

TRANSIT FINANCE COMPARISON

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OUTLINE

>Survey and summary of state and local taxes used for public transit subsidy

Major Taxes

- Sales Taxes
- Income / Payroll taxes
- Real estate taxes

State and Local General Fund Support for Transit

Minor Taxes

- Motor vehicle rental taxes

>Transit System Generated Funds

- Passenger Fares
- Charges for service

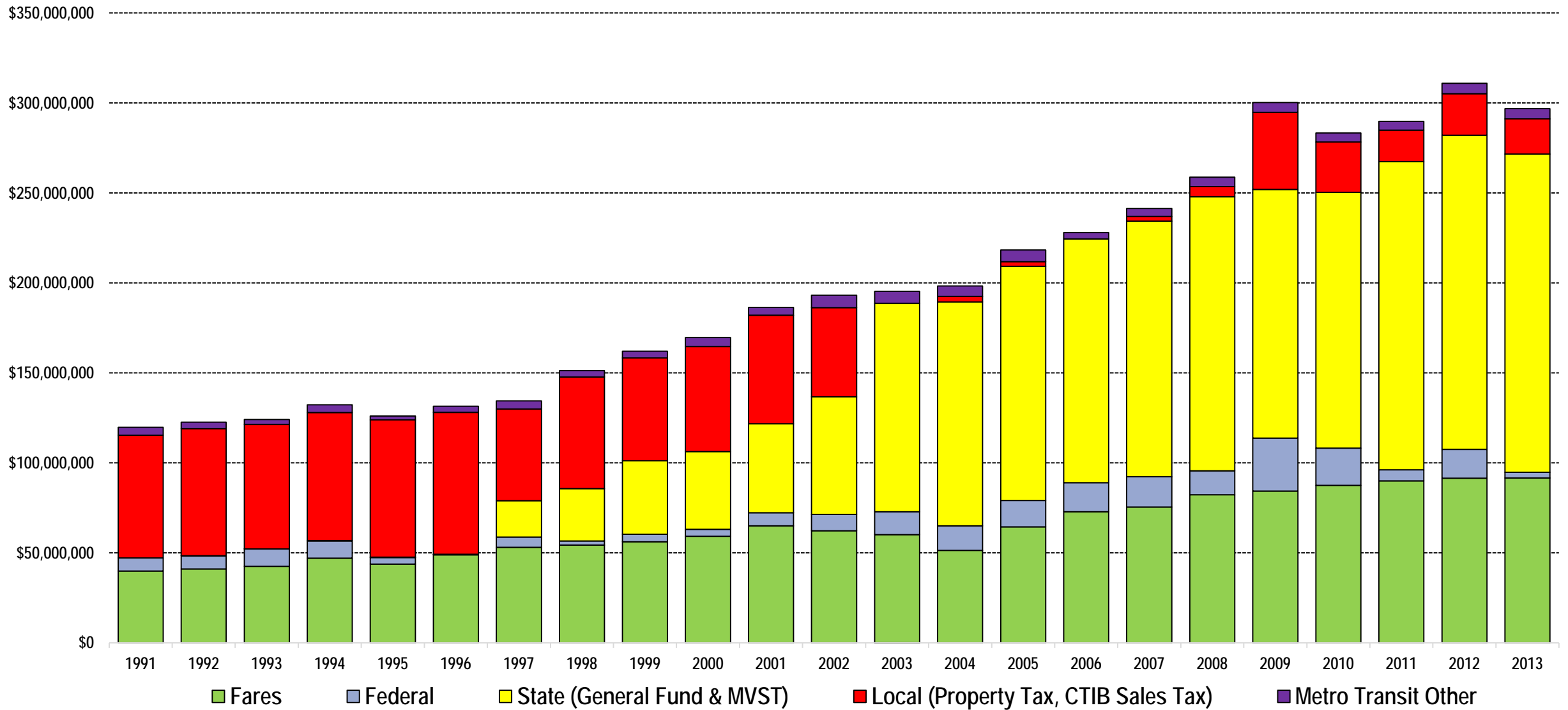
Farebox Recovery by Mode

DIFFICULT TO ASSEMBLE APPLES TO APPLES COMPARISONS

- >As many different ways to finance transit as transit systems
- >National Transit Data Base useful only to a degree
- >Primary source material Transit agency budgets and Annual Financial Statements

NO two revenues sources alike

National Transit Database Transit Operating Source Data for the Twin Cities 1991 to 2013 METRO TRANSIT (1)



Note: (1) Metro Transit Data from the NTD may not include or properly categorize local funds from Hennepin County for Hiawatha (Blue Line) operating costs between 2004 and 2008.

COMPARISON OF TAX TYPES WITH THE SUITS INDEX

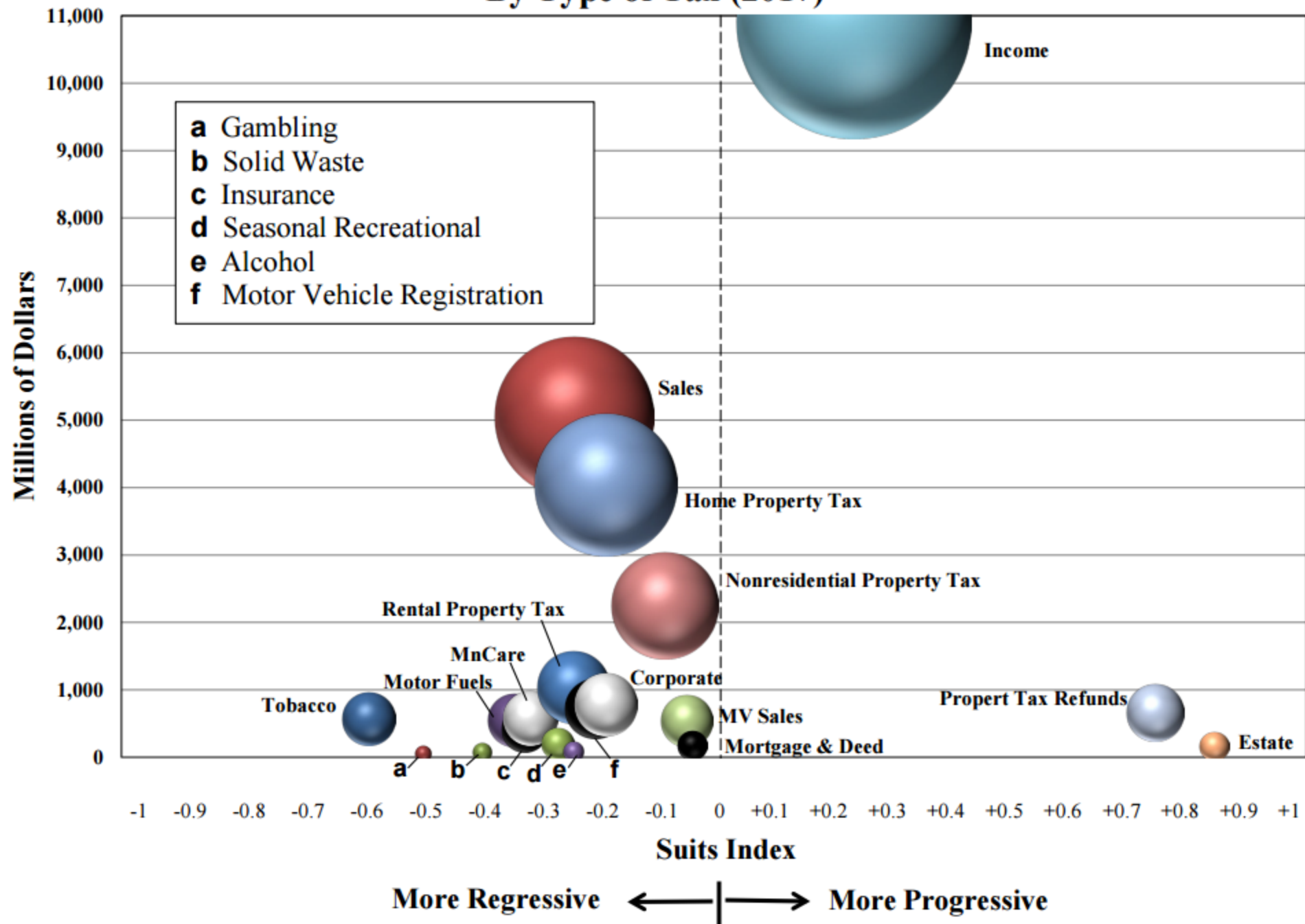
>Minnesota Department of Revenue 2015 Tax Incidence Study

