Transportation for America

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

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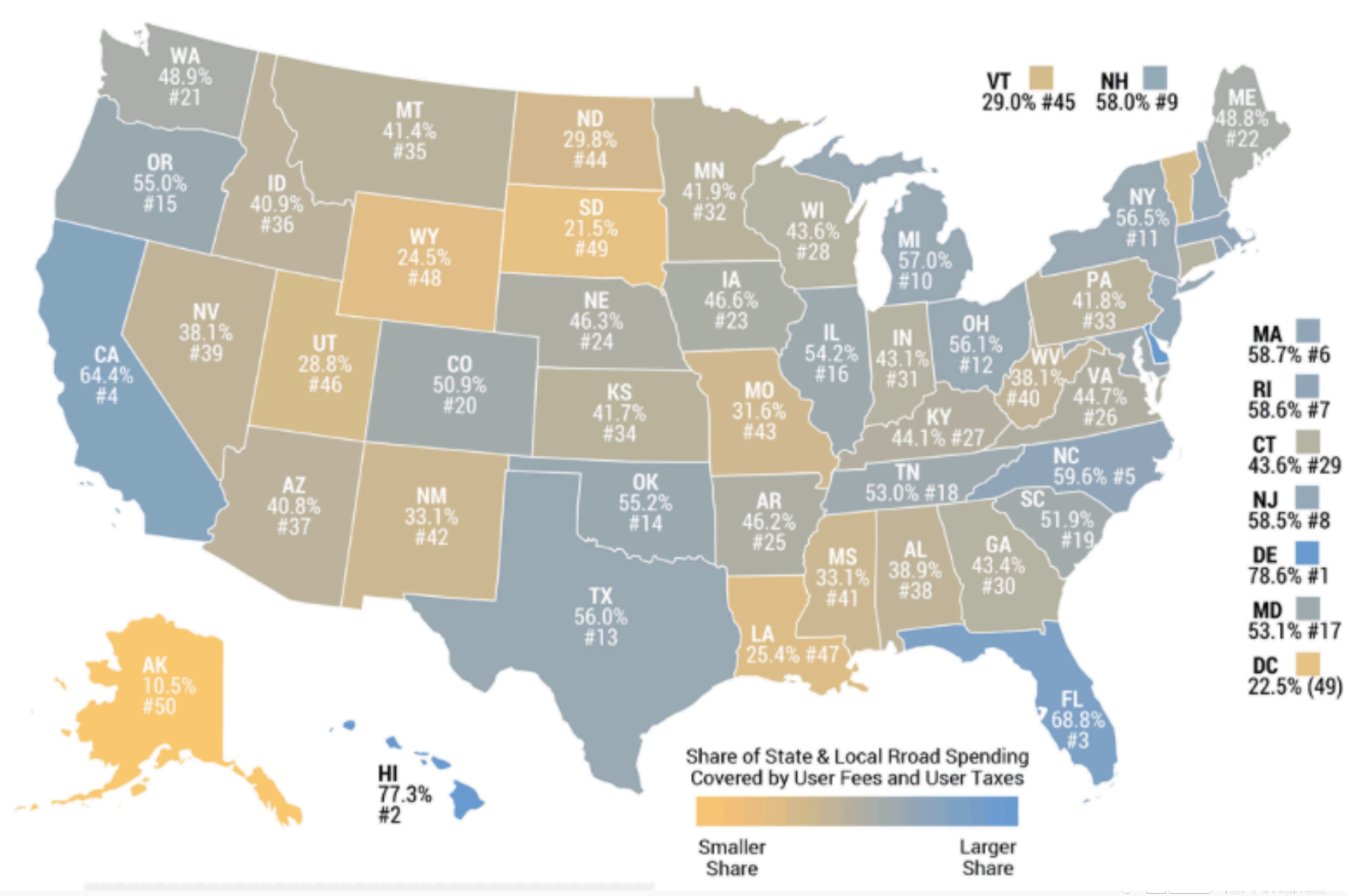
Roads Do Not “Pay for Themselves”



Economic Benefits of Transit

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

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

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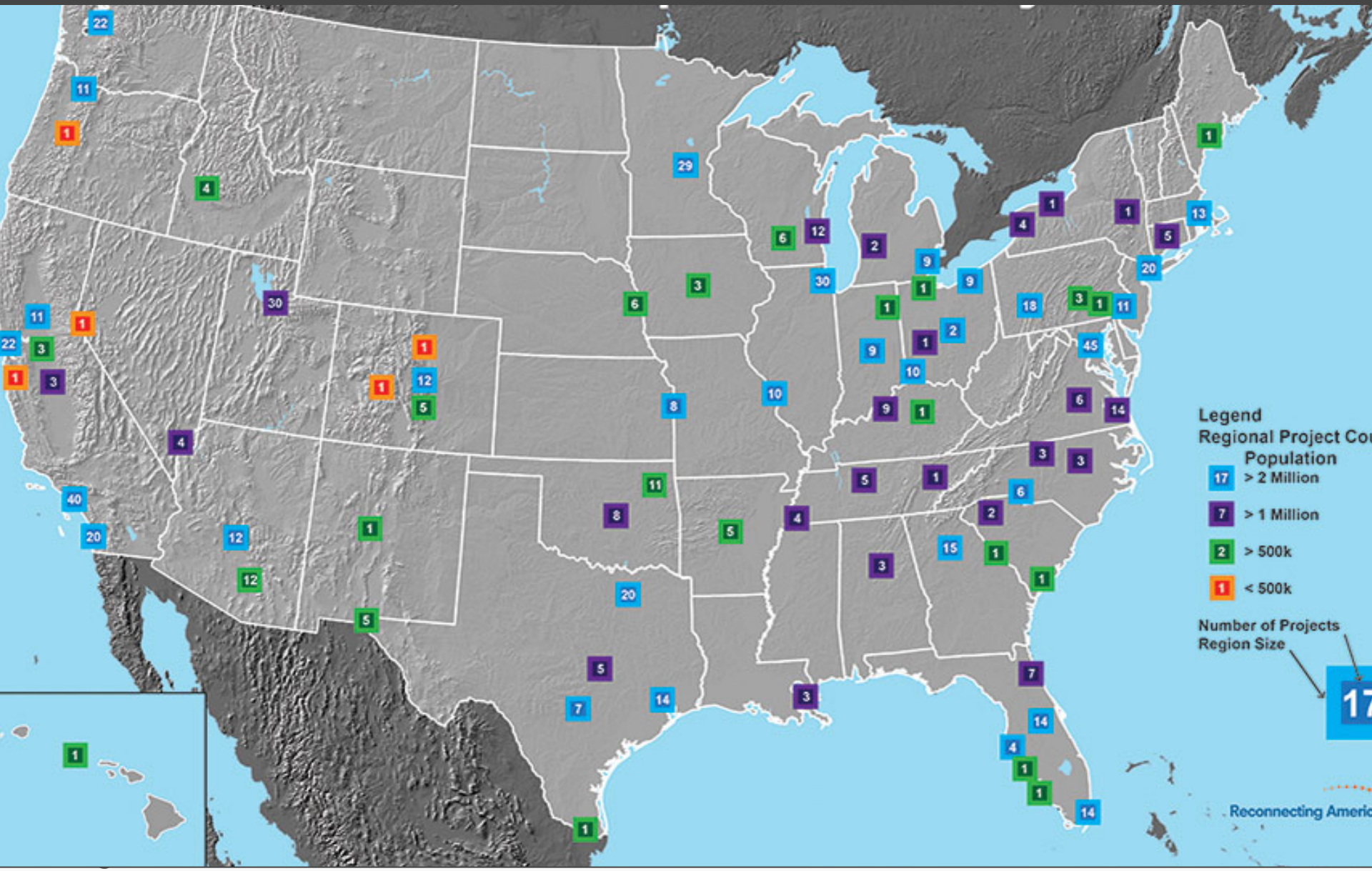
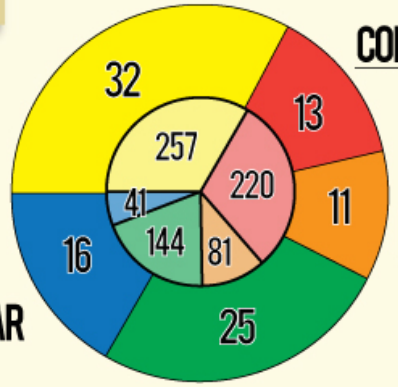
Source: http://www.fhwa.dot.gov/policy/2013cpr/chap6.htm

Demand for all forms of transit is booming



2014 MAJOR NEW TRANSIT INVESTMENTS US&CANADA

PROJECTS



miles
number of projects

under construction in 2014

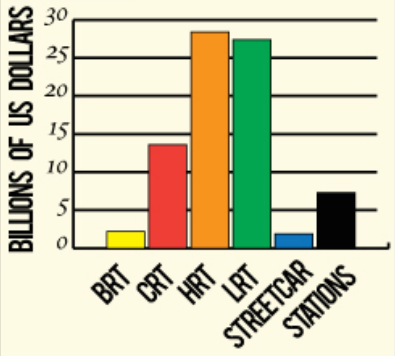
COMMUTER RAIL
- 2 CONVENTIONAL
- 6 DIESEL MULTIPLE UNITS (DMUS)
- 5 ELECTRIC MULTIPLE UNITS (EMUS)
  - NEWYORKCITY
  - DENVER (x6)

