Vehicles (7): $14.6
- Utility relocations: $3.8

Total: $56.9 million
## Financing - Revenues

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tri-Met funds</td>
<td>$5.0</td>
</tr>
<tr>
<td>Parking fund cash</td>
<td>$2.0</td>
</tr>
<tr>
<td>Parking bonds</td>
<td>$28.5</td>
</tr>
<tr>
<td>LID</td>
<td>$9.6</td>
</tr>
<tr>
<td>HUD funds</td>
<td>$0.5</td>
</tr>
<tr>
<td>TIF</td>
<td>$7.5</td>
</tr>
<tr>
<td>General fund</td>
<td>$1.9</td>
</tr>
<tr>
<td>Transportation funds</td>
<td>$1.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$56.9 million</strong></td>
</tr>
</tbody>
</table>
Portland’s Operations and Maintenance Plan

Total - $2.4 million/year
DENVER Planned Transit Network

Denver Eagle P3 Funding**
in Millions of Dollars

- **$2,000**
  - **$280** TIFIA Loan*

- **$1,500**
  - **$1,030** New Starts Grant

- **$1,000**
  - **$62** Fed. Formula Grants
  - **$92** Private Equity

- **$500**
  - **$397.8** Private Activity Bonds

- **$500**
  - **$203** Local Funds

*All federal loans and private bonds will have to be repaid with local funding.
**Denver Regional Transportation District “2011 Annual Report to DRCOG on FasTracks,” available through the following link: http://www.rtd-fastracks.com/main_54
By 2025, the Dulles Metrorail Extension is anticipated to annually reduce...

- 402 million vehicle miles
- 160 tons of CO2 emissions
- 15 tons of volatile compounds
- 130 tons of NO emissions
Importance of Local Ballot Measures
Transportation ballot measures pass at TWICE the rate of all other ballot measures.

This success holds across different regions, populations and party affiliations.

70% The average approval rate for public transportation ballot measures over the last 10 years

<table>
<thead>
<tr>
<th>Year</th>
<th>Approval Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>65% Approved</td>
</tr>
<tr>
<td>2007</td>
<td>66% Approved</td>
</tr>
<tr>
<td>2008</td>
<td>77% Approved</td>
</tr>
<tr>
<td>2009</td>
<td>73% Approved</td>
</tr>
<tr>
<td>2010</td>
<td>77% Approved</td>
</tr>
</tbody>
</table>
Ballot measures were considered nationwide from 2000–2010 to raise new revenues for transportation. What types of revenues did they seek?

<table>
<thead>
<tr>
<th></th>
<th>39% Sales Tax</th>
<th>26% Property Tax</th>
<th>11% Bonds</th>
<th>3% Vehicle Fee</th>
<th>3% Advisory / Non-Binding</th>
<th>18% Other</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><img src="image1" alt="Cart Icons" /></td>
<td><img src="image2" alt="House Icons" /></td>
<td><img src="image3" alt="Bonds Icons" /></td>
<td><img src="image4" alt="Vehicle Icons" /></td>
<td><img src="image5" alt="Person Icons" /></td>
<td><img src="image6" alt="Other Icons" /></td>
</tr>
</tbody>
</table>

Bonds have the most successful approval rates. They are far more common on statewide ballots than local and regional.

- Bonds: 84%
- Property Tax: 81%
- Sales Tax: 59%

*Each icon represents five transportation measures on ballots from 2000–2010.*
Conclusion

Making “transit pay for itself” not the answer

Federal government will continue to remain key funder
- Mostly for capital and construction “new starts/small starts”
- Increasingly for loan programs “TIFIA” – “RRIF”

Transit operating budgets will continue to be squeezed
- Cost efficiencies are critical – service, routes, labor
- But still need local funding more than ever
- Getting creative on local funding sources is key