>Comparison of Major Minnesota Taxes relative progressivity

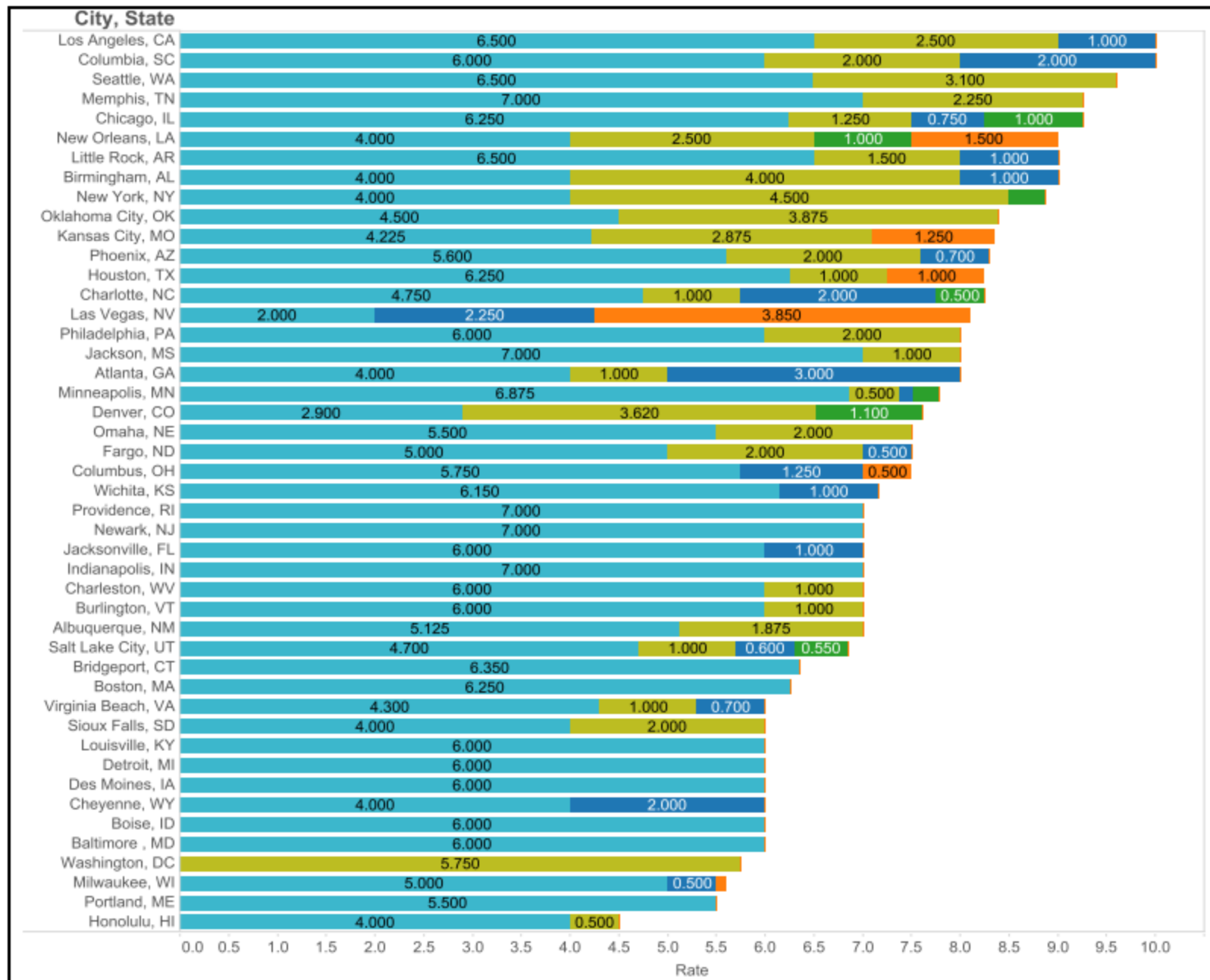
>Not all states include or exclude items Minnesota taxes or exempts

http://www.revenue.state.mn.us/research_stats/research_reports/2015/2015_tax_incidence_study_links.pdf (pages 58 & 70)

By Type of Tax (2017)



More Regressive ← | → More Progressive



Source: ORA analysis of data collected from a survey to State Revenue Department Officials. Cities with no state or local general sales tax: Anchorage, AK; Billings, MT; Manchester, NH; Portland, OR; and Wilmington, DE.

SALES TAXES – SINGLE TRANSIT AGENCY, SINGLE TAX

Denver – Regional Transit District (RTD)

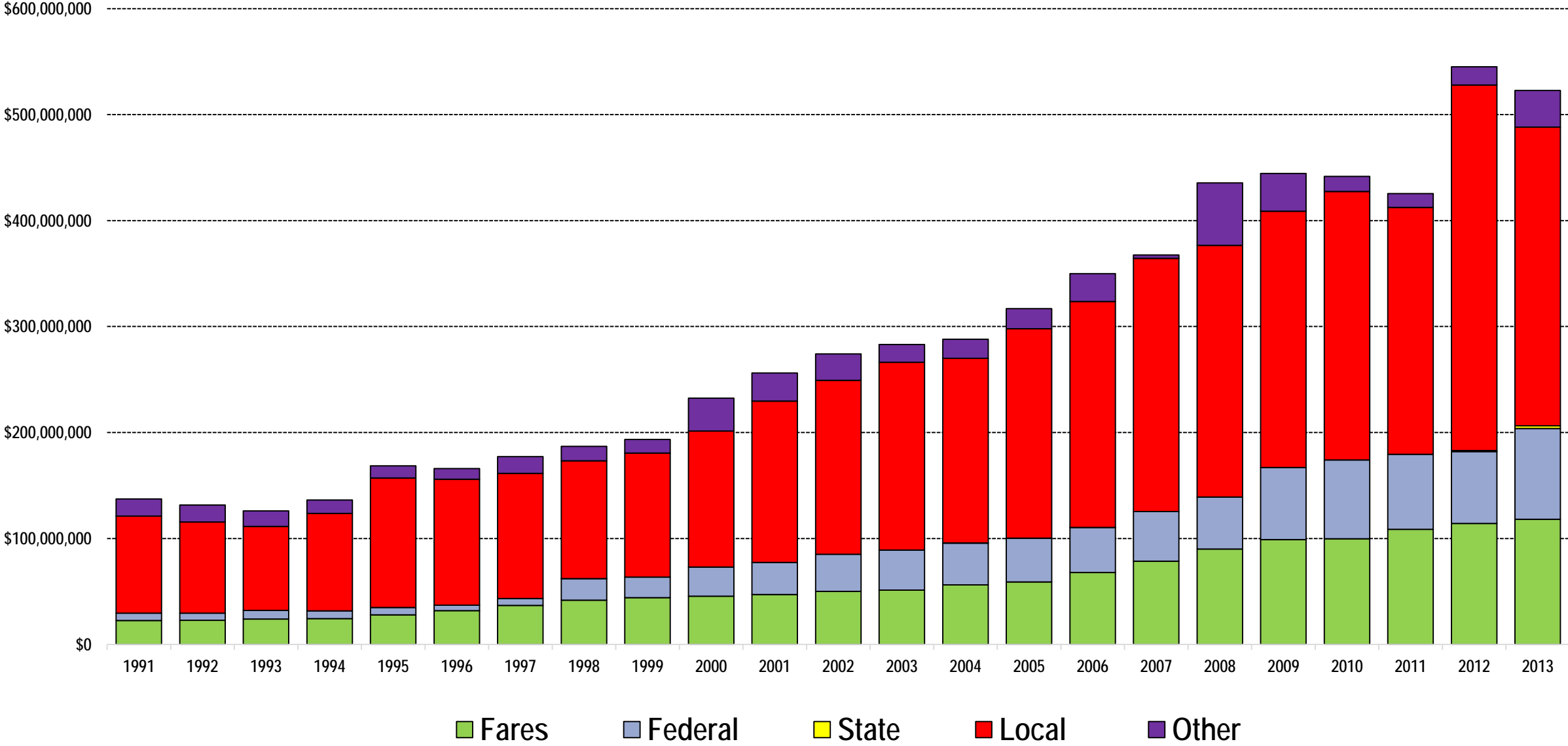
- Voter approved increase 0.4% sales tax from base tax of 0.6% to 1% in 2004
- RTD also levy's a 1% use tax
- Tax used for both Capital and Operating, regular route bus & rail
- Cost Increases and sales tax shortfalls will delay opening of transit lines
- Governance Structure – Board of Directors directly elected

<http://www.rtd-denver.com/documents/financialreports/2015comprehensive-annual-financial-report.pdf> (Page 9)

<http://www.rtd-denver.com/documents/financialreports/rtd-adopted-budget-2016.pdf>

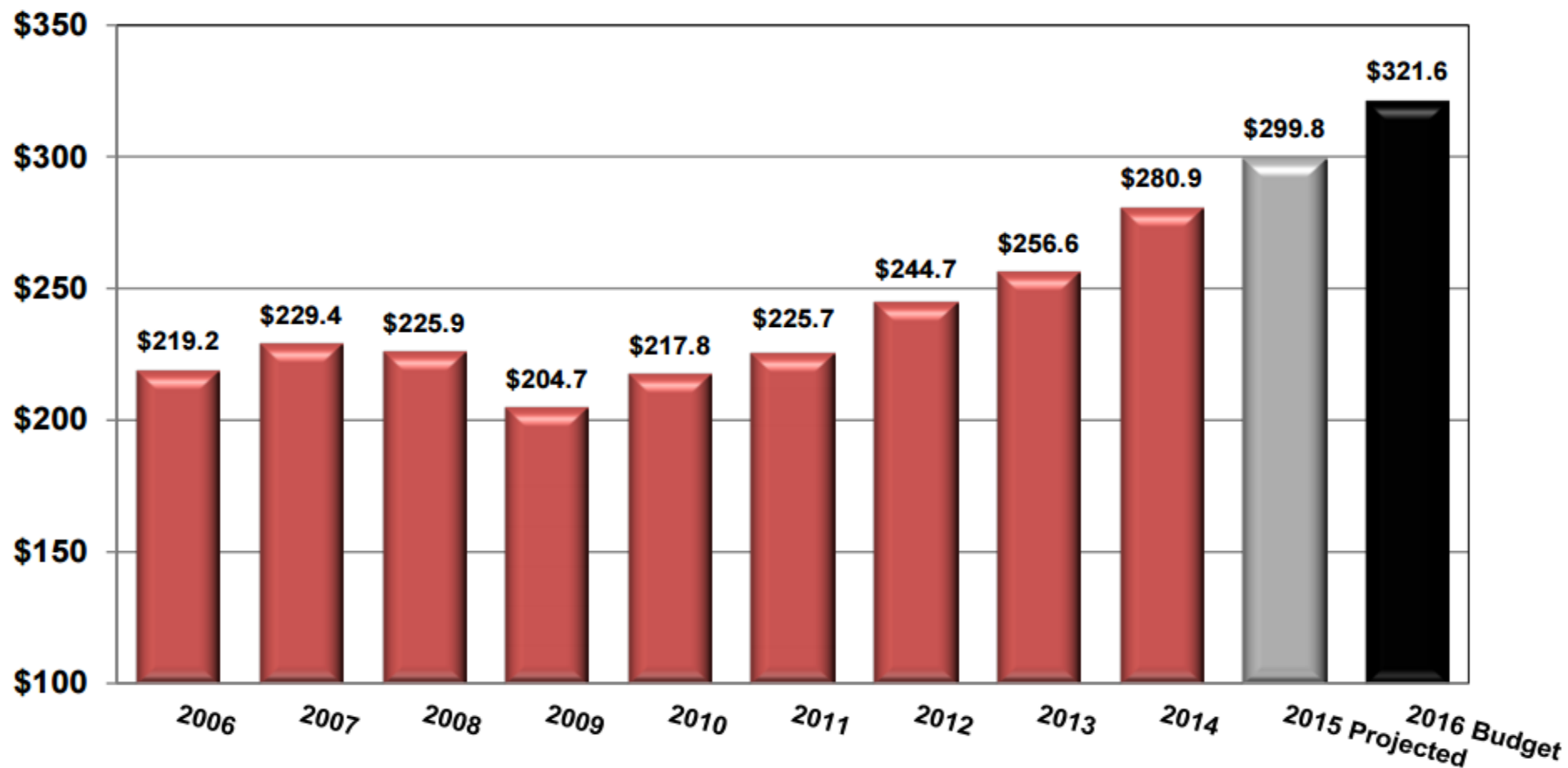
http://www.rtd-fastracks.com/wc_3

National Transit Database Transit Operating Source Data - DENVER (RTD)



successive year beginning in 2010. In 2014, collections increased 6.9% over the prior year. Per the CU-Leeds School September 2015 quarterly forecast, 2015 collections are projected to increase 6.7% over 2014 and the 2016 Adopted Budget reflects an increase of 7.3% over the 2015 projected level. Fueling this 2016 increase is a continued strong economic conditions including a projected decline in the Colorado unemployment rate and strong growth in personal income and retail sales.