HEAVY RAIL
- 9 CONVENTIONAL
- 2 AUTOMATED
  - HONOLULU
  - VANCOUVER

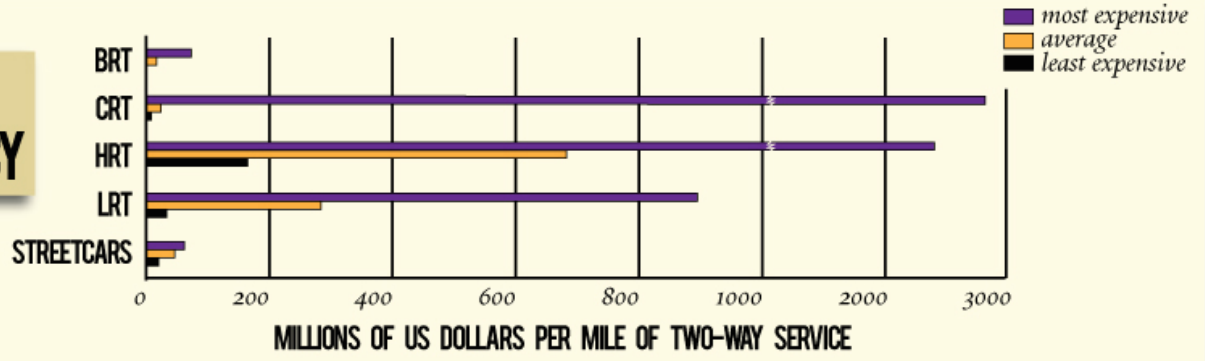
+ 15 MAJOR NEW STATIONS OR RENOVATIONS

PROJECT COST

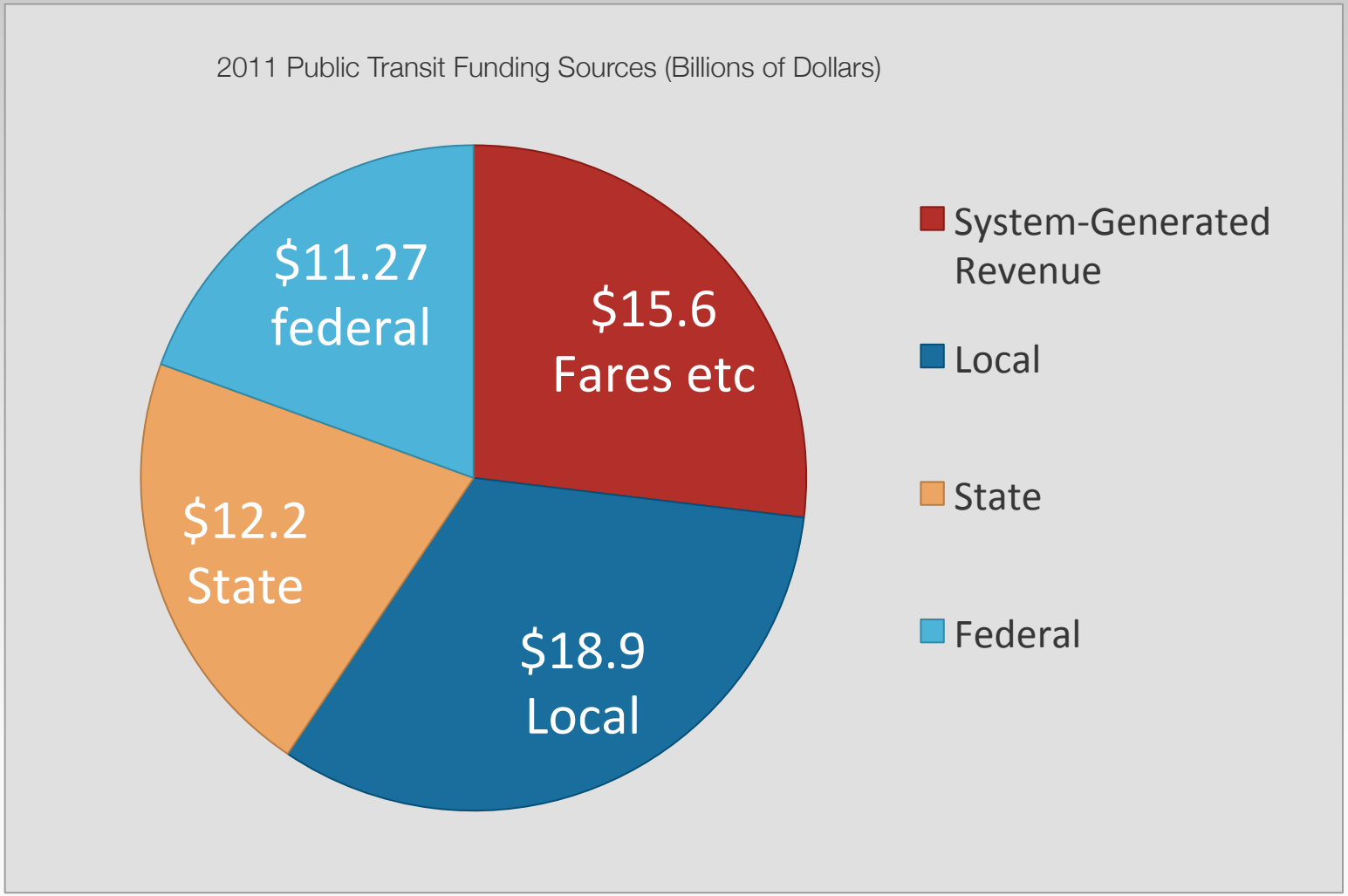
$81.5 BILLION TOTAL



COST EFFICIENCY



Public Transit Sources of Revenue



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*

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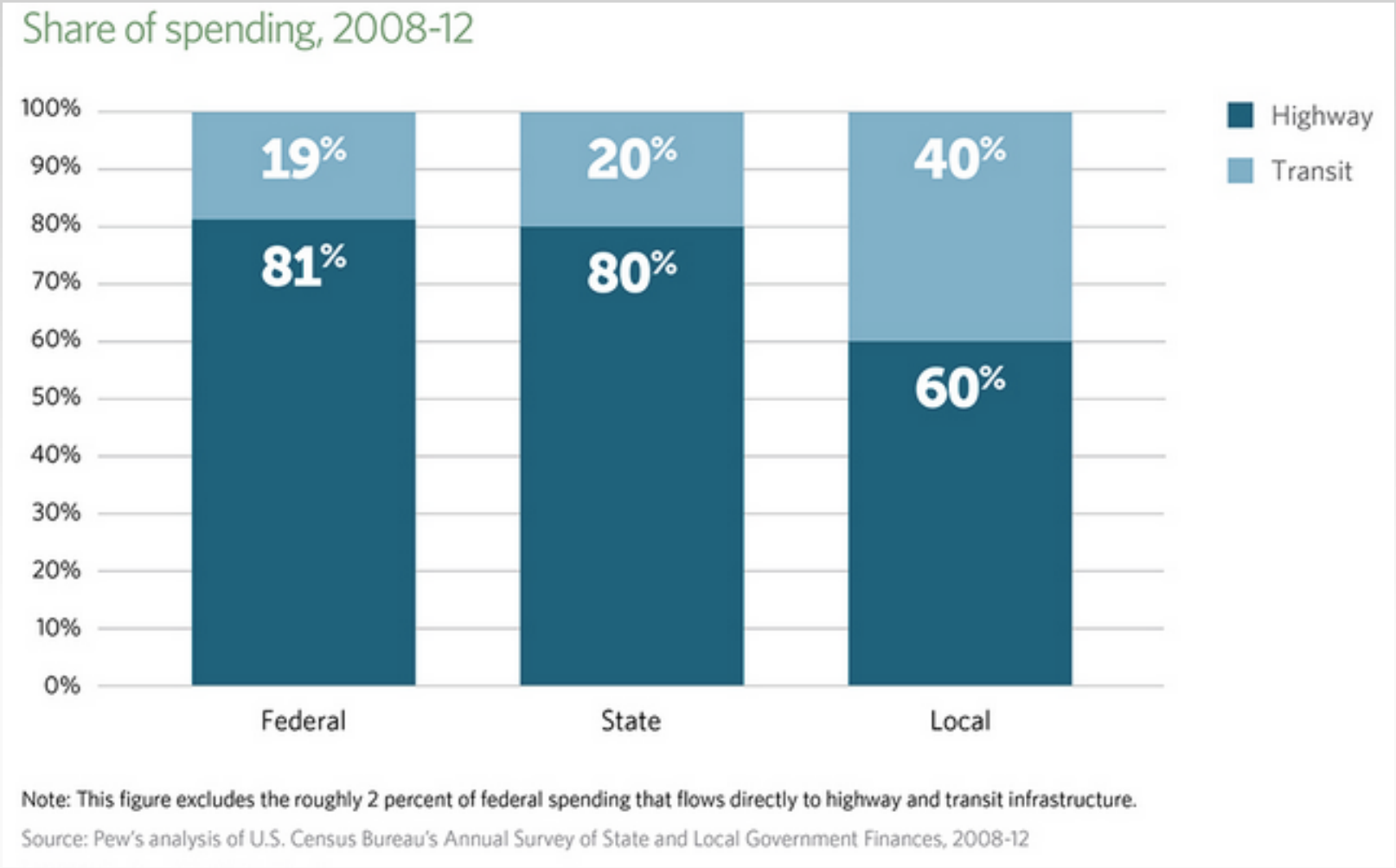
Highway and Transit Spending at the Federal, State, and Local Levels

