

Transit Funding 101

CaliforniaTransit
Association



California Transit Association
Transit 101 Legislative Briefing
March 19, 2013



METROPOLITAN
TRANSPORTATION
COMMISSION

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Metropolitan Transportation Commission

Presentation Outline

- Overview: Where does transit agency funding come from?
- Local funds
- State funds and programs
- History & recent trends
- Federal funds

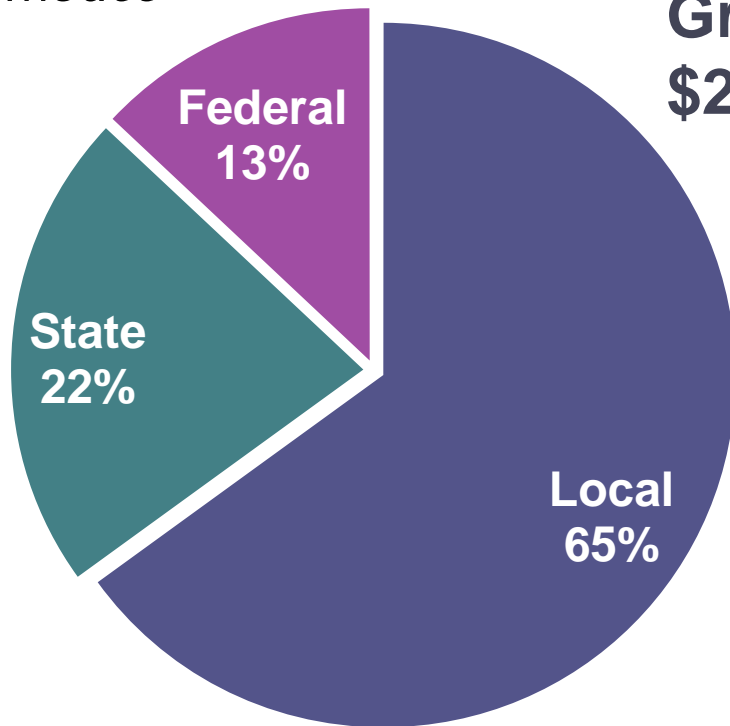
Funding Pipeline

Most transit funding sources are generated locally, in many different forms:

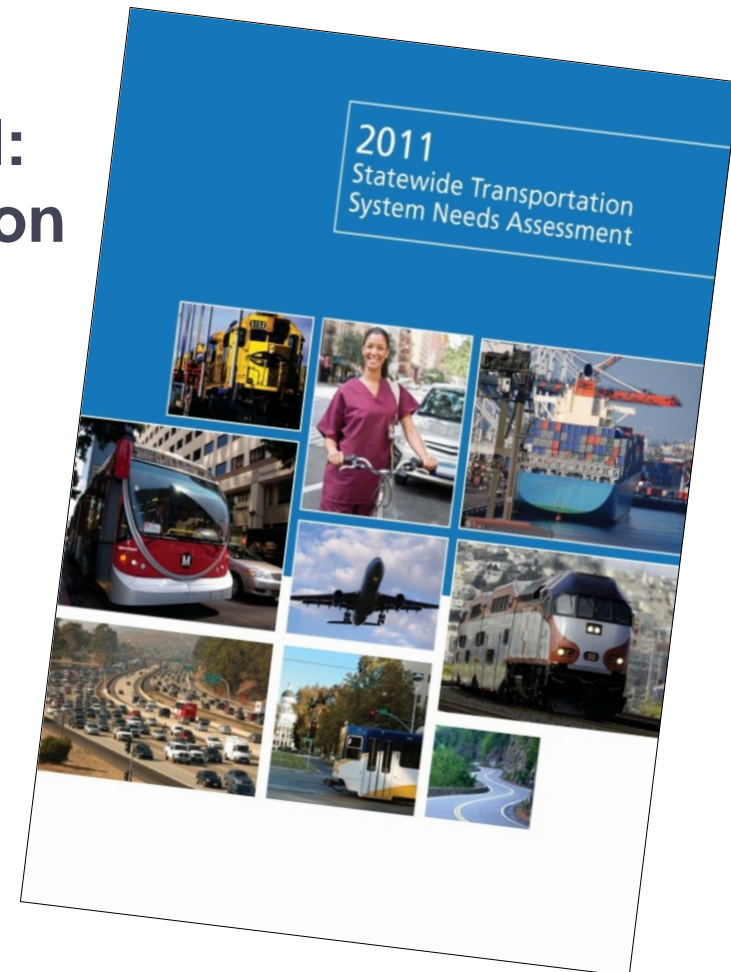
- Ticket fares and parking charges
- Sales taxes (state and locally imposed)
- Gas taxes (state and federal)
- Property taxes
- Developer fees
- Roadway and bridge tolls