RTD Base Sales Tax Revenues - 2006-2016 (millions of dollars)



SALES TAXES – SINGLE TRANSIT AGENCY, SINGLE TAX

Cleveland – Regional Transit Authority (RTA)

- Voter approved 1% Countywide sales tax in 1975 for transit**
- Tax used for both Capital and Operating, regular route bus & rail**
- Governance Structure – 10 member board appointed by City of Cleveland, suburban cities, and Cuyahoga County**
- Sales tax and ridership under performing**

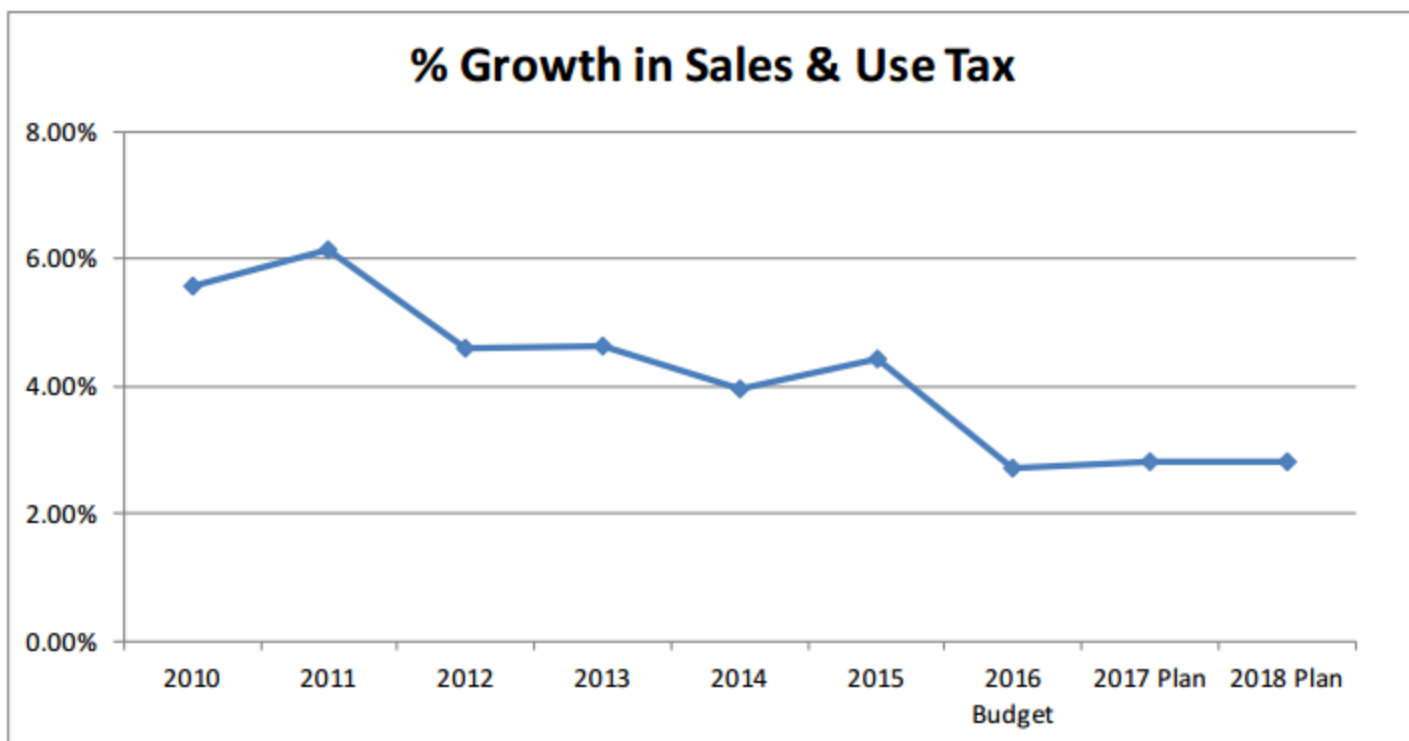
<http://www.riderta.com/sites/default/files/pdf/budget/2016/3-BudgetGuide.pdf>
(page 5)

<http://www.riderta.com/history>

<http://www.riderta.com/about>

Policy Statement: Program demands require that an adequate resource stream be maintained. The Authority must make the hard decisions required to assure a continued flow of resources.

Rationale: It is the policy of this Authority to take whatever steps are necessary to ensure full and continued funding for the services, programs, and facilities, which the Authority is required or elects to provide. The Authority should actively pursue whatever legitimate revenues it can locate to support the services its constituents demand.



Implementation: Sales & Use Tax is the largest revenue stream for the Authority. In 2009, Cuyahoga County experienced an historic decline, down 10.9%, nearly \$19 million. That same year, managed health care was added to the Tax base, which helped to increase revenues by \$5

million in 2010. From 2011 through 2014, Sales & Use Tax collections continued to increase, but at a decreasing rate. In 2015, Sales & Use Tax increased by 4.8%, slightly above the rates in 2013 and 2014, but monthly collections have been very inconsistent in 2014 and 2015. For 2016

SALES TAXES - SINGLE TRANSIT AUTHORITY, MULTIPLE RATES

Utah Transit Authority – UTA

- Multiple levels of service and sales tax participation at varied levels
- Tax used for both Capital and Operating, regular route bus & rail
- UTA does not have taxing authority, but receives funds from Counties at voter approved levels
- Rates vary from 0.3% to 0.6875%
- Governance – 16 member board appointed by local governments
- Sale tax applied to food

<http://www.rideuta.com/-/media/Files/Annual-Reports/2016MasterBudgetDocument.ashx?la=en>

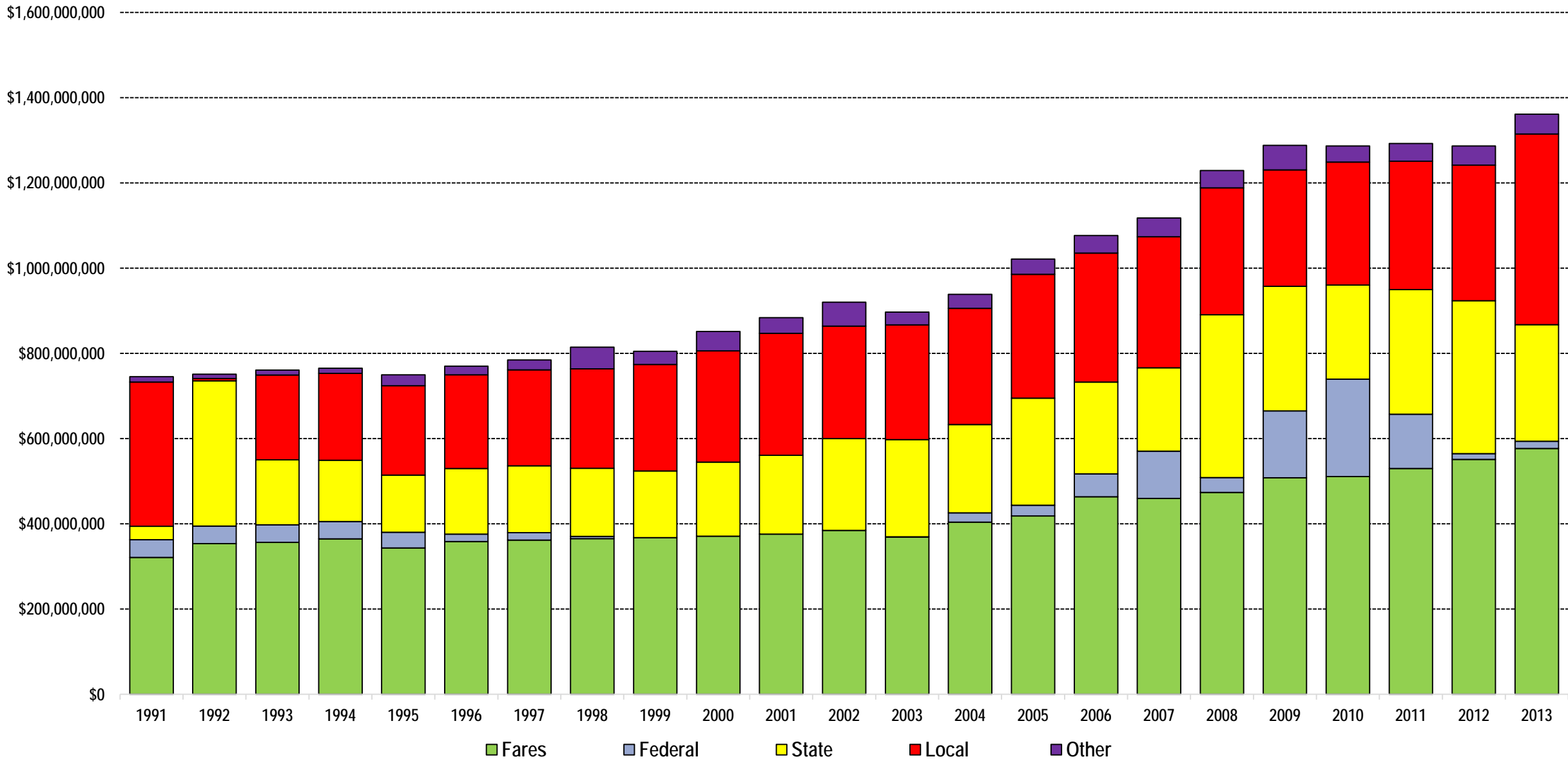
SALES TAX – DISTRIBUTION AGENCY, MULTIPLE TRANSIT PROVIDERS, TWO TAX RATES

Chicago – Regional Transit Authority

- Distributes Sales tax proceeds to Chicago Transit Authority, METRA, and Suburban Transit providers
- Sales Tax Rates from 1.25% in Cook County and 0.75% in collar counties
- State enabling legislation for taxation
- Pass through of state aid for Transit
- Governance – 16 member board appointed by counties and City of Chicago
- Statutory authority to levy other taxes including a real-estate transfer tax