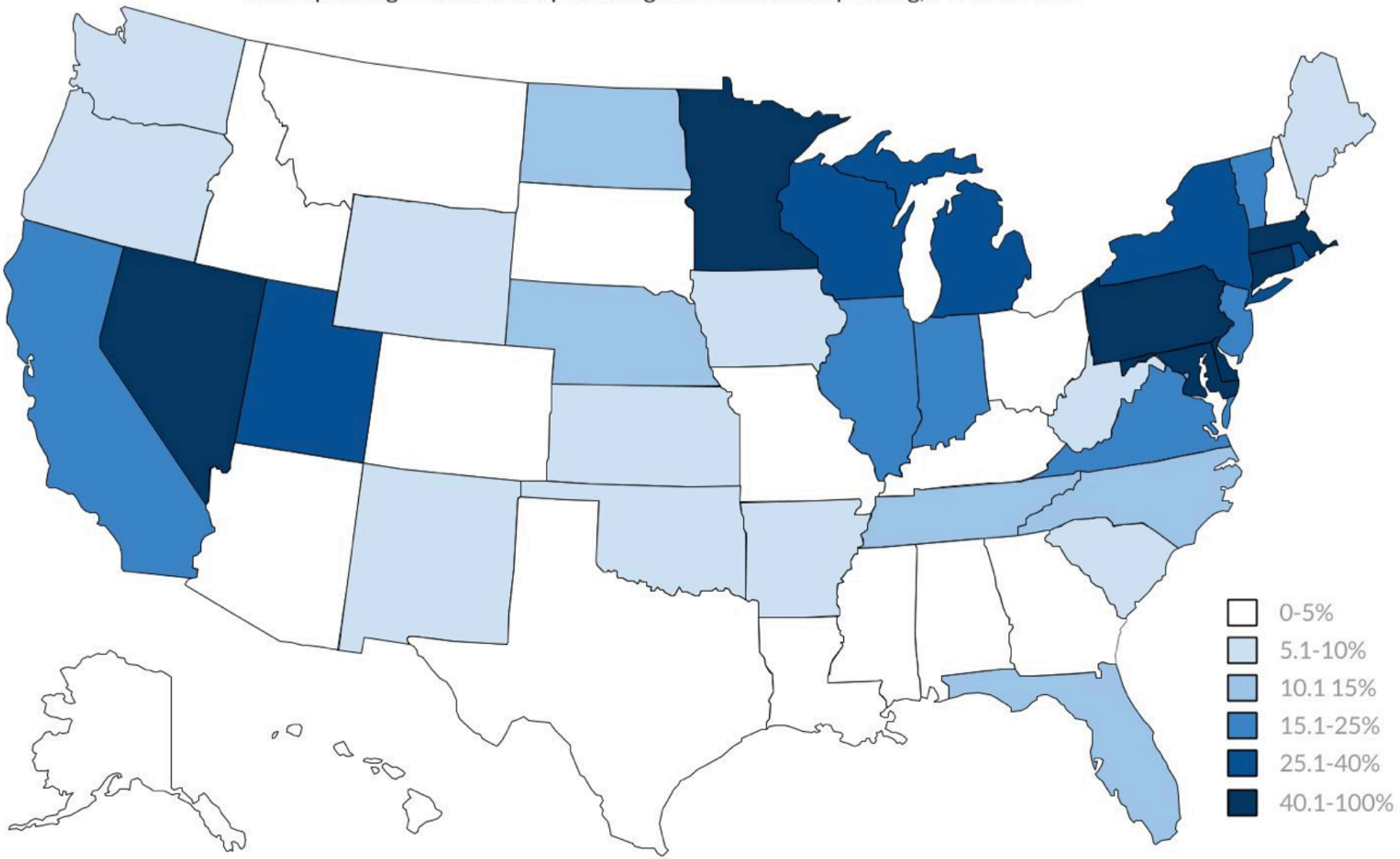
* *Highest Proportion of Transit Spending Nationally is at the Local Level*



Source: http://www.pewtrusts.org/en/research-and-analysis/analysis/2015/02/24/funding-challenges-in-highway-and-transit-a-federal-state-local-analysis

How Much Do States Spend of Their Own Dollars on Transit?

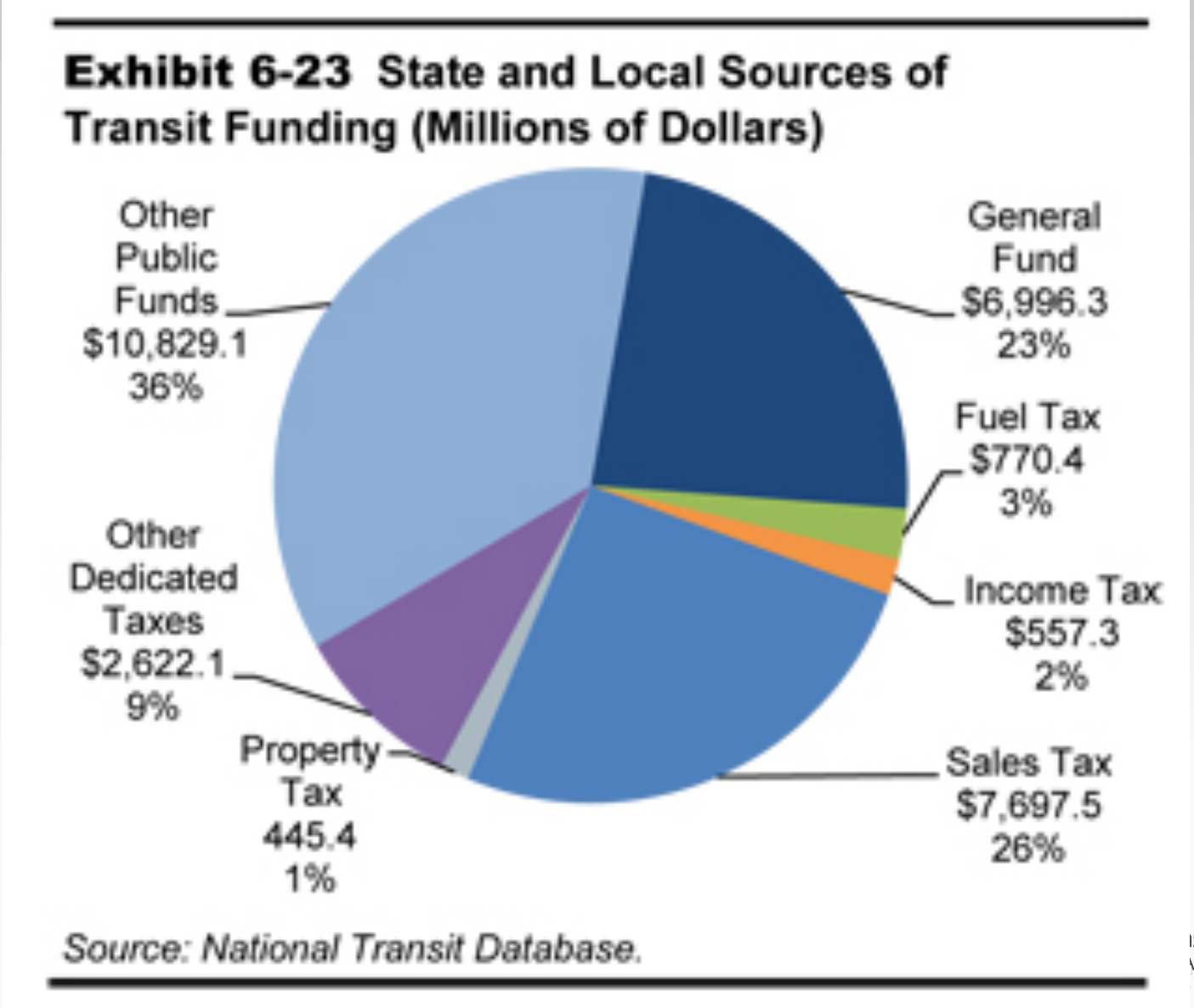
State spending on transit as a percentage of total transit spending, FY 2010-2012



Source: National Transit Database

Available on the START network: http://start.t4america.org/wp-content/uploads/2014/11/State-transit-funding-memo.pdf

State and Local Funding Sources



Source: http://www.fhwa.dot.gov/policy/2013cpr/chap6.htm

Capital vs Operating

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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

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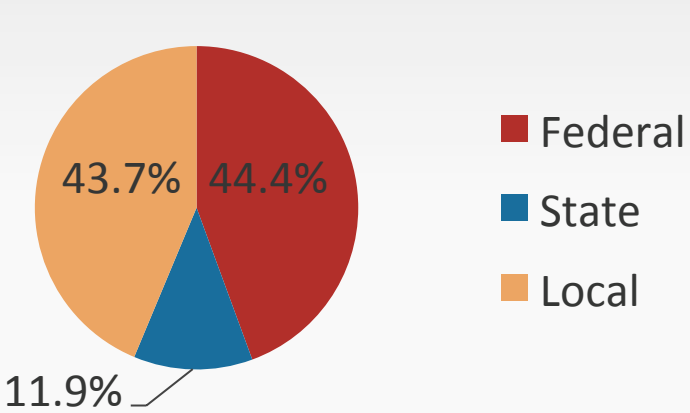
Capital Funding vs. Operating Funding

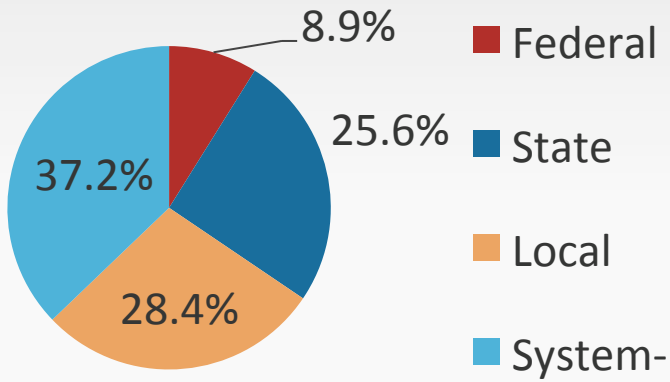
- Starting in 1998, Congress restricted federal transit funding to capital expenditures only (except for rural communities).