State Transportation Revenue 2011-2021

All modes

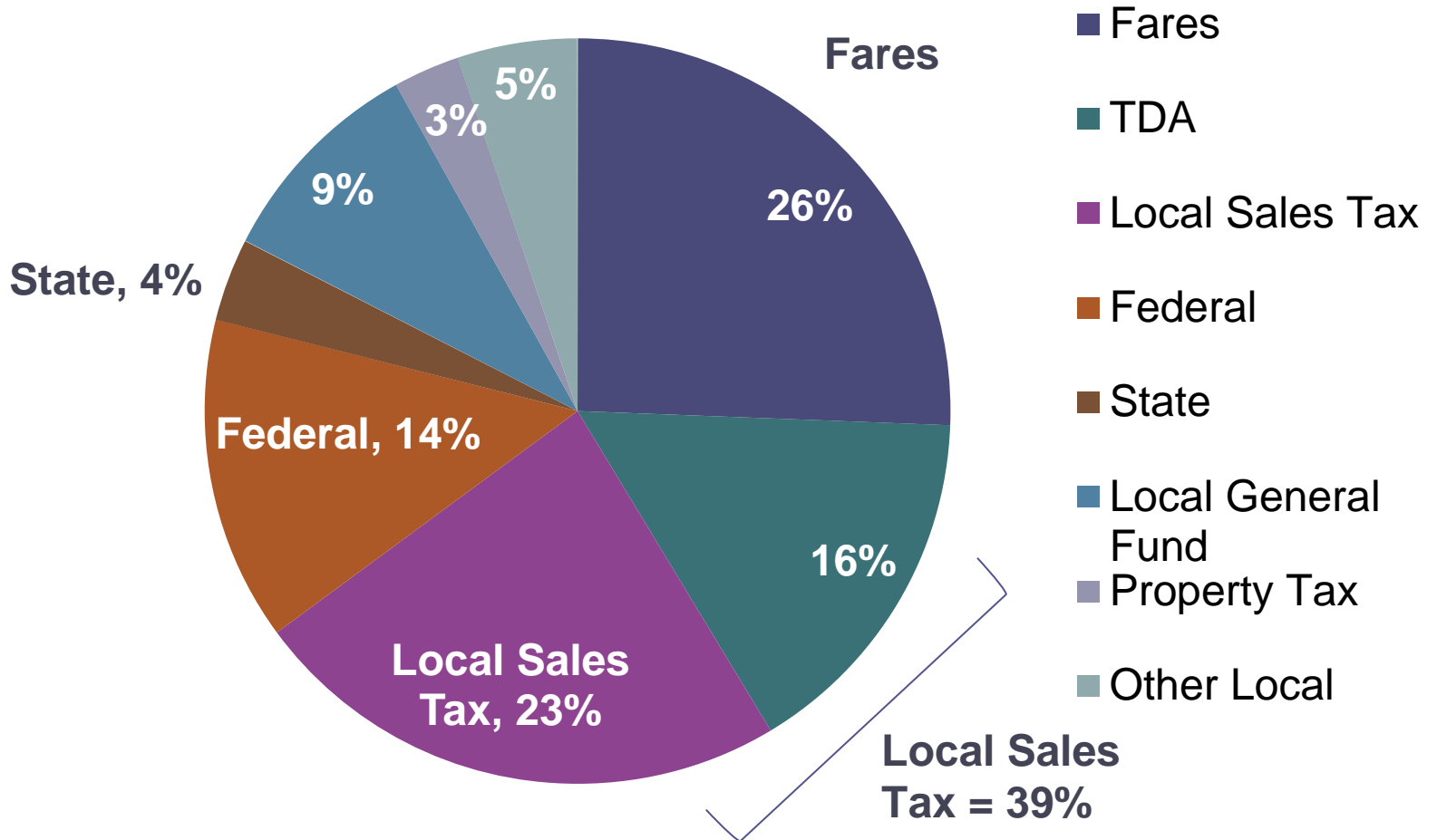


**Grand total:
\$242.4 billion**



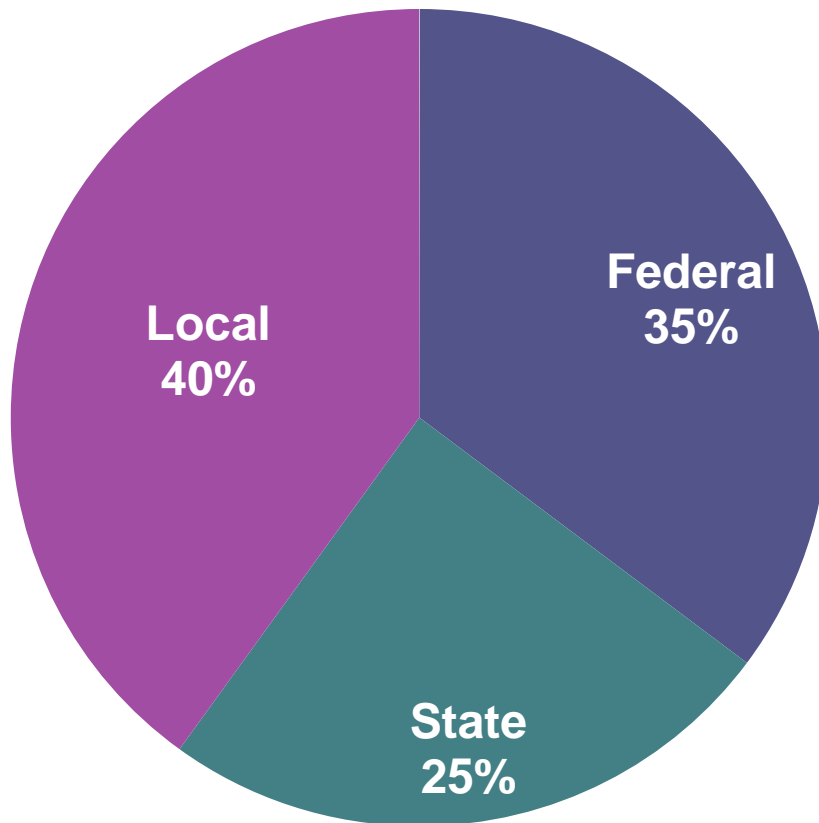
- *Source: 2011 Statewide Transportation Needs Assessment, California Transportation Commission*