<http://rtachicago.com/files/documents/businessandfinance/operatingbudget/2016%20RTA%20Budget%20Book.pdf>

National Transit Database Transit Operating Source Data for the Chicago Transit Authority 1991 to 2013



SALES TAXES – SINGLE TAX DISTRIBUTED TO OVERLAPPING TRANSIT AGENCIES

San Francisco Bay Area – Bay Area Rapid Transit District

- 0.5% sales tax & property tax levy, subject to voter approval
- 75% of sales tax proceeds for BART, 25% to local transit agencies
- Withdrawal of two counties from BART district (San Mateo & Marin)
- Voter Approval of three Bay Area counties in 1962
- Used for both Capital and operating
- Governance – directly elected members from participating counties

http://www.bart.gov/sites/default/files/docs/BART%20FY15%20SRTP_CIP%20web_0.pdf (pages 75 and 76)

http://mtc.ca.gov/sites/default/files/FY_15_MTC_CAFR.pdf

<http://www.bart.gov/about/history>

SALES TAXES – MULTIPLE TAXES, MULTIPLE OVERLAPPING TRANSIT AGENCIES

Seattle – Sound Transit

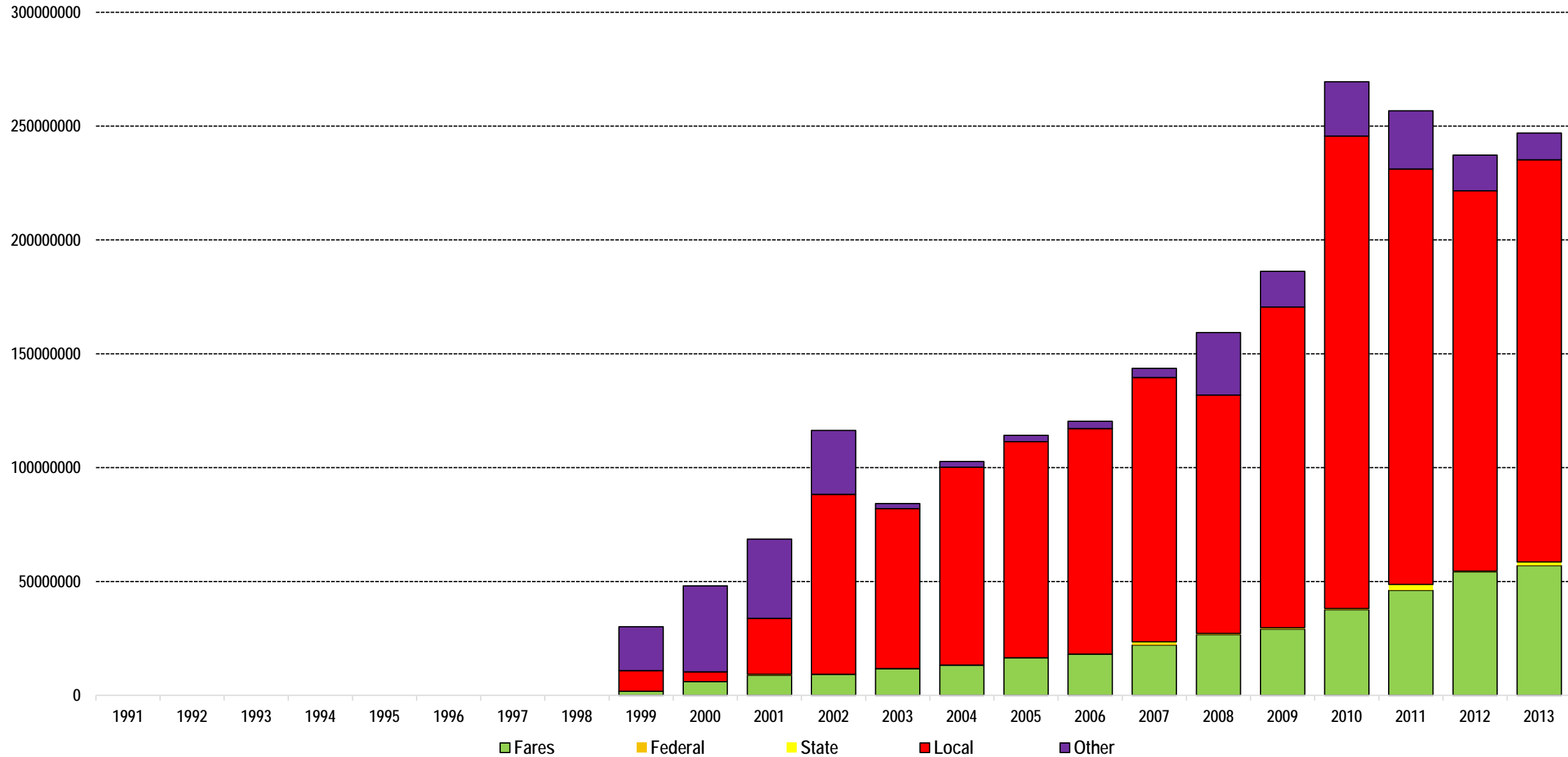
- **Overlapping regional transit agency similar to BART**
- **1996 and 2008 voter approved ballot measures for construction and operations of regional bus, Commuter Rail, and Light Rail**
- **0.9% sales tax**
- **District a subset of three counties**
- **Governance – Board made up of local and state appointed officials**

<http://www.soundtransit.org/sites/default/files/Adopted%202016%20Budget.pdf> (Pages 22 – 23)

<http://www.soundtransit.org/sites/default/files/sound-transit-2015-annual-report.pdf>

<http://www.soundtransit.org/rta>

National Transit Database Transit Operating Source Data for Sound Transit 1991 to 2013



SALES TAXES – SINGLE TAX TRANSIT AND ROAD USE

Phoenix – Maricopa County

- 0.5% Sales Tax for both transit and freeway construction
- Approved by voters in 1985 and extended in 2004
- Funding allocation by formula
- Use of funds determined by plan made by the Maricopa County Association of Governments

http://www.valleymetro.org/projects_and_planning/prop400_details

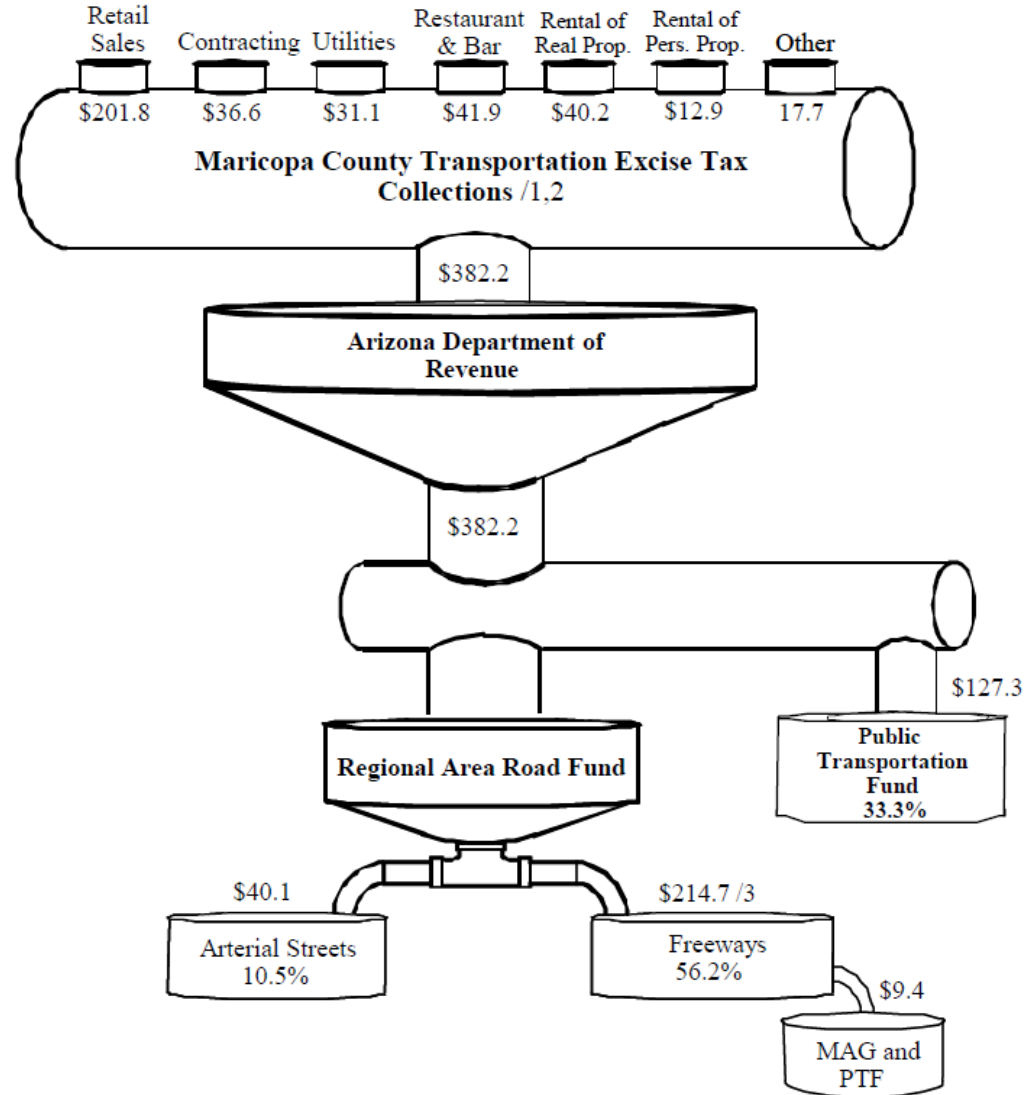
https://azdot.gov/docs/default-source/businesslibraries/rarftankchart_15.pdf?sfvrsn=4

<https://azdot.gov/about/FinancialManagementServices/transportation-funding/regional-area-road-fund>

MARICOPA COUNTY TRANSPORTATION EXCISE TAX

FY 2015 ACTUAL REVENUE DISTRIBUTION FLOW

(Millions of Dollars)



NOTES:

/1. Prop 300 expired on December 31, 2005 and Prop. 400 became effective on January 1, 2006. FY 2011 collections and distributions are a mix of both Prop. 300 and Prop. 400. Prop. 300 monies will continue over time due to adjustments, refunds and audits.