- Operational funding was to come from local and state sources.

2012 Capital Funding Sources

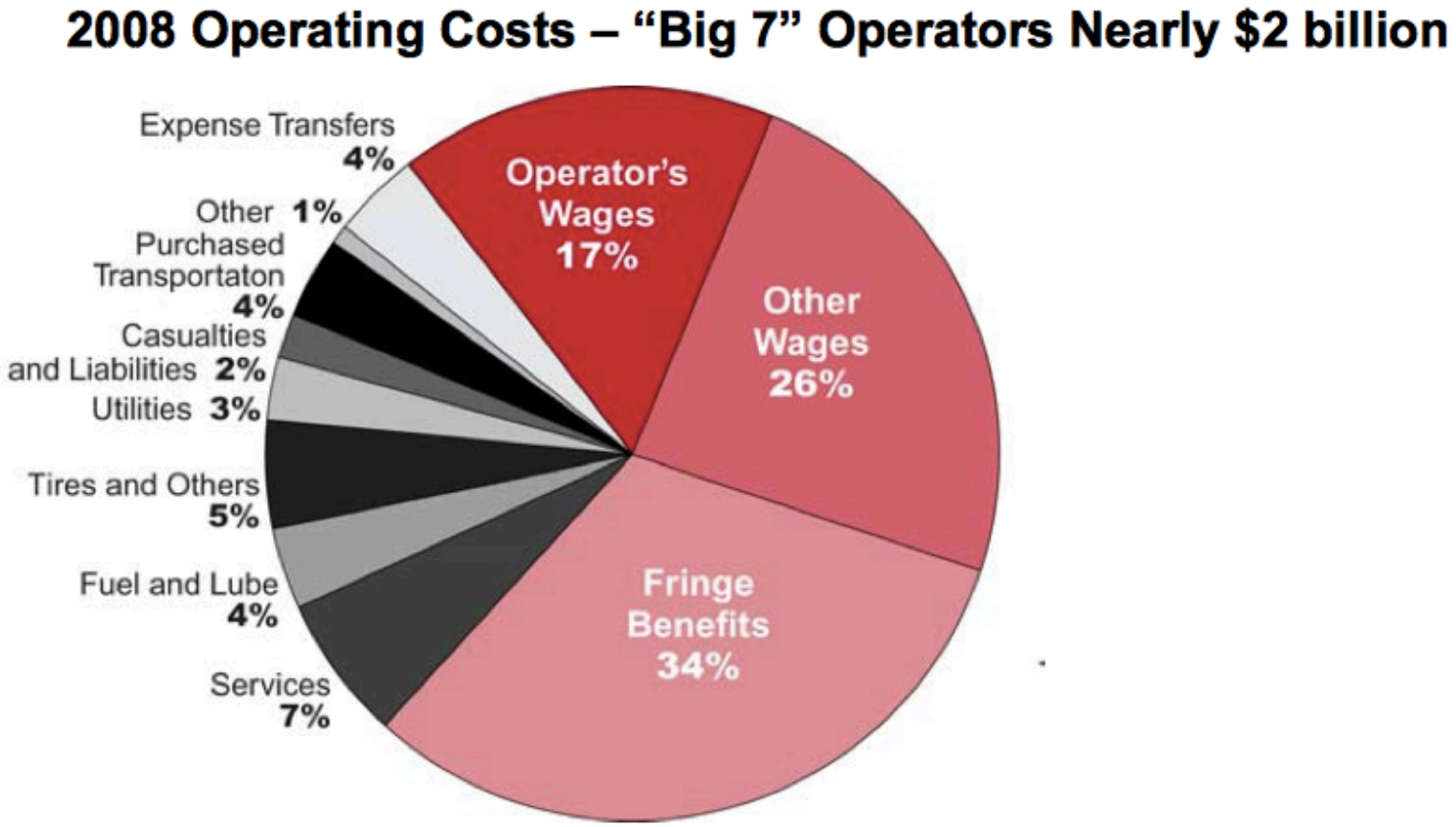


2012 Operating Funding Sources



Source: APTA Fact Book 2014

SF Bay Area Transit Operating Costs



Source: National Transit Database, "Big 7" only. Includes ferry, cable car and paratransit.

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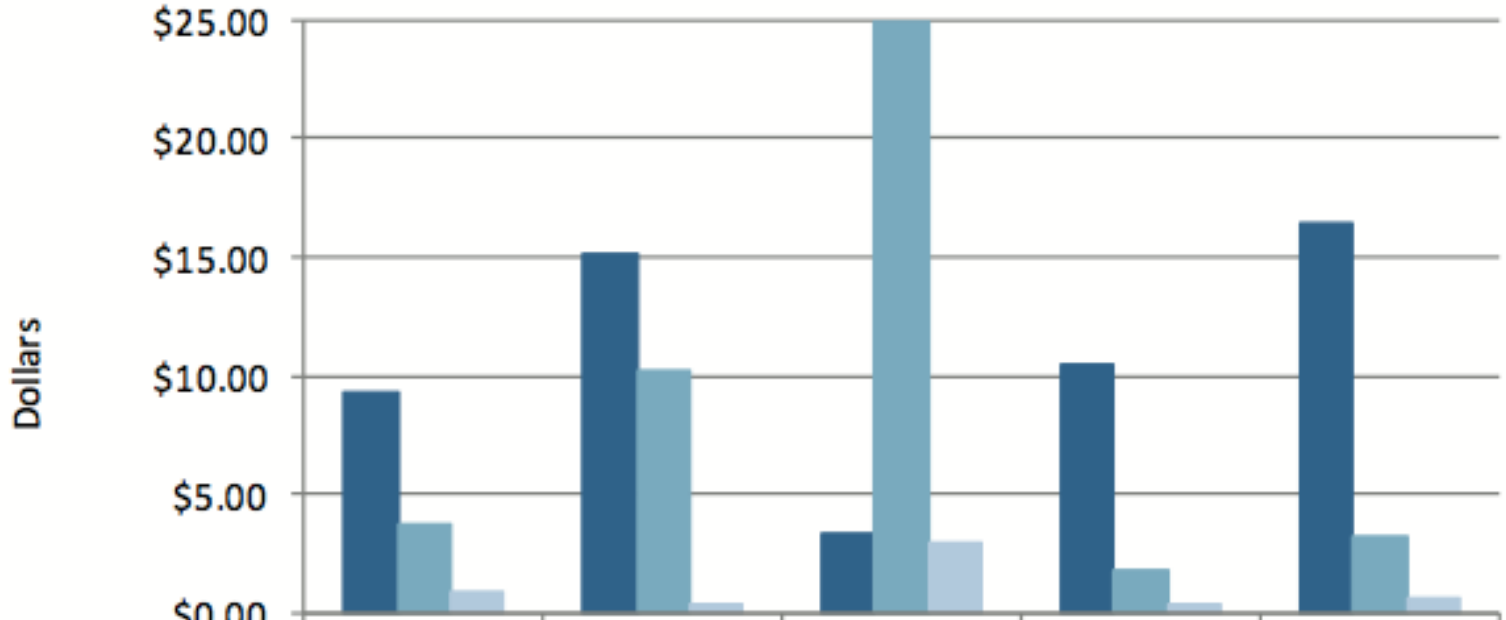
Various Cost Metrics Compared



	All Bus Modes	Commuter and Hybrid Rail	Demand Response	Heavy Rail	Light Rail and Streetcar
Cost per Vehicle Revenue Mile	$9.29	$15.09	$3.41	$10.48	$16.36
Cost per Unlinked Passenger Trip	$3.70	$10.20	$24.89	$1.83	$3.16
Cost per Passenger Mile	$0.90	$0.42	$3.01	$0.39	$0.64

Source: APTA *2013 Public Transportation Fact Book*

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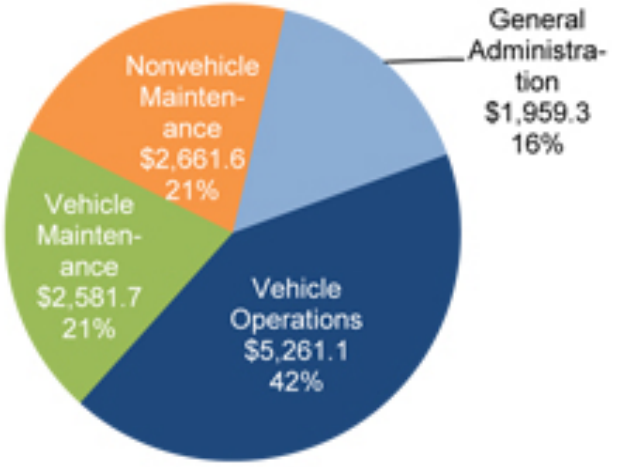
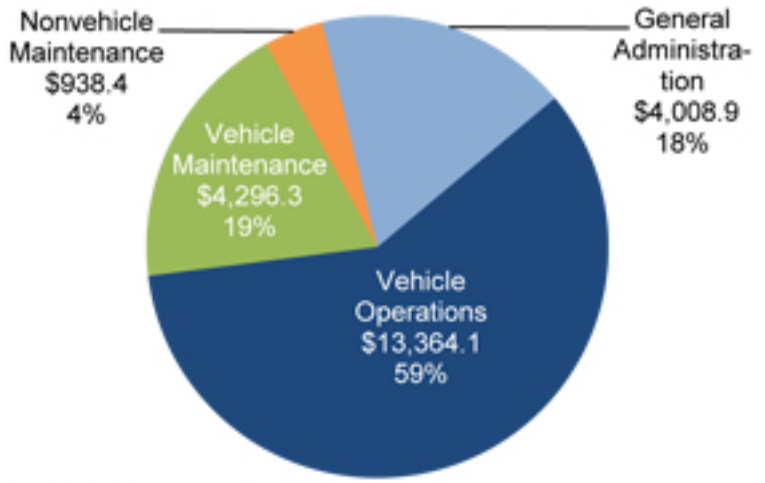
Rail vs. Bus

Exhibit 6-33 Rail Operating Expenditures by Type of Cost, Millions of Dollars



Source: National Transit Database.