Statewide Transit Operating Revenue, FY 2009-10



Source: State Controller's Office

Statewide Transit Capital Expansion Funding, FY 2009-10



As a general rule, capital funding is much easier to come by in Sacramento & Washington, D.C.

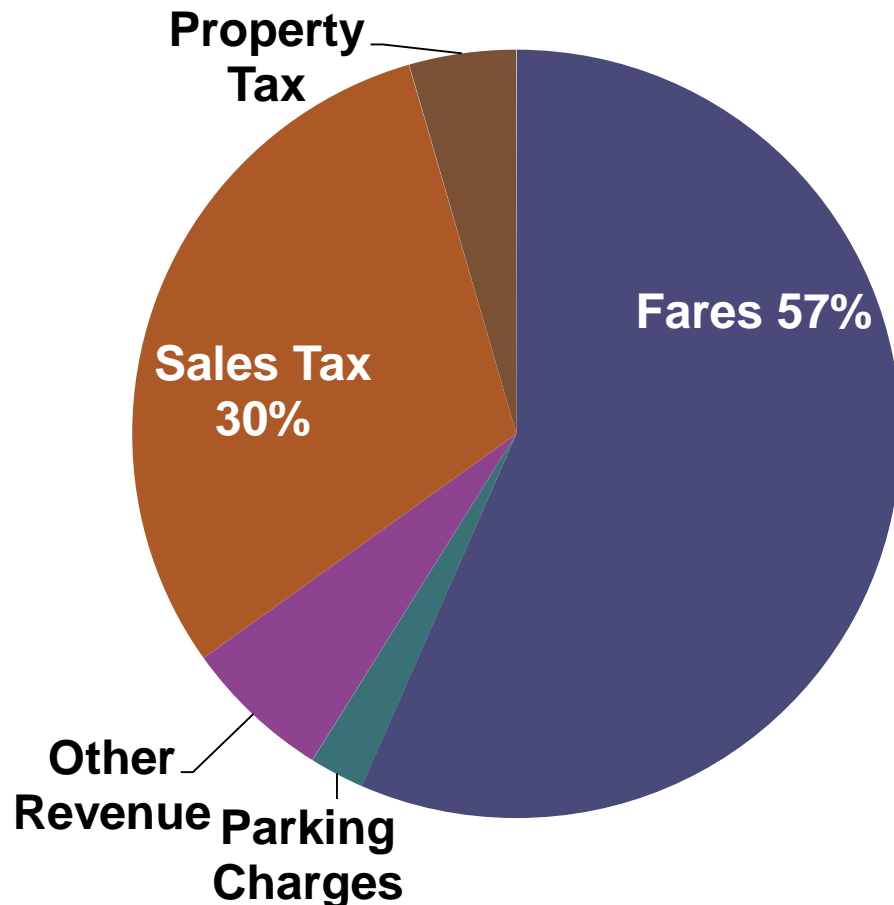
Source: State Controller's Office

Case Studies

- What sources of funding to California's transit operators use to run their systems?
- BART
- SF Muni
- Long Beach Transit
- County Connection

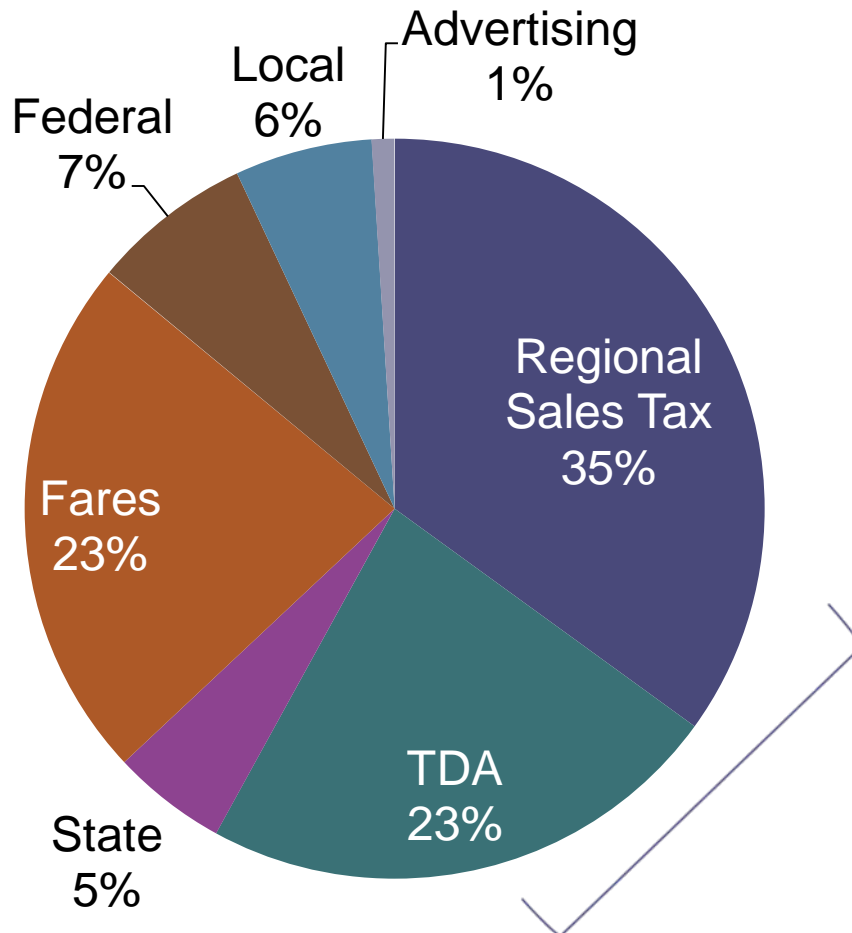
Transit Funding Case Study:

Bay Area Rapid Transit District (BART)



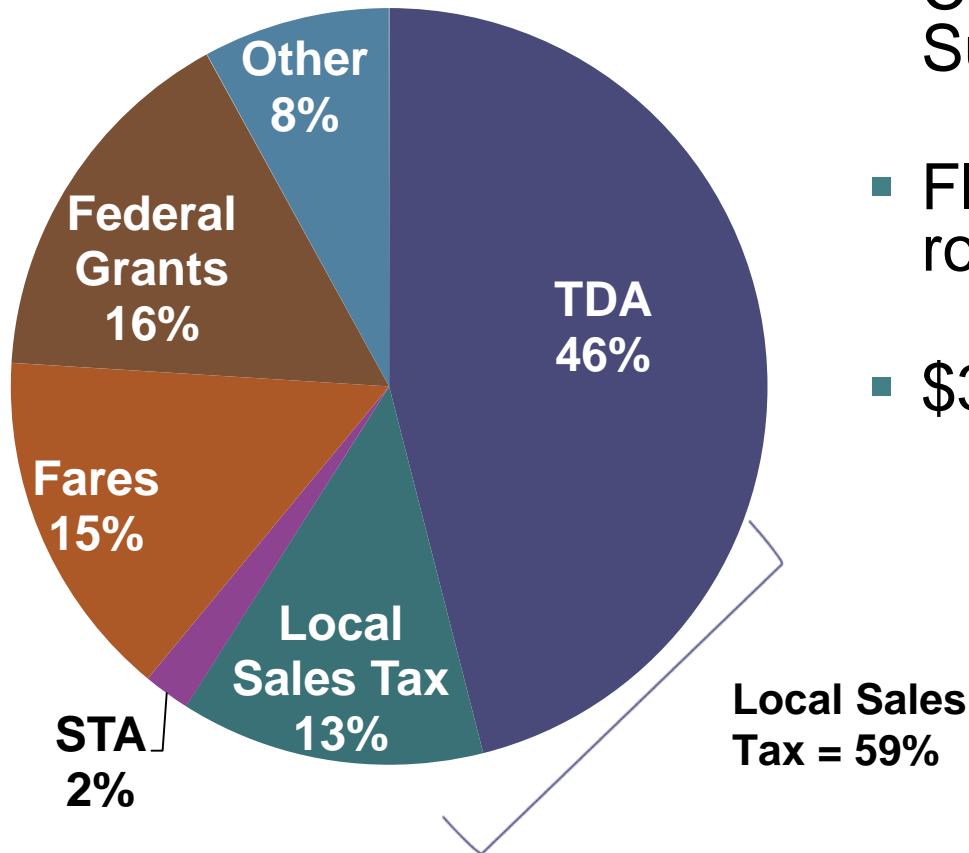
- Bay Area's 2nd Largest Transit Operator
- \$672 Million Operating Budget (FY 2012-13)
- 669 Vehicles
- 400,000 weekday riders