/2. Under Prop. 400, the Regional Area Road Fund (ADOT) receives the Freeways 56.2% and the Arterial Streets 10.5% revenues. MAG programs projects for the Arterial Streets 10.5% monies and then bills ADOT for the costs.

/3. A portion of the Freeways 56.2% monies are distributed equally to MAG and the Public Transportation Fund to be used for planning purposes.

Note: Total may not add due to rounding

OTHER SALES TAXES

Dallas – DART

- 15 city voter referendums to join DART in 1984 with 1% sales tax
- 2007-2008 shortfall in operating funds with resulted in additional capital borrowing

<https://www.dart.org/about/dartreferencebookmar16.pdf>

Houston – Harris County

- Used for both transit and roads, 1% rate

<http://www.ridemetro.org/MetroPDFs/FinancialAuditInformation/Budgets/FY2017-Draft%20Budget-Book-092216.pdf>

Los Angeles – Los Angeles County Metropolitan Transportation Agency (METRO)

- Various voter approved sales tax levies

<https://www.metro.net/about/library/about/home/>

[http://media.metro.net/about_us/finance/images/fy17_adopted_budget.pdf\(os-angeles-transit-history/\)\(Page 45\)](http://media.metro.net/about_us/finance/images/fy17_adopted_budget.pdf(os-angeles-transit-history/)(Page 45))

San Diego – MTS

- Voter approved and extended 0.5% sales tax

https://www.sdmts.com/sites/default/files/attachments/FY16_Approved_Budget_Online.pdf (Page 29)

PAYROLL TAXES

Portland Oregon – TriMet

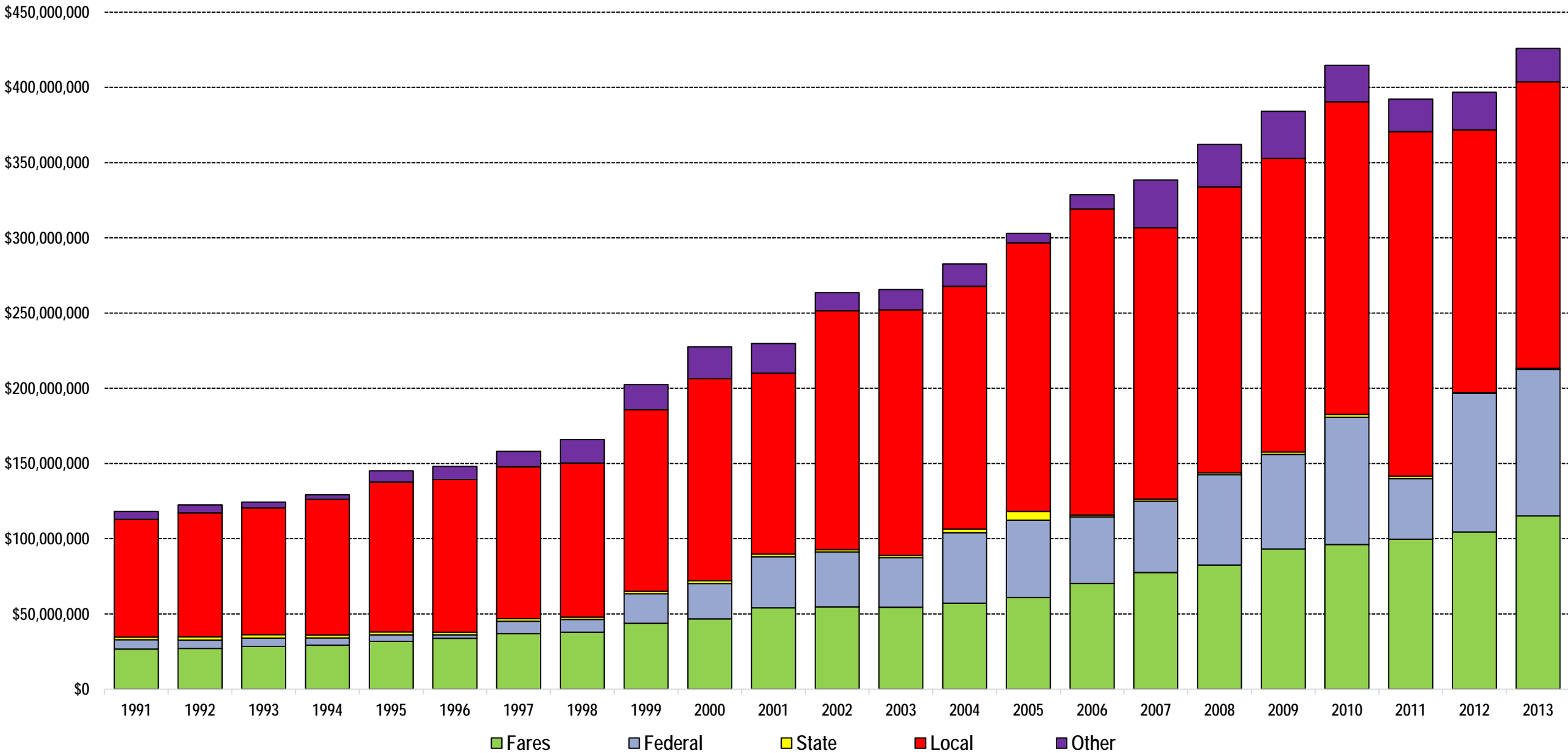
- Oregon has no Sales Taxes
- Transit taxing district encompassing three counties
- 0.5% Payroll tax adopted in 1969, subsequently increased to 0.6218% and increased to its current rate of 0.7218% in 2003 by the Oregon Legislature
- Used for capital and operating of bus and rail
- Governance – Board appointed by Governor

<https://trimet.org/about/governance.htm>

<http://trimet.org/budget/pdf/2017-financial-forecast.pdf> (Pages 27 to 31)

<https://trimet.org/pdfs/history/making-history.pdf>

National Transit Database Transit Operating Source Data for TriMet 1991 to 2013



PAYROLL AND OTHER TAXES

New York City – Metropolitan Transportation Authority (MTA)

- **Multiple funding streams**
- **Largest is from the state controlled Metropolitan Mass Transportation Operating Assistance Fund with business taxes, and motor vehicle and fuel taxes**
- **Second Largest is Payroll Mobility Tax, enacted in 2009 and administered by the State of New York and applied to a commuter district at a rate of 0.34%**
- **Mortgage recording tax, split between the MTA and suburban counties at a rate of 0.625% of the debt secured in real estate transactions**
- **In addition to dedicated taxes and tolls MTA also receives state aid**

<http://web.mta.info/mta/investor/pdf/2015/2015-CAFR.pdf> (pages 50 to 54)

http://web.mta.info/mta/budget/july2015/MTA_2016_Prelim_Budget_Financial_Plan2016-2019_Vol1.pdf (page 17)