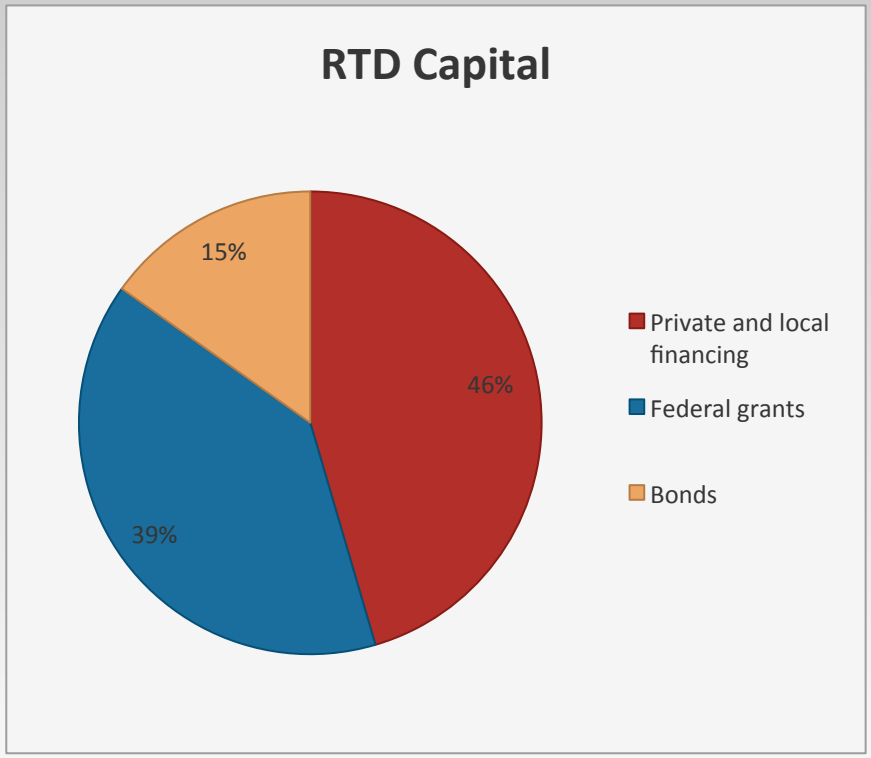
Exhibit 6-34 2010 Nonrail Operating Expenditures by Type of Cost, Millions of Dollars

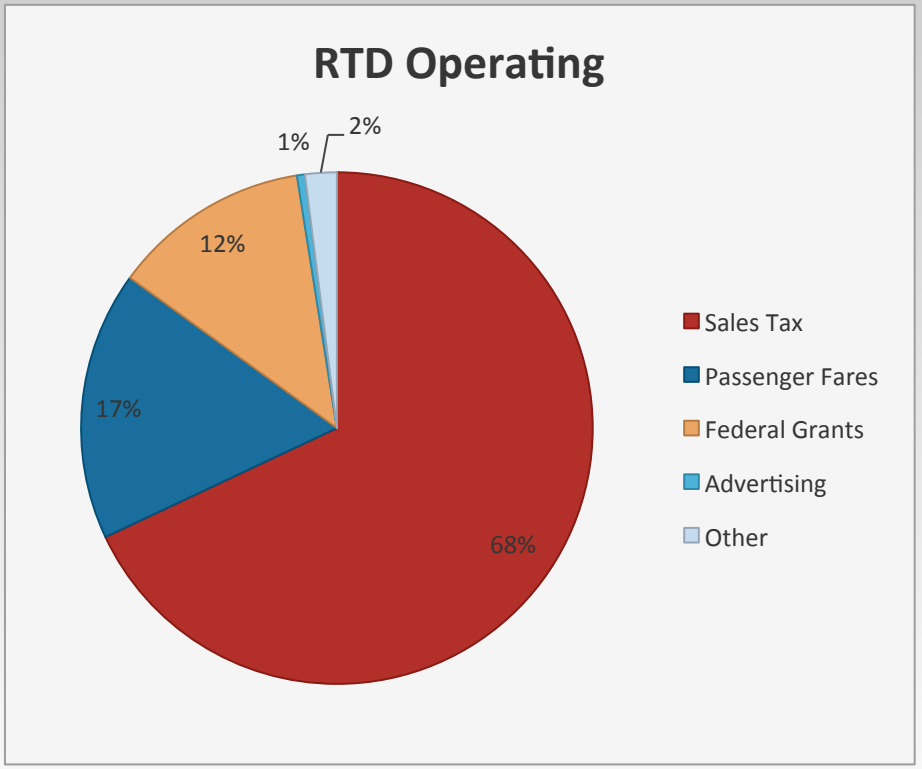


Source: National Transit Database.

Source: USDOT Conditions & Performance Report, 2013.

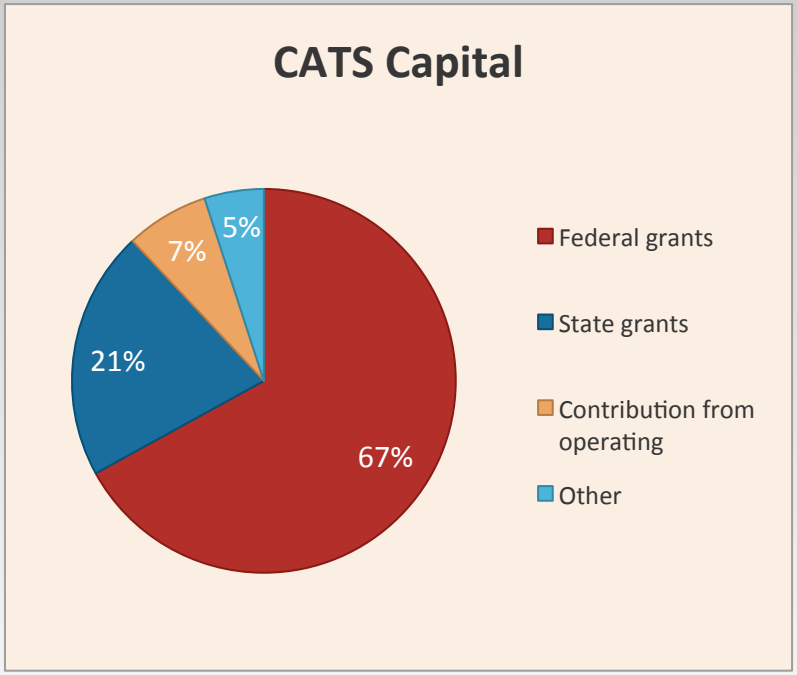
Denver RTD Capital vs. Operating

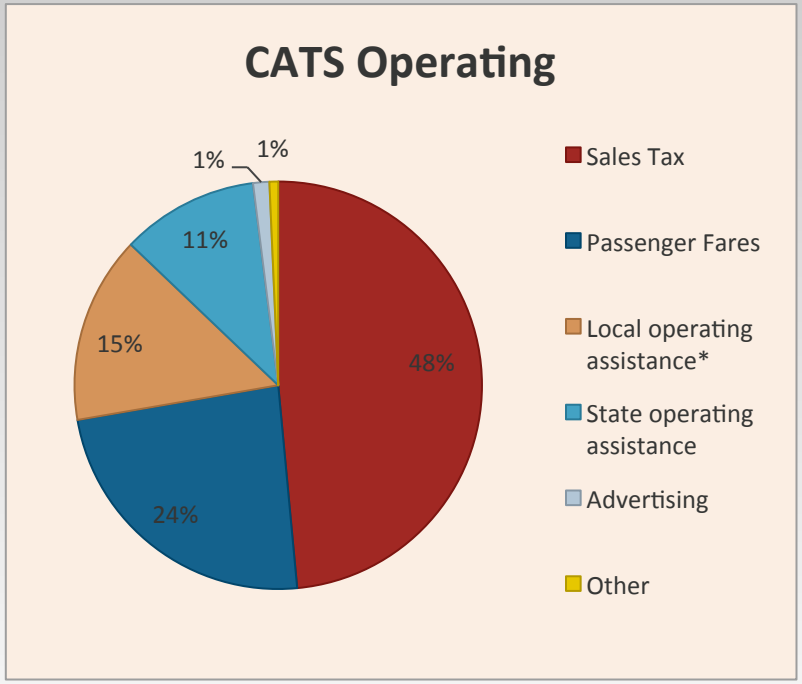




Source: http://www.mdot.maryland.gov/Office_of_Planning_and_Capital_Programming/Transportation_Task_Force/Documents/Meeting_2/Transit_Funding_Examples.pdf