Transit Funding Case Study: Long Beach Transit



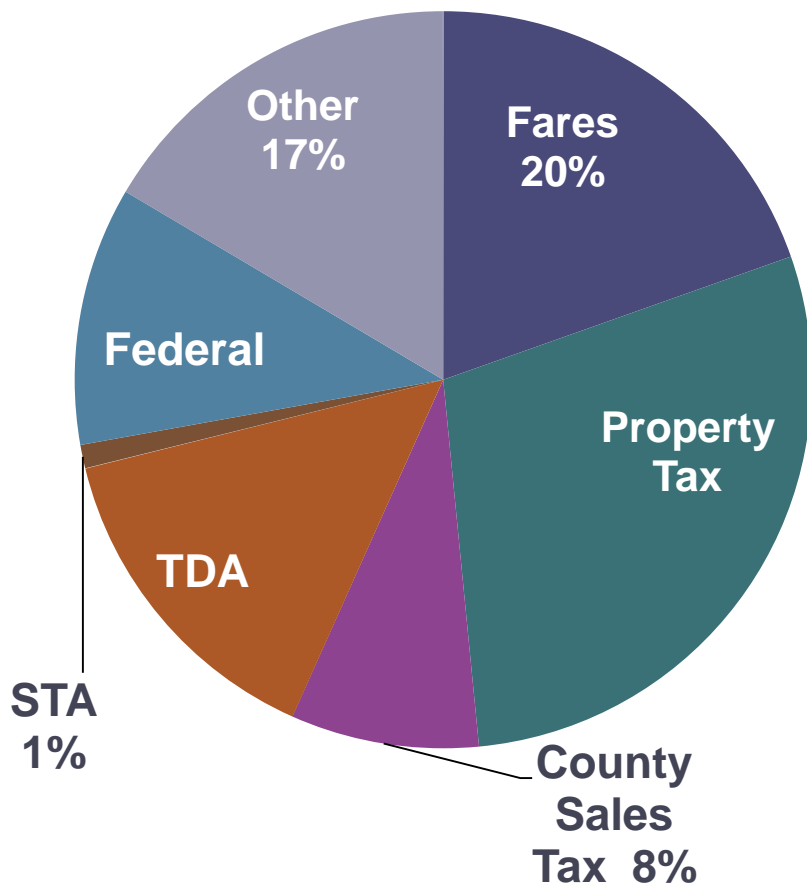
- **Bus system serving 12 cities, plus dial-a-lift and water taxis.**
- **\$77 million Operating Budget, FY 2012-13**
- **35 routes, 23 vehicles**
- **28 million annual boardings**

Transit Funding Case Study: County Connection



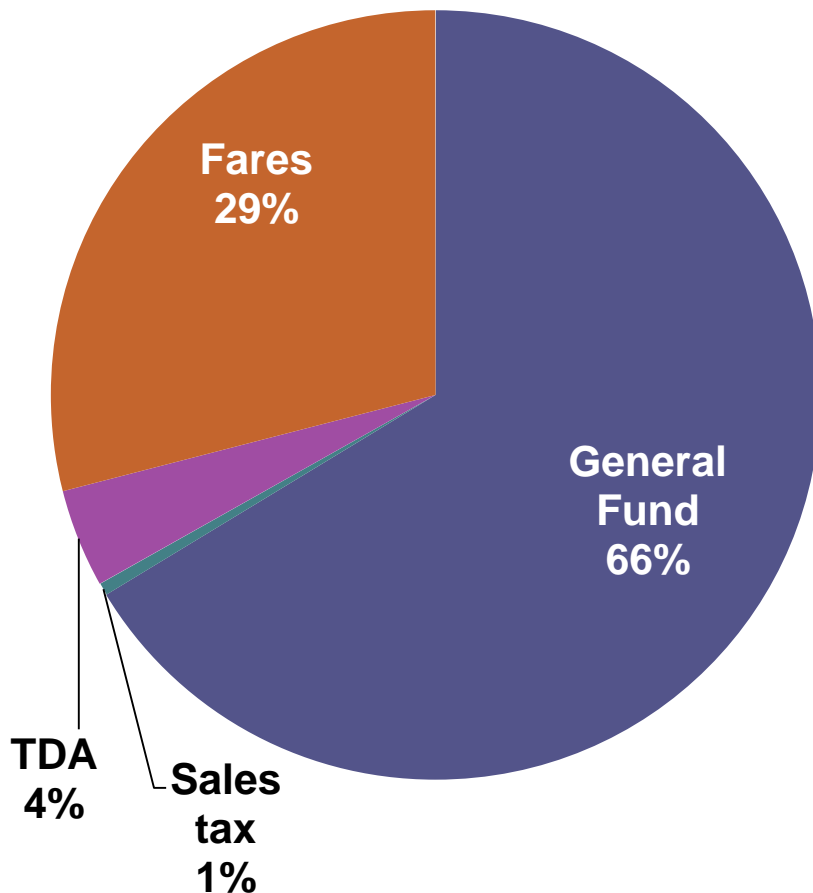
- Contra Costa County Suburban Bus Operator
- Fleet of 194 buses, 30 routes
- \$30 million annual budget

Transit Funding Case Study: Alameda-Contra Costa Transit District



- Bus operator with 630 buses
- 109 routes
- Operating budget: \$330 million
- Voter-approved parcel (property) tax

Transit Funding Case Study: San Francisco MTA (“Muni”)



- The Bay Area’s largest transit operator
- \$666 million operating budget (FY 2009-10)
- Average weekday ridership: 714,000
- 1,051 vehicles
- Operates 24/7
- 74 routes

Local Funding



Local Transit Funding Sources

- General sales tax (TDA)
 - ¼% on all taxable sales, controlled by each county
- Local sales tax measures (city or county)
 - ½ - 1½ % enacted by voters in 19 counties
- Developer fees
 - Infrastructure assessments or mitigation
- General Funds/Property taxes
- Transit fares

Local Transportation Revenues Statewide FY 2012-13 (estimate)

(Dollars in billions)

Local Sales Tax Measures	\$2.4
General Sales Tax (TDA)	\$1.0
Development-based Fees	\$1.1
General Fund/Property Tax Revenues	\$1.3
Transit Fares	\$1.5
Miscellaneous Other Local Revenues	\$2.4
Total	\$9.7