<https://www.tax.ny.gov/pit/mortgage/mtgidx.htm>

STATE AGENCY

New Jersey – New Jersey Transit

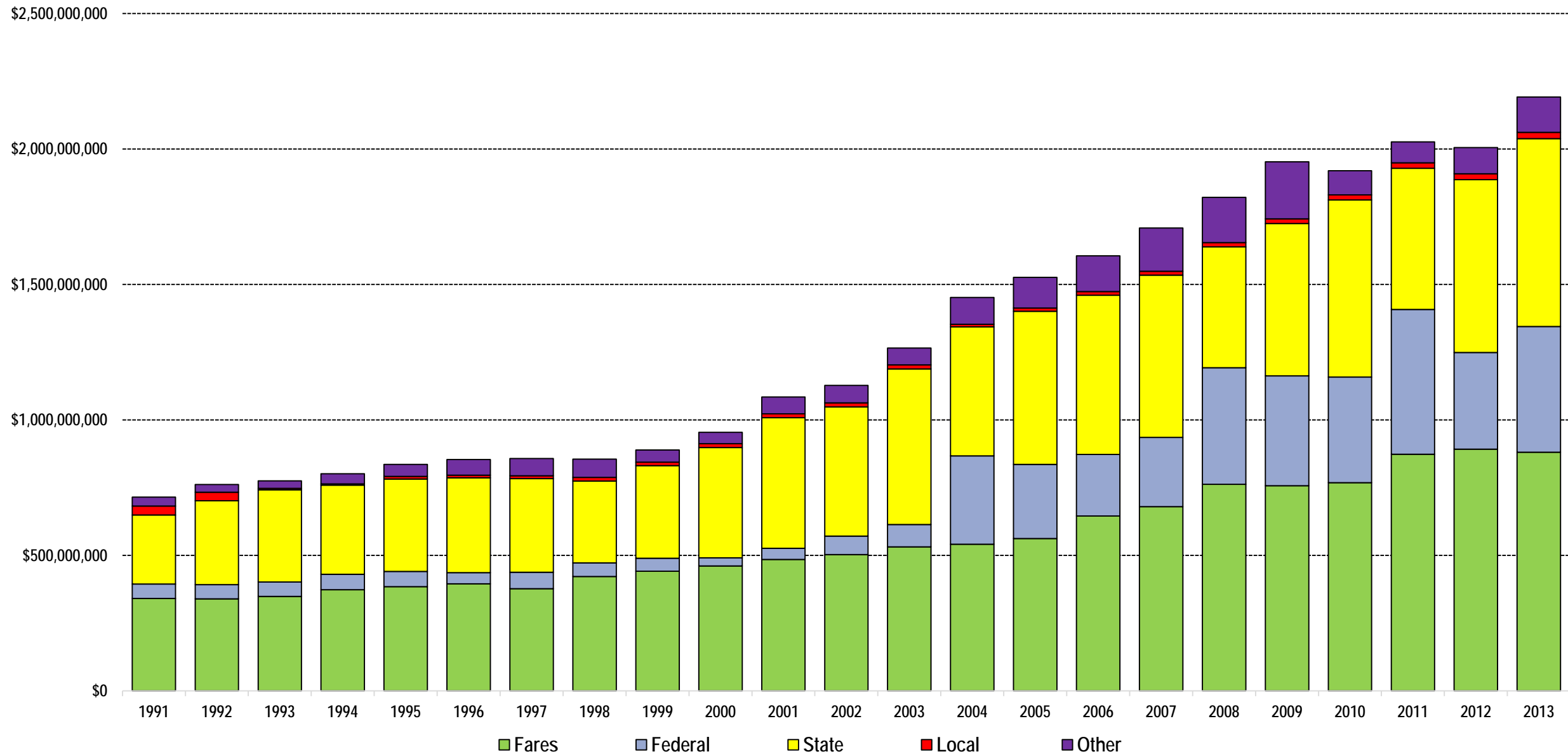
- Governance – Board appointed by governor**
- More reliant on passenger fares and charges for service**
- Fluctuating state support, subject to recent change with passage of statewide transportation legislation recently**
- Use of statewide transportation revenues and general fund**

http://www.njtransit.com/pdf/NJTRANSIT_2015_Annual_Report.pdf

<https://www.njtransit.com/pdf/FactsAtaGlance.pdf>

Maryland – MTA

National Transit Database Transit Operating Source Data for New Jersey Transit 1991 to 2013



STATE SUPPORT

Pennsylvania – SEPTA & Port Authority of Allegany County

- Majority of non fare, non Federal operating assistance and capital funding from State (Turnpike Authority)**
- Mostly motor vehicle taxes, fuel taxes, and tolls**
- 15% local match requirement**

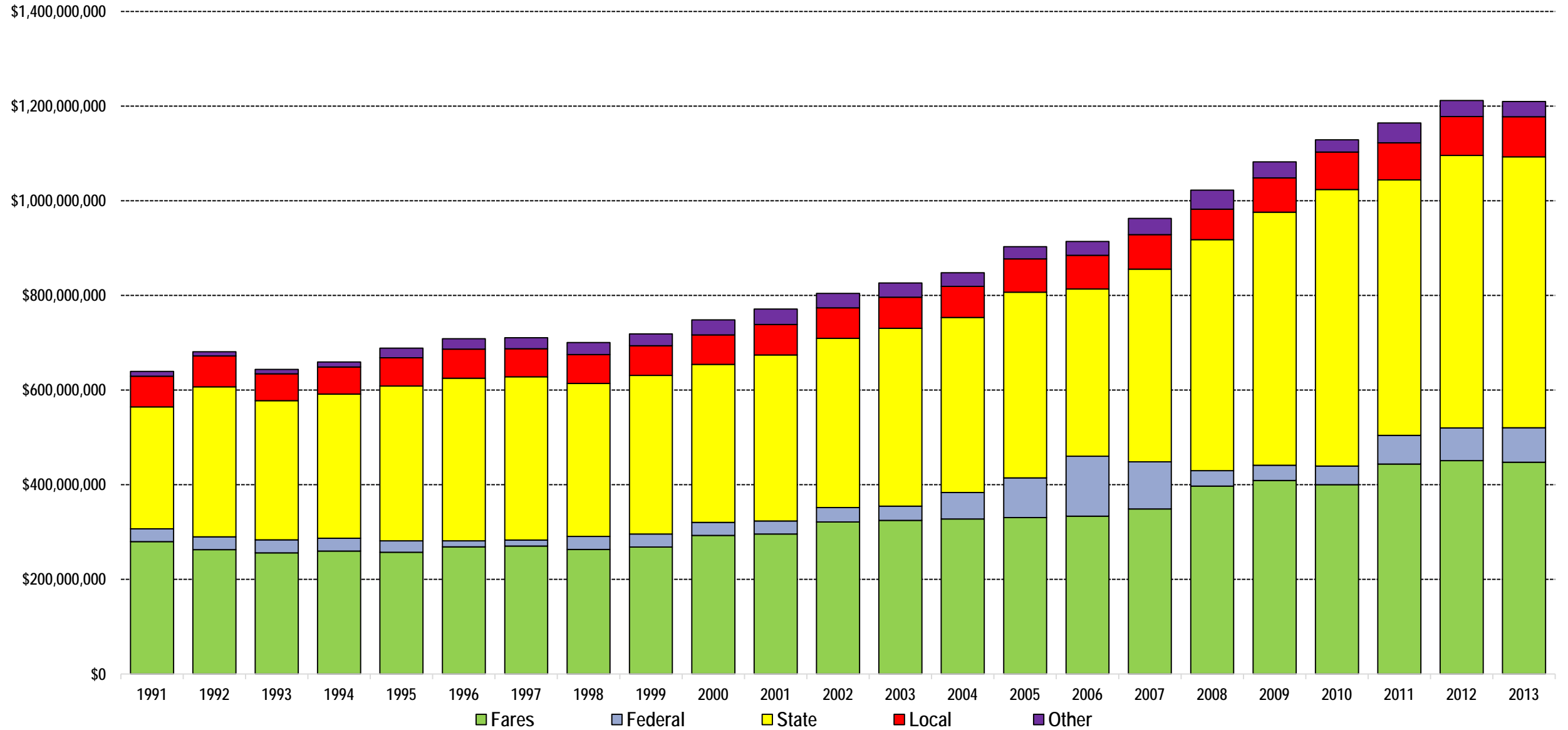
https://www.paturnpike.com/business/act44_plan.aspx

<http://septa.org/strategic-plan/reports/annual-2015.pdf>

<http://septa.org/strategic-plan/reports/capbudget16-proposal.pdf>

<http://www.portauthority.org/paac/portals/capital/budgetbooks/BudgetBook2016.pdf> (page 8 & 9)

National Transit Database Transit Operating Source Data for SEPTA 1991 to 2013



LOCAL AND STATE GENERAL FUND

Washington D.C. – WMATA

- Governance WMATA board appointed by local governments in service area
- WMATA Capital and Operating budget supported by contributions from county, city and state general funds
- Budget or ‘ask’ of each locality mostly made at the WMATA board level before official requests of local units of governments and states

http://www.wmata.com/about_metro/docs/FY2017%20Proposed%20Budget.pdf
(page 129)

<http://greatergreaterwashington.org/image.cgi?src=201603/181215.png&ref=30165>
(please print)

OTHER LOCAL GENERAL FUND SUPPORTED TRANSIT SYSTEMS

Seattle – King County Metro Transit

<http://kingcounty.gov/~media/depts/executive/performance-strategy-budget/budget/2017-2018/17-18BudgetBook/PE-Book-Pages-FINAL-092816.ashx?la=en> (page 168)

Miami Dade County

<http://www.miamidade.gov/budget/FY2016-17/proposed/library/appendix-n.pdf>

<http://www.miamidade.gov/transit/library/2015-financial-statement.pdf>

MINOR TAXES – VEHICLE RENTAL TAXES

- **Colorado**

<https://www.codot.gov/projects/faster>

- **Seattle**

- <http://www.soundtransit.org/sites/default/files/Adopted%202016%20Budget.pdf>

TRANSIT SYSTEM REVENUES

NON PASSENGER FARE SOURCES

>Parking

>Advertisement

>Contracts with other governments

>Tolls if part of road authority

PASSENGER FARES

>Type of Transit System Factor into Fare Recovery Ratio

- Legacy Systems
- Post War Rail Systems
- Large Sunbelt Cities
- Peer Regions

LEGACY SYSTEMS

>New York City, Boston, Chicago, Philadelphia

- Extensive rail systems built at least partly privately or publicly starting in the 1920s
- 1930s to 1960s consolidation and public ownership
- Physical deterioration and selective renewal or demolition 1960s to 2000s
- High fare recovery, high urban employment and residential density
- Highway networks unable to meet all regional mobility needs
- Older Commuter suburbs
- Transit agencies face ongoing capital needs backlog, structural deficits

POST WAR RAIL SYSTEMS

>Atlanta, San Francisco Bay Area, Washington D.C.