CATS/Charlotte Capital vs Operating





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

Transportation for America

Source: http://www.mdot.maryland.gov/Office_of_Planning_and_Capital_Programming/Transportation_Task_Force/Documents/Meeting_2/Transit_Funding_Examples.pdf

Creativity in Funding Construction Costs

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Cleveland Health Line

Financing

Federal:
- New Starts Grant: $82,200,000
- Formula (FTA 5309): $600,000

State:
- Ohio DOT: $75,000,000

Local:
- Greater Cleveland Regional Transit Authority: $20,800,000
- Cleveland Clinic: $3,400,000
- City of Cleveland: $8,000,000
- MPO: $10,000,000

System Design

System and Alignment:
- 7.1 miles with 36 stations with off-board fare collection
- 4.5 miles of dedicated right-of-way
- Articulated diesel-electric hybrid buses

Performance:
- 5 minute peak and 10-15 minute off-peak headways

Ridership:
- 15,100 weekday (2011)

Population and Employment:[13]
- 41,000 population within ½ mile of the line
- 134,000 total employment within ½ mile of the line

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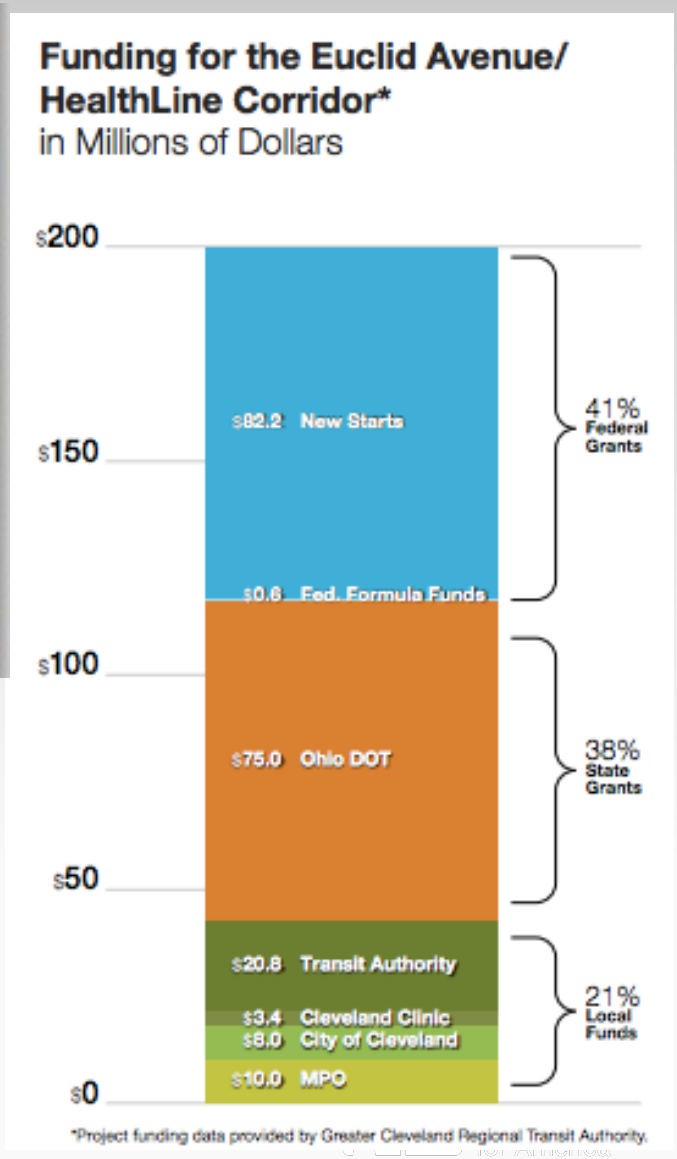
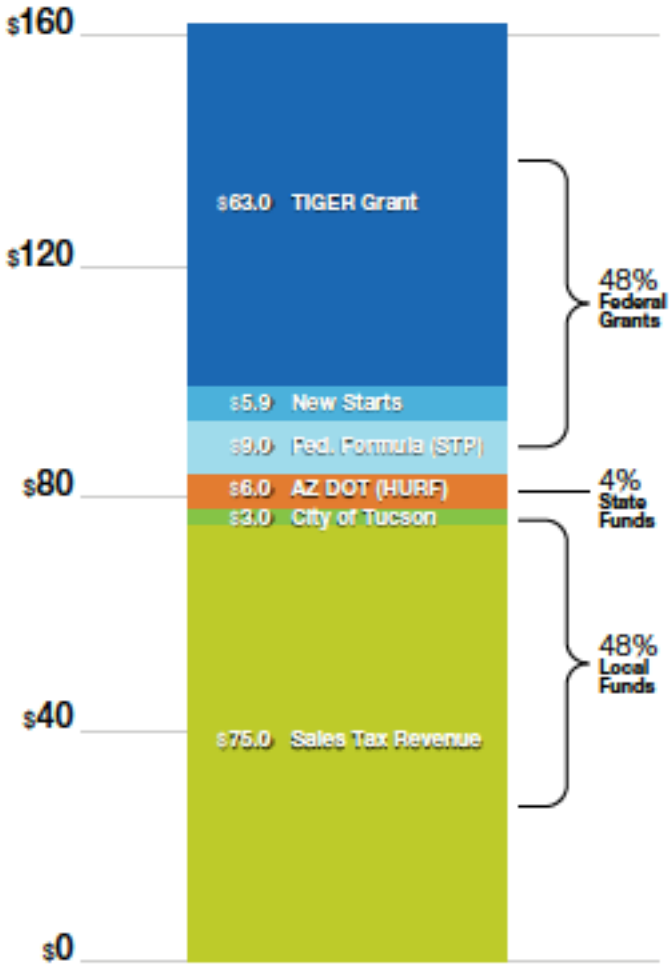
http://t4america.org/wp-content/uploads/2012/08/T4-Financing-Transit-Guidebook.pdf

Cleveland Health Line BRT



Tucson, AZ Modern Streetcar

Funding for Tucson Streetcar
in Millions of Dollars



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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

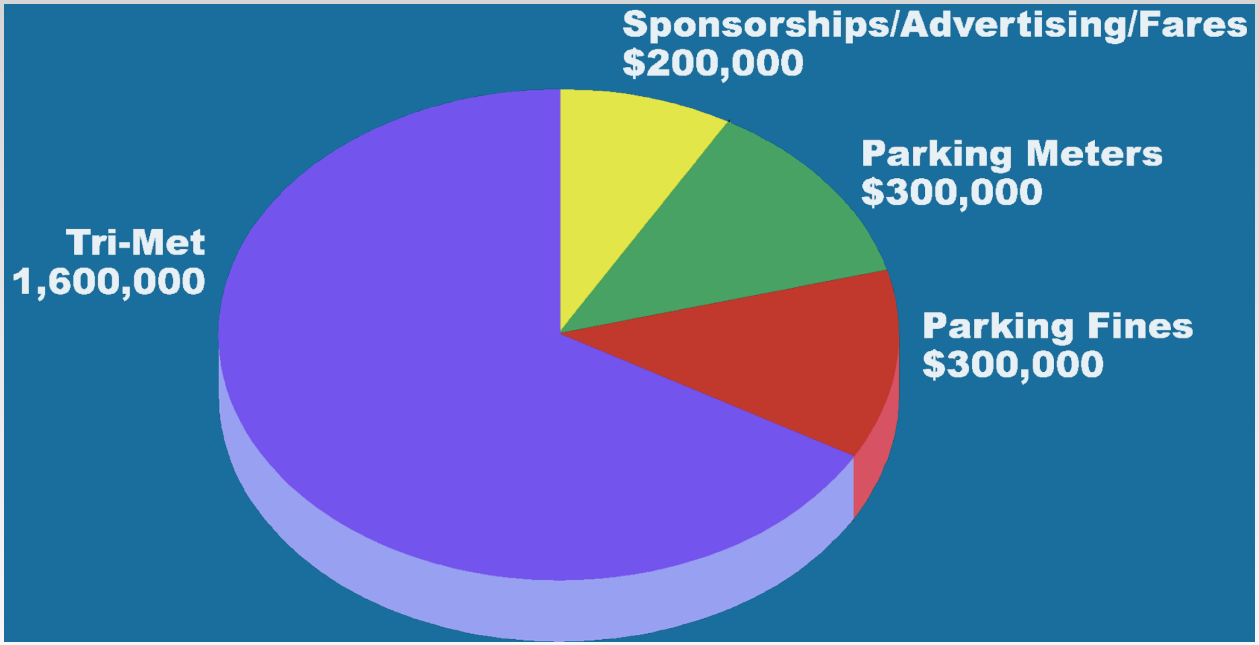
Civil elements	$34.5
Maintenance facility	$4.0
Vehicles (7)	$14.6
Utility relocations	$3.8
Total	$56.9 million