Local Transit Expenditures (FY 2011-12, as budgeted)

(Dollars in millions)

Capital additions to equity (grants received)	\$4,248
Operations (salary, wages, benefits)	\$3,106
Contract transit service	\$914
Services (consultants, contract maintenance, temp help)	\$979
Depreciation & Amortization	\$517
Materials & supplies	\$546
Other Expenditures & Debt Service	405
Total	\$10,715

Local Sales Taxes

- Transportation Development Act (TDA), 1971
Legislature dedicated $\frac{1}{4}$ percent of sales tax to support local transit services
 - Usable for county roads in rural counties if all reasonable transit needs are met
- Local Sales Tax Measures
 - Enacted by voters in 19 counties, now require $\frac{2}{3}$ voter approval, most measures specify projects or programs to receive funds

Permanent Local Sales Tax Measures Supporting Public Transit

- Los Angeles: Total Props. A+C = \$1 B/Yr.
 - Prop. A ½% (1980) 100% transit
 - Prop. C ½% (1990) 75% transit/25% HOV
- San Francisco + Alameda + Contra Costa:
 - ½% (1964) 75% (BART) & 25% (feeder bus) = \$238m
- Santa Clara: ½% (1976) 100% transit=\$133m
- San Mateo: ½% (1976) 100% transit = \$54m
- Santa Cruz: ½% (1979) 100% transit = \$12m

Temporary Local Sales Tax Measures

(20-35 years)

(Dollars in millions)

County	Capital	Transit Operations	Road Maint.	Annual Revenue
Los Angeles	60%	25%	15%	\$535
San Diego	40%	30%	20%	\$158
Orange	43%	25%	32%	\$143
Santa Clara	75%	21%	4%	\$133
Alameda	40%	32%	22%	\$107
San Bernardino	81%	----	19%	\$88
San Francisco	10%	65%	25%	\$84
Riverside	60%	----	40%	\$74

Local Sales Tax Measures

(Dollars in millions)

County	Capital	Transit Operations	Road Maint.	Annual Revenue
Sacramento	22%	35%	38%	\$73
Marin	25%	57%	18%	\$67
San Mateo	42%	30%	23%	\$54
Contra Costa	34%	34%	32%	\$47
Fresno	35%	24%	35%	\$43
San Joaquin	35%	30%	35%	\$35

Local Sales Tax Measures

(Dollars in millions)

County	Capital	Transit Operations	Road Maint.	Annual Revenue
Sonoma	50%	28%	20%	\$27
Santa Barbara	20%	12%	65%	\$24
Tulare	50%	15%	35%	\$17
Napa	----	----	100%	\$11
Imperial	5%	2%	93%	\$8
Madera	26%	2%	72%	\$6

Transit Fares

- Transit fares cover on average **20-25%** of urban transit service operating costs
 - BART at 56% is highest in state
- Some suburban commuter operators cover as much as 30% of cost from fares
- Most paratransit and rural operators cover only 5-10% of cost from fares

Development-Based Fees

- **Infrastructure Assessments**
 - City or County collects fees at time of building permit
- **CEQA Mitigation**
 - City or County requires mitigation actions or fees when EIR is approved
- **Mello-Roos Assessments**
 - Landowners' self-assessments for infrastructure before development, passed on to homebuyers

General Funds/Property Taxes

- Some cities still use general funds for transportation improvements
- A few agencies (e.g. AC Transit and BART in the Bay Area) have direct property taxing authority
- Voters can approve “1911 Act” assessments on property to pay for adjacent public improvements such as sidewalks or lighting

State Transit Funding



How Did We Get Here?

- “History is indeed little more than the register of the crimes, follies and misfortunes of mankind.”
– *Edward Gibbon, historian 1737-1794*
- “Those who cannot remember the past are condemned to repeat it” – *George Santayana, The Life of Reason, 1905*

Gasoline Sales Tax (1971-2000)

Part I: TDA & the Spillover

- The Transportation Development Act (TDA) of 1971 redirected $\frac{1}{4}$ % of the state's **general** sales tax to local government to support public transit
- To backfill for this loss to the state, the sales tax was broadened to apply to **motor fuels**
- Sales tax on gas was supposed to = TDA. Deposited in the General Fund.
- When gas prices jumped in mid-1970's, this yielded general fund sales tax windfalls: "Spillover"

The “Spillover”