- Metro Regions experienced massive growth during and after World War 2
- Inadequate or failing streetcar or bus networks
- Medium residential and employment density
- With the exception of Atlanta, incomplete or blocked highway networks
- Large federal capital participation in building complete rail systems
- Rail systems oriented more for longer distance commuters
- Inflation in the 1970s increased capital costs beyond projections
- Transit agencies face ongoing capital needs backlog, structural deficits

LARGE SUNBELT CITIES

>Los Angeles, Phoenix, Houston, Dallas, Miami,

- Metro Regions experienced massive growth after World War 2 and continuing today
- low residential density, most employment outside central cities
- Highway networks able to serve almost every regional movement
- Rail systems built in the 1990s to 2010s, serve only select corridors

PEER REGIONS

>Denver, Portland OR, Seattle, Sacramento, San Diego, Pittsburg, Cleveland, Charlotte, Salt Lake City, St. Louis, Baltimore

-Metro Regions experienced growth after World War 2 and continuing today, though not as much as Sun Belt regions

-low residential density, most employment outside central cities

-Highway networks able to serve almost every regional movement

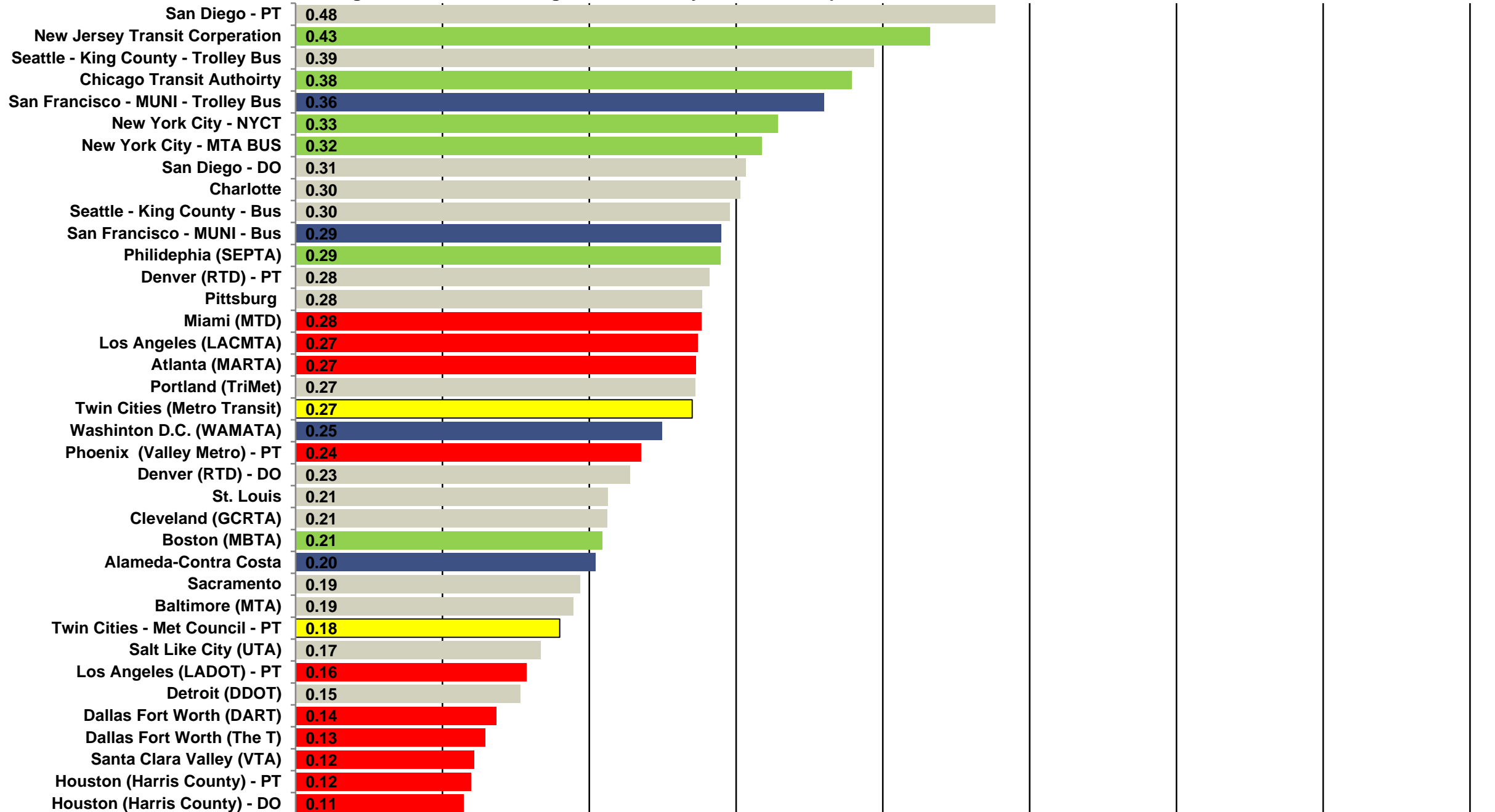
-Rail systems built in the 1970s to 2010s, serve only select corridors

-Cost of providing rapid transit or substantially increasing speed of transit in most used transit existing corridors usually too costly

FARE BOX RECOVERY BASICS

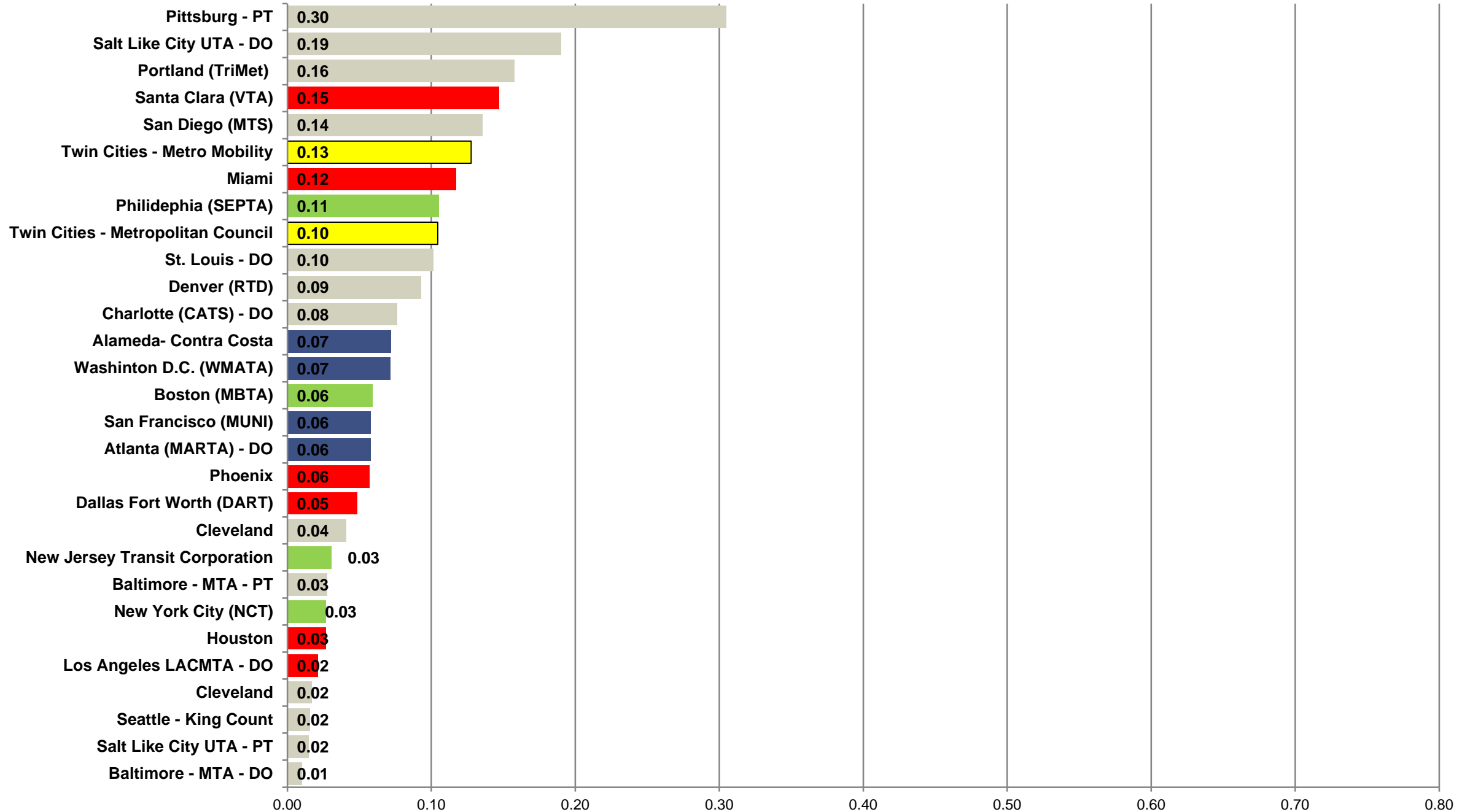
- **One of a number of metric for measuring transit efficiency**
 - Operating costs covered by passenger fares**
 - Influenced by ridership, type of service provided, land use, and level of service**
 - Does not always include capital maintenance, replacement costs or initial capital investment (rail, stations, bus shelters or park and ride)**

Regular Route Bus Passenger Fare Recovery Ratio - 2014 Report Year NTD

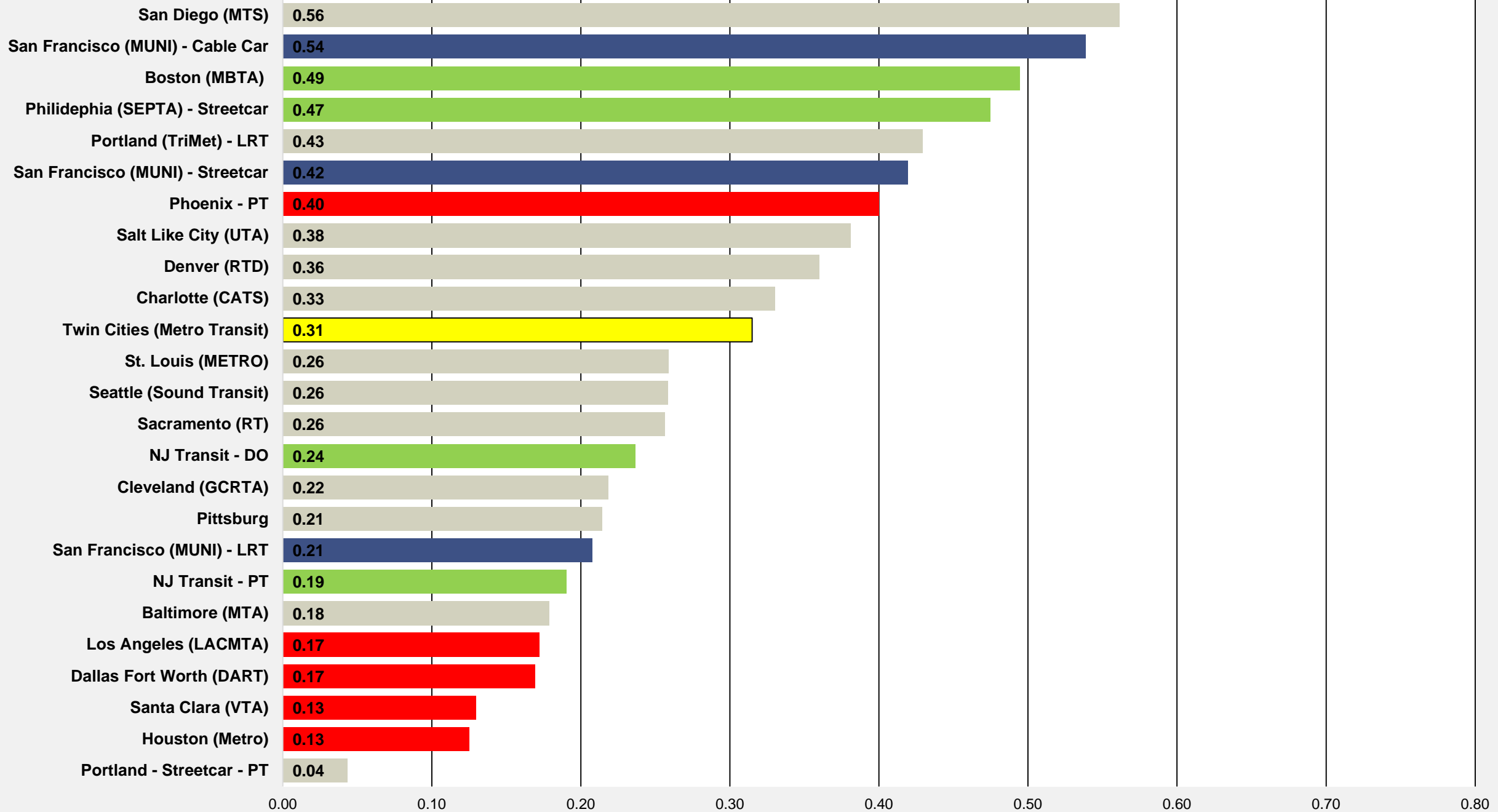


Note: DO - Direct Operation by Agency, PT - Purchased Transit, unless otherwise noted all transit operators are DO, with some agencies using both DO and PT

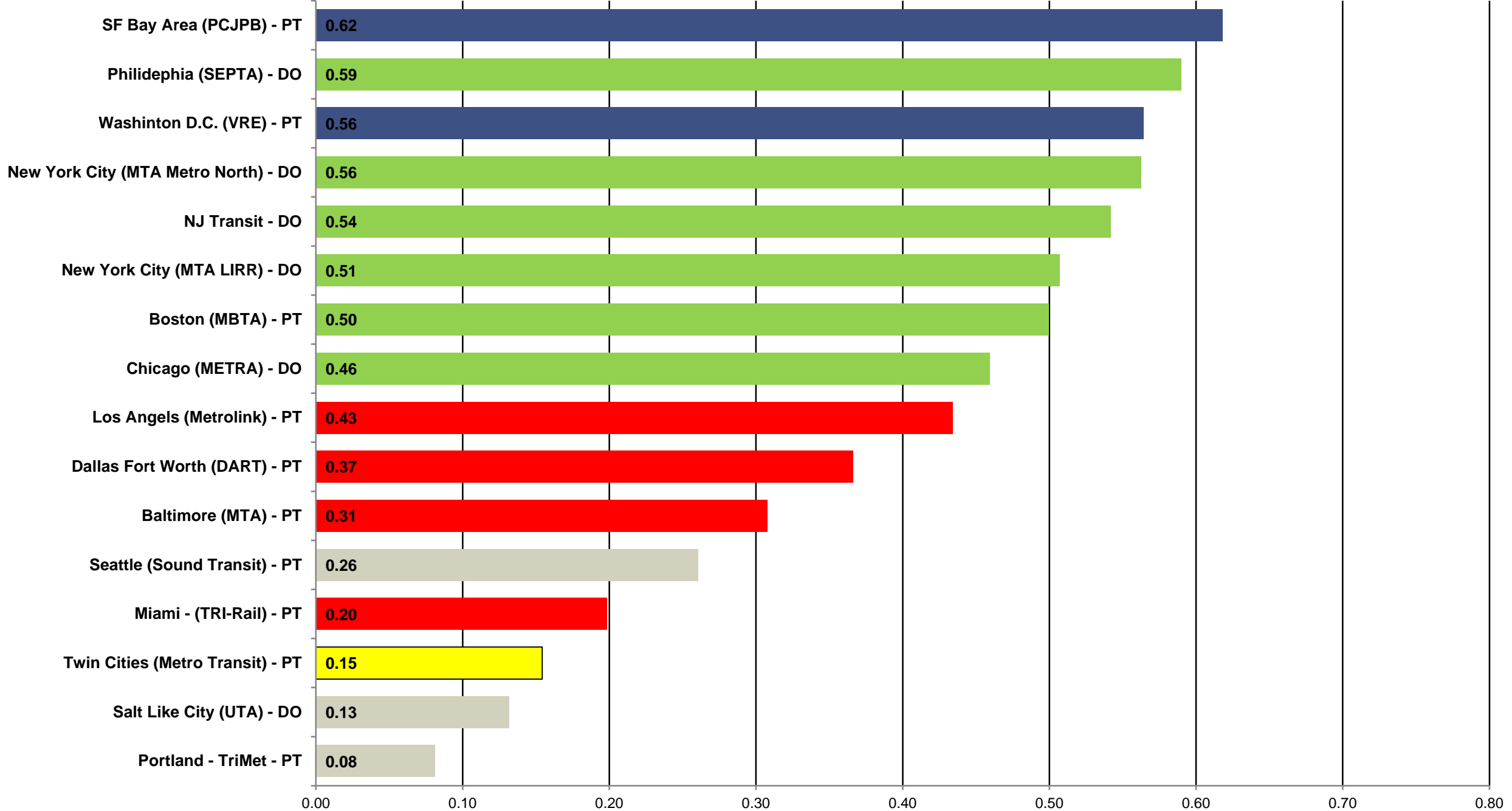
Demand Response Passenger Fare Recovery Ratio - 2014 Report Year NTD



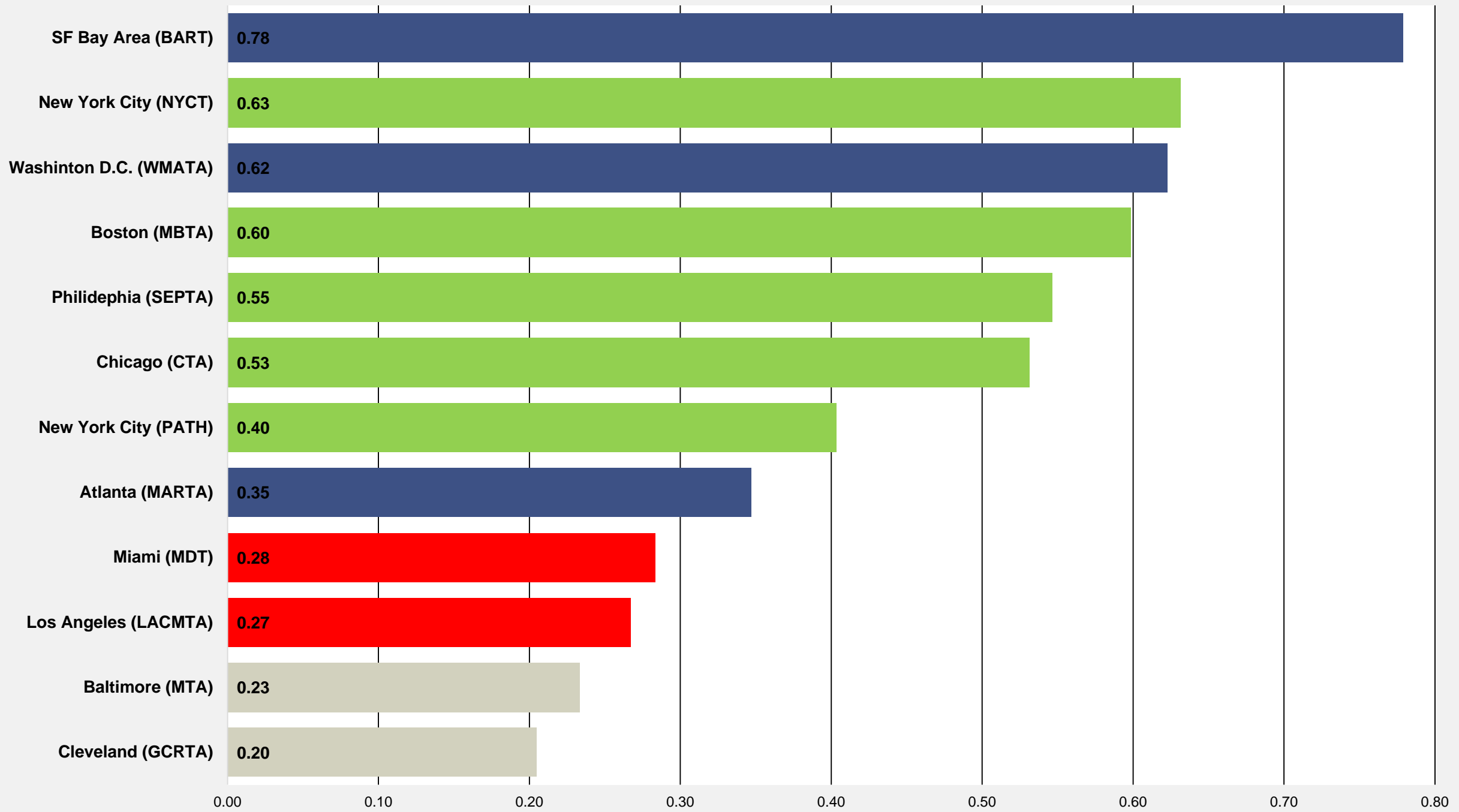
Light Rail Passenger Fare Recovery Ratio - 2014 Report Year NTD



Commuter Rail Passenger Fare Recovery Ratio - 2014 Report Year NTD



Rapid Transit Passenger Fare Recovery Ratio - 2014 Report Year NTD



THANK YOU!

Questions?