Transportation for America

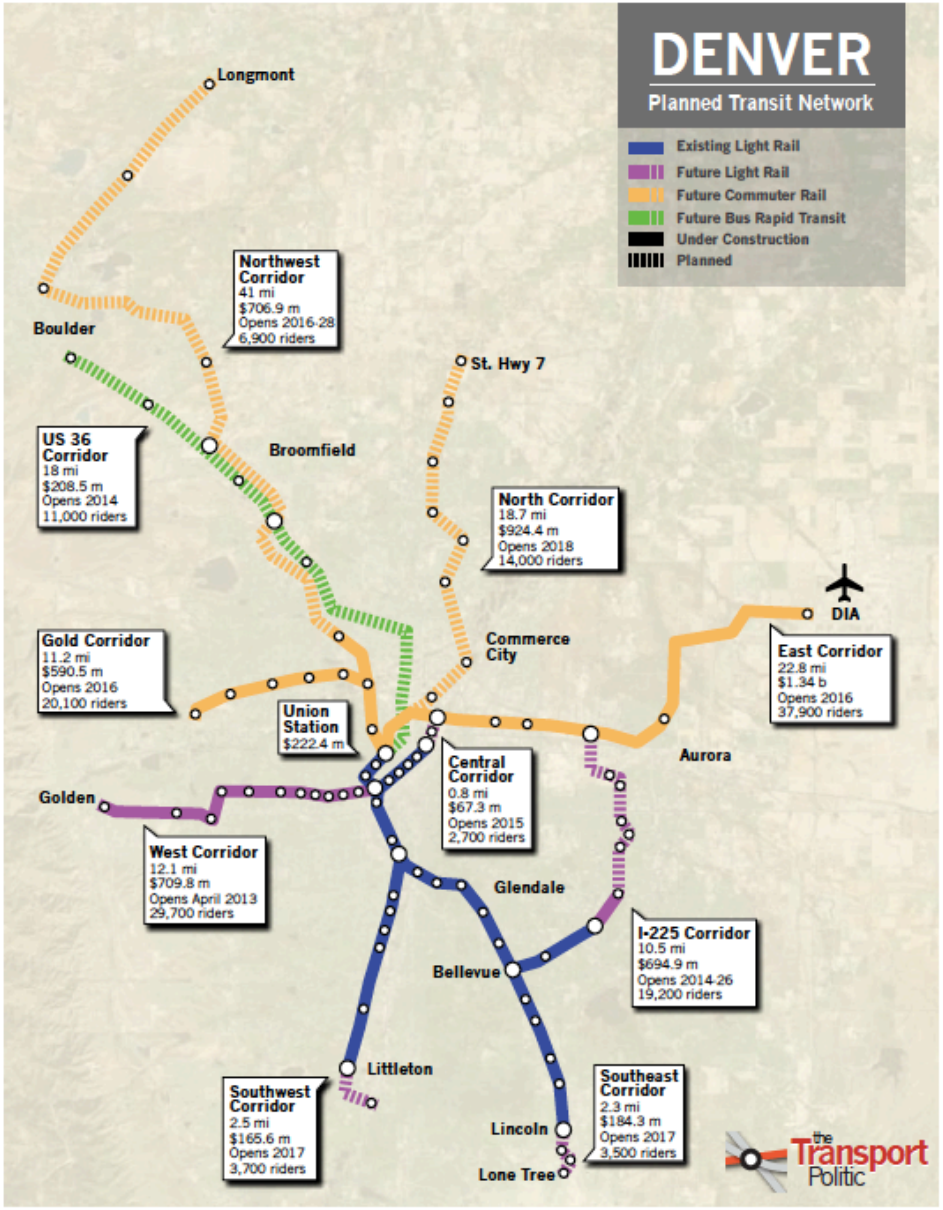
Financing - Revenues

Tri-Met funds	$5.0
Parking fund cash	$2.0
Parking bonds	$28.5
LID	$9.6
HUD funds	$0.5
TIF	$7.5
General fund	$1.9
Transportation funds	$1.9
Total	$56.9 million

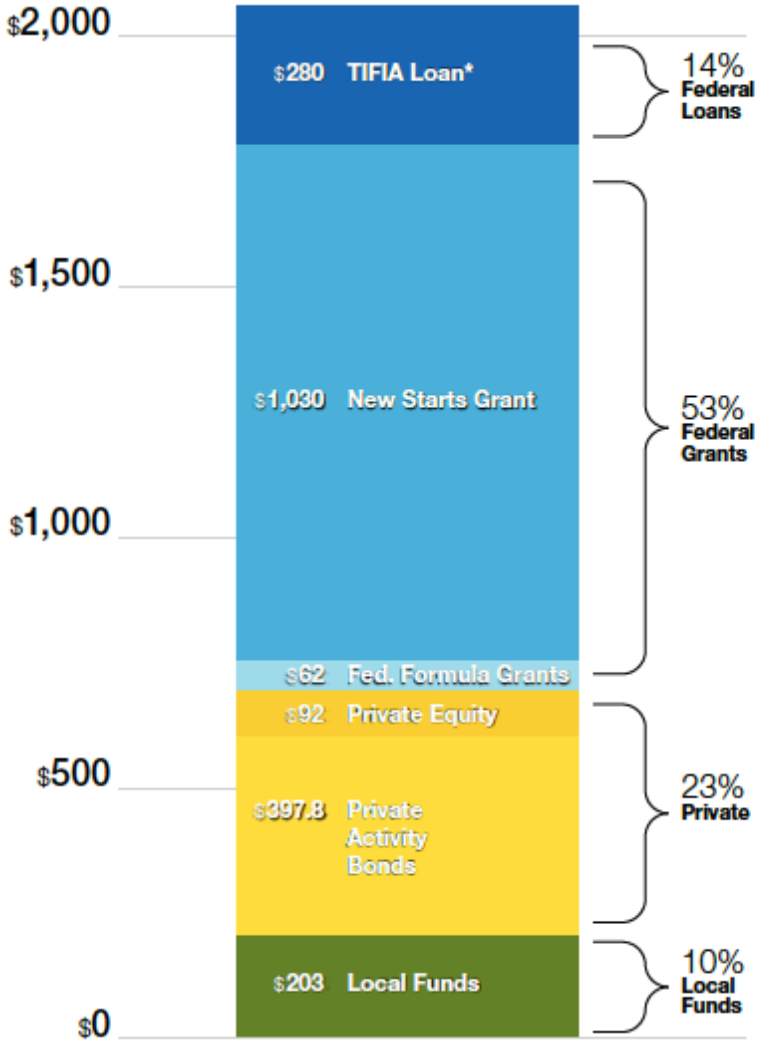
Portland's Operations and Maintenance Plan