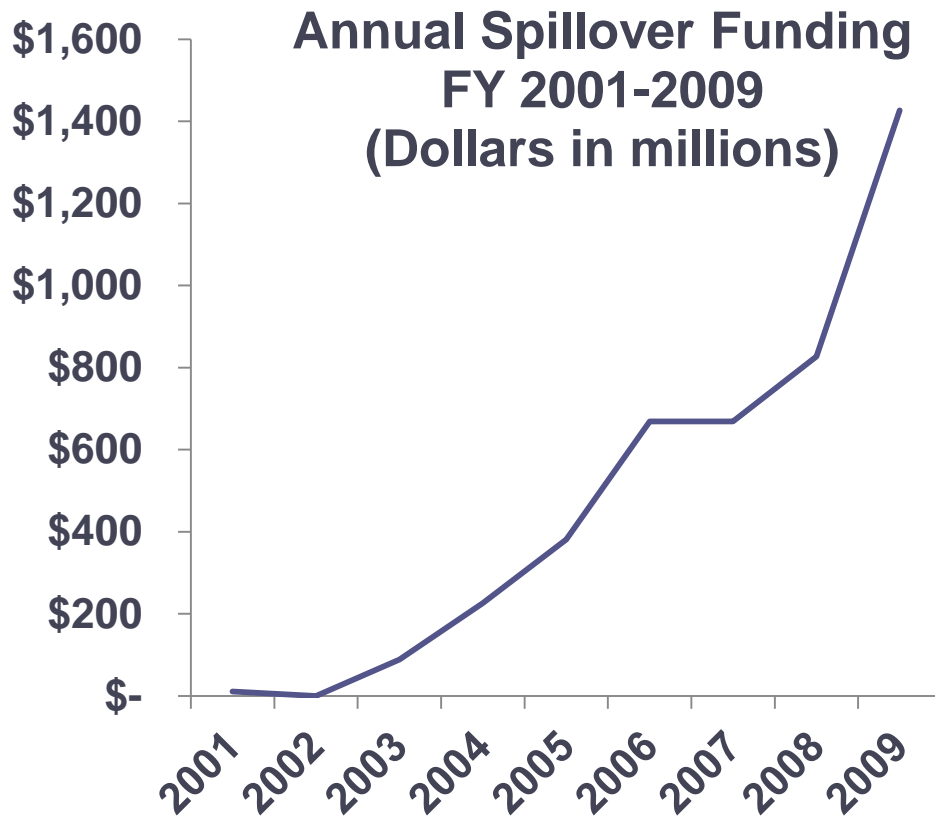
- Spillover Years: 1978-2003
 - In response, a new provision of law was added – the “Spillover” – to prevent this windfall from going to the General Fund
 - If sales tax on gas was $>$ than the $\frac{1}{4}\%$ sales tax on all goods excluding gas, the difference – the Spillover— would go to transit.
 - Spillover occurred sporadically, ranging from zero to \$150 million in early 1980s & early 1990s. Between 2004-2009, ranged from \$225 million - \$1.4 billion.

Gasoline Sales Tax (2000-2010)

Part II: TCRP & Proposition 42

- In 2000, Traffic Congestion Relief Program (TCRP) enacted
 - One-time \$1.5 billion transfer from the General Fund
 - Ongoing transfer of the sales tax on gasoline from 2000-2006
 - 141 earmarks totaling \$5 billion, plus \$400 million for local roads
- Remainder was split:
 - 20% to the Public Transportation Account (PTA)
 - 40% for cities & counties for Local Streets and Roads
 - 40 % to the State Transportation Improvement Program
- General Fund deficits led Legislature to borrow over \$1 billion from TCR
- Proposition 42 (2002) enacted by over 70% of voters to curb these raids and permanently dedicate gasoline sales tax to transportation.

Despite Prop. 42, Spillover Stays on Books and Is Repeatedly Raided



- Legislature diverts \$3.7 billion in Spillover funding over 9 years
- In 2007, California Transit Association sues to stop diversion of Spillover & PTA funds
- In 2009, high gas prices & Great Recession drive Spillover to \$1.4 billion

Proposition 22 (2010)

- Constitutional Amendment passed by 61% to prohibit the state from diverting transportation funds, local government funds or redevelopment funds.
- Ensures that gas tax and diesel sales tax is dedicated to transportation.

The Gas Tax Swap – The Getaway Maneuver



- In response to Proposition 22 and CTA lawsuit challenging Spillover raids, Administration proposes repealing entire state share of sales tax on gasoline and replacing it with an excise tax that goes mainly to highway purposes.
- Saved General Fund about **\$1 billion per year** in debt service, now to come directly from transportation funds.
- New gasoline tax is adjusted each year to raise the same amount of funding as the state sales tax on gas would have raised.
- To offset loss of Spillover and Proposition 42 for public transit, the Legislature increased the sales tax on diesel fuel by about 2%, all of which goes to the State Transit Assistance (STA) Program and is eligible for transit operations and capital projects.

Gas Tax Swap of 2010

- Revenue-neutral by design so as to require only a majority vote.

Eliminated	Added	Net Change
Eliminated sales tax on gasoline (-\$2.9B)	Imposed an additional gasoline excise tax of 17.3¢ per gallon (+\$2.9B)	No change in overall funding level, but funds better protected from state diversion
Lowered diesel fuel excise tax from 18¢ to 13.4¢ per gallon.	Raised diesel fuel <u>sales tax</u> by about 2%,	(+\$130m) for public transit.

- Reenacted in 2011 as AB 105 by a 2/3 vote.
- Adjustments made by Board of Equalization each year.
- BOE acted voted last February to raise gas tax by 3.5¢ to 21.2 ¢.

Public Transportation Account (PTA)

- The PTA is a **Trust Fund** dedicated to public transportation. Funds may not be diverted for other purposes.
- 100% of diesel sales tax revenue are deposited in the PTA.

Public Transportation Account Funding, FY 2012-13

(Dollars in millions)

Diesel Fuel Sales Tax	\$640
State Highway Account (Non-Article XIX restricted)	\$25
Federal Funds	\$394
Total	\$1,060
<i>PTA Reserves</i>	<i>\$200</i>

Public Transportation Account Programs, FY 2012-13

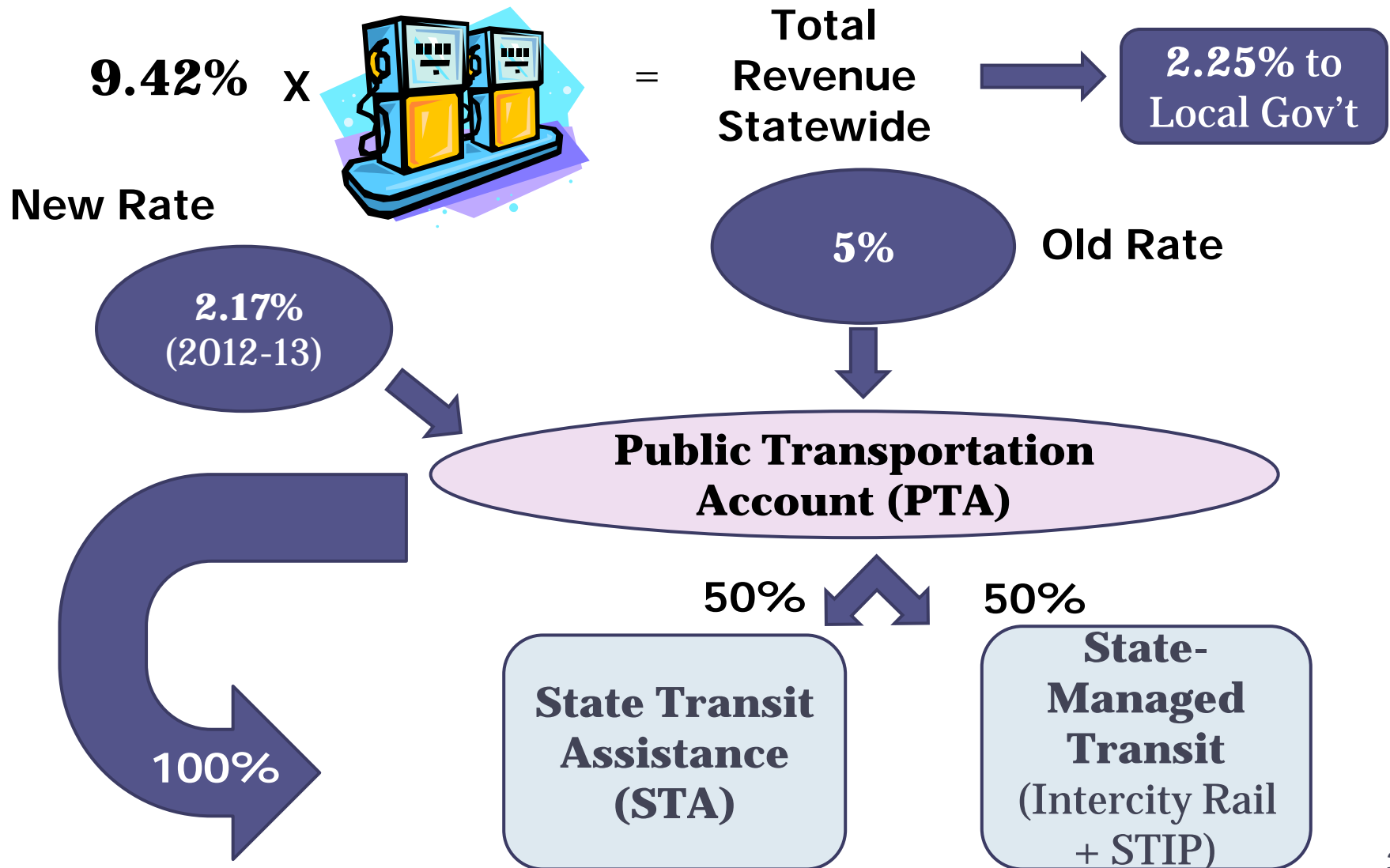
(Dollars in millions)

- State Transit Assistance (STA)* = \$420
- Intercity Rail operations = \$150
- Intercity Rail capital = \$140
- Transportation Planning = \$120
- Local Assistance = \$135

*Forecast, not a budget appropriation

= \$965

Diesel Sales Tax (FY 2012-13)



State Transit Assistance

- Only source of state support for transit operations (wages, service, etc.)
- Flexible (may also be spent on capital)
- STA Distribution
 - 50% funds distributed by population to Metropolitan Planning Organizations. May be spent anywhere in region.
 - 50% of funds distributed directly to transit operators by formula, on the basis of each transit operator's share of local revenue, including fares.

Proposition 1B (2006)

- \$20 billion bonds for 16 separate transportation programs
- \$5 billion for public transit
 - **\$4 billion for new capital infrastructure (PTMISEA)**
 - \$3.6 billion to transit operators
 - \$400 million to intercity rail
 - **\$1 billion for transit security and emergency response**
- Legislature appropriates funds in State Budget