Total - $2.4 million/year

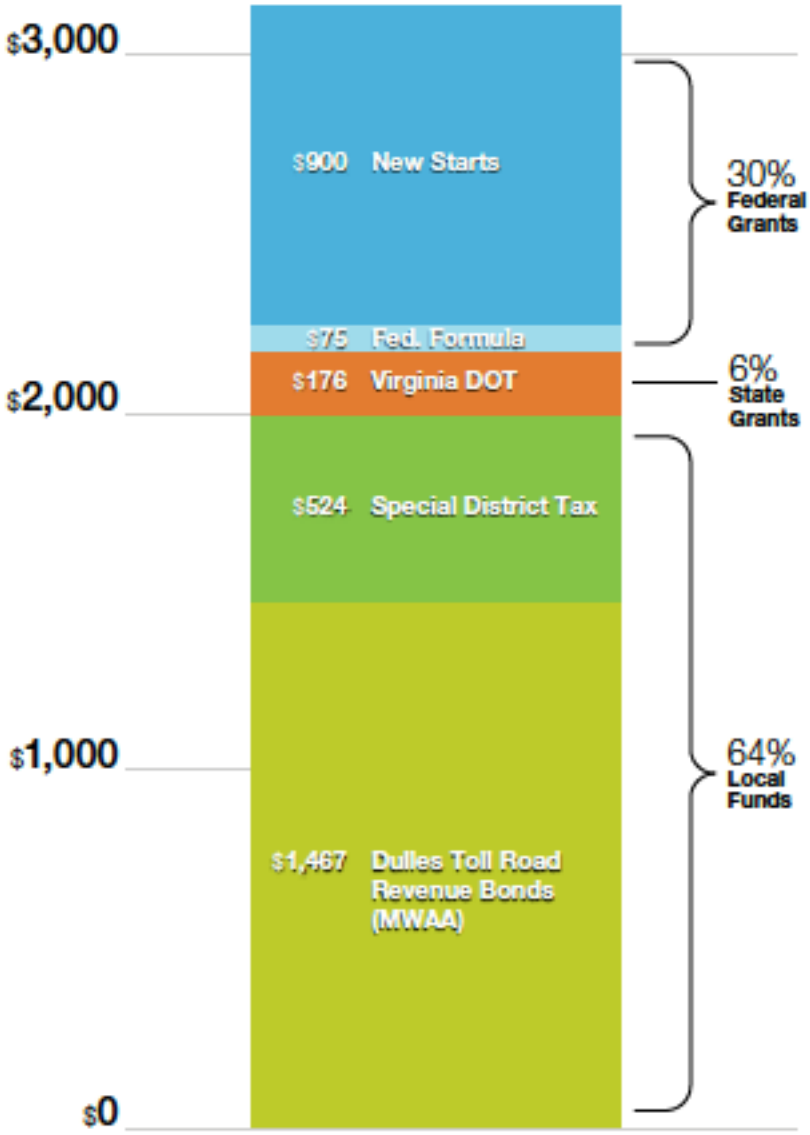


Denver Eagle P3 Funding**
in Millions of Dollars



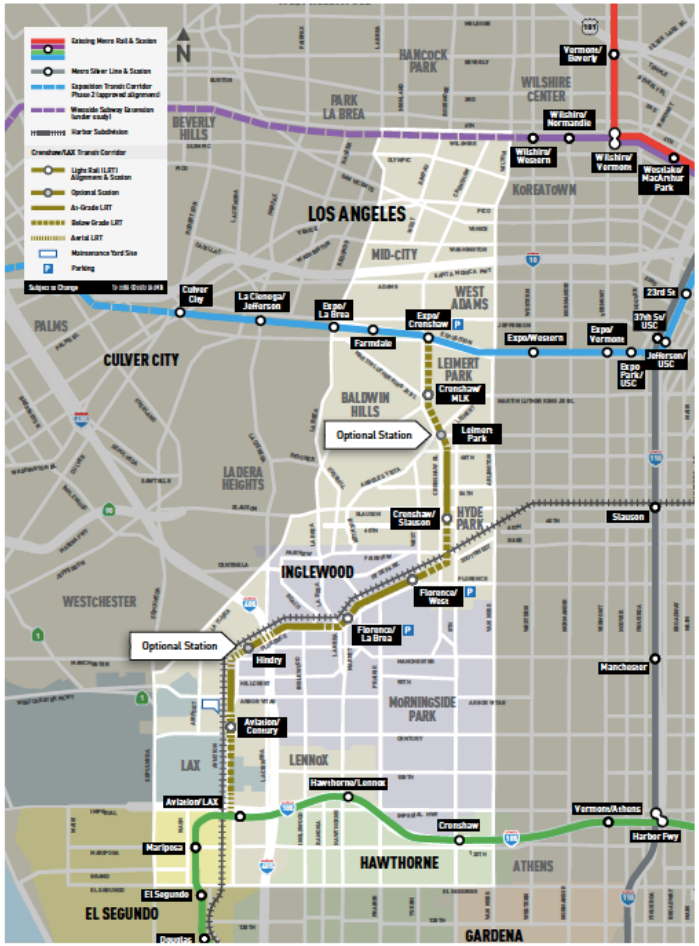
*All federal loans and private bonds will have to be repaid with local funding.
**Denver Regional Transportation District "2011 Annual Report to DRCOG on FasTracks," available through the following link: http://www.rtd-fastracks.com/main_54

Funding for Dulles Metrorail Extension Phase I
in Millions of Dollars

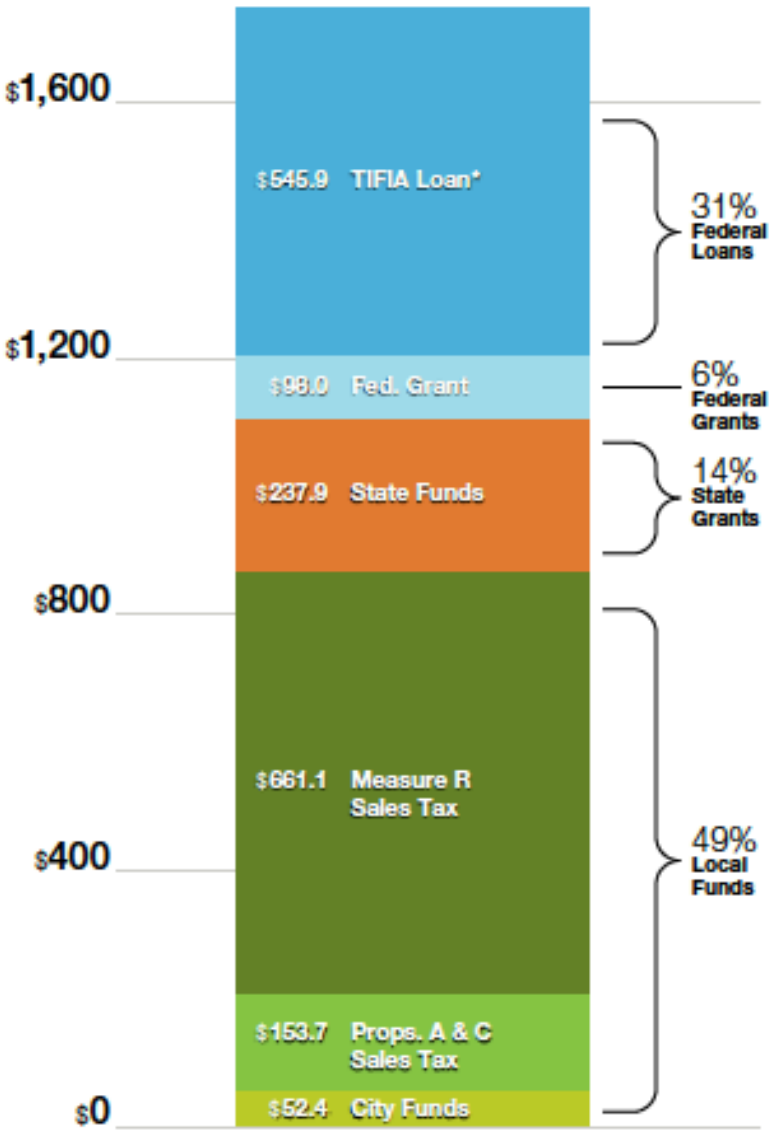


By 2025, the Dulles Metrorail Extention is anticipated to annually reduce...

Crenshaw/LAX Transit Corridor



Funding for Crenshaw Light Rail Line
in Millions of Dollars**



*All federal loans and private bonds will have to be repaid with local funding.
**LA Metro Finance, Budget, and Audit Committee (October 2011)
"Crenshaw/LAX Transit Corridor Project"

Importance of Local Ballot Measures

Transportation for America

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

2006	65% APPROVED
2007	66% APPROVED
2008	77% APPROVED
2009	73% APPROVED
2010	77% APPROVED

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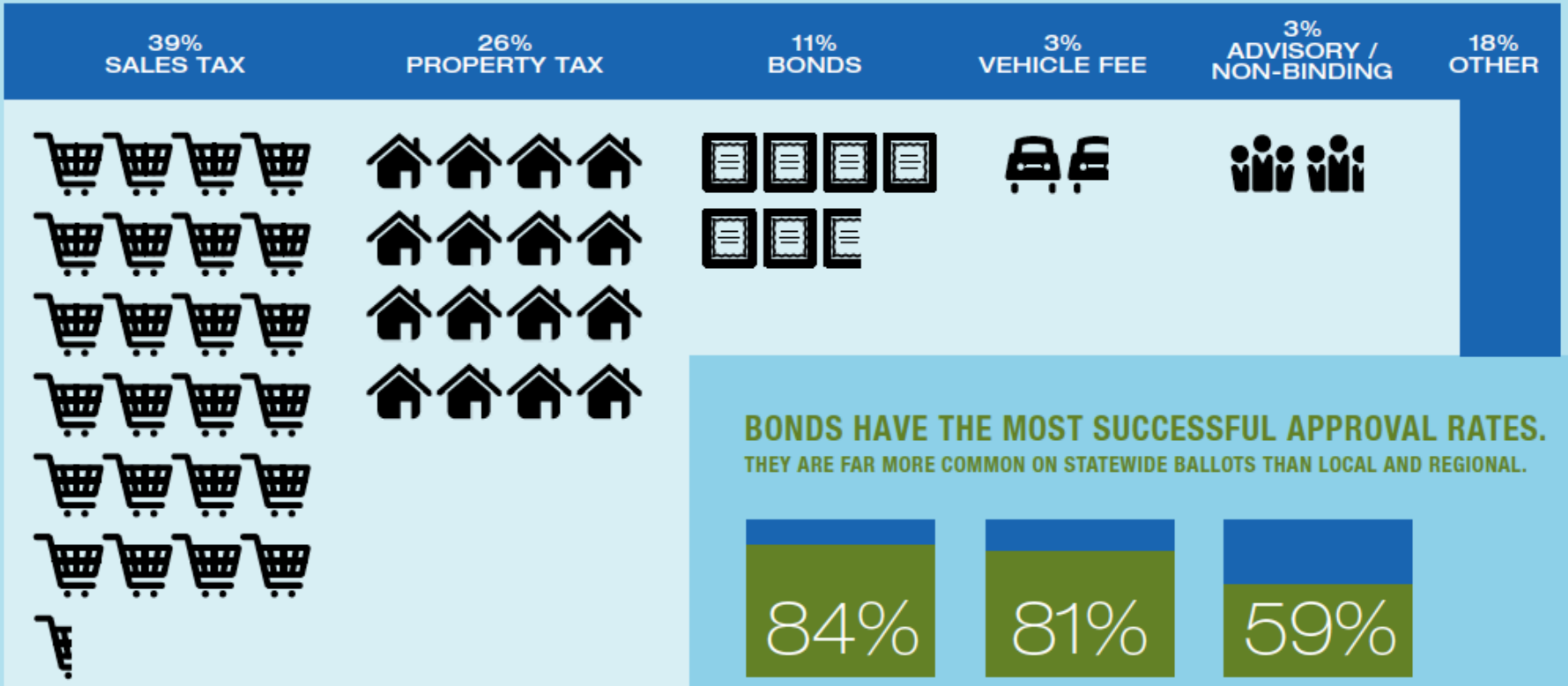
309 BALLOT MEASURES WERE CONSIDERED NATIONWIDE FROM 2000–2010 TO RAISE NEW REVENUES FOR TRANSPORTATION. WHAT TYPES OF REVENUES DID THEY SEEK?



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

BONDS HAVE THE MOST SUCCESSFUL APPROVAL RATES.

THEY ARE FAR MORE COMMON ON STATEWIDE BALLOTS THAN LOCAL AND REGIONAL.

Transportation for America

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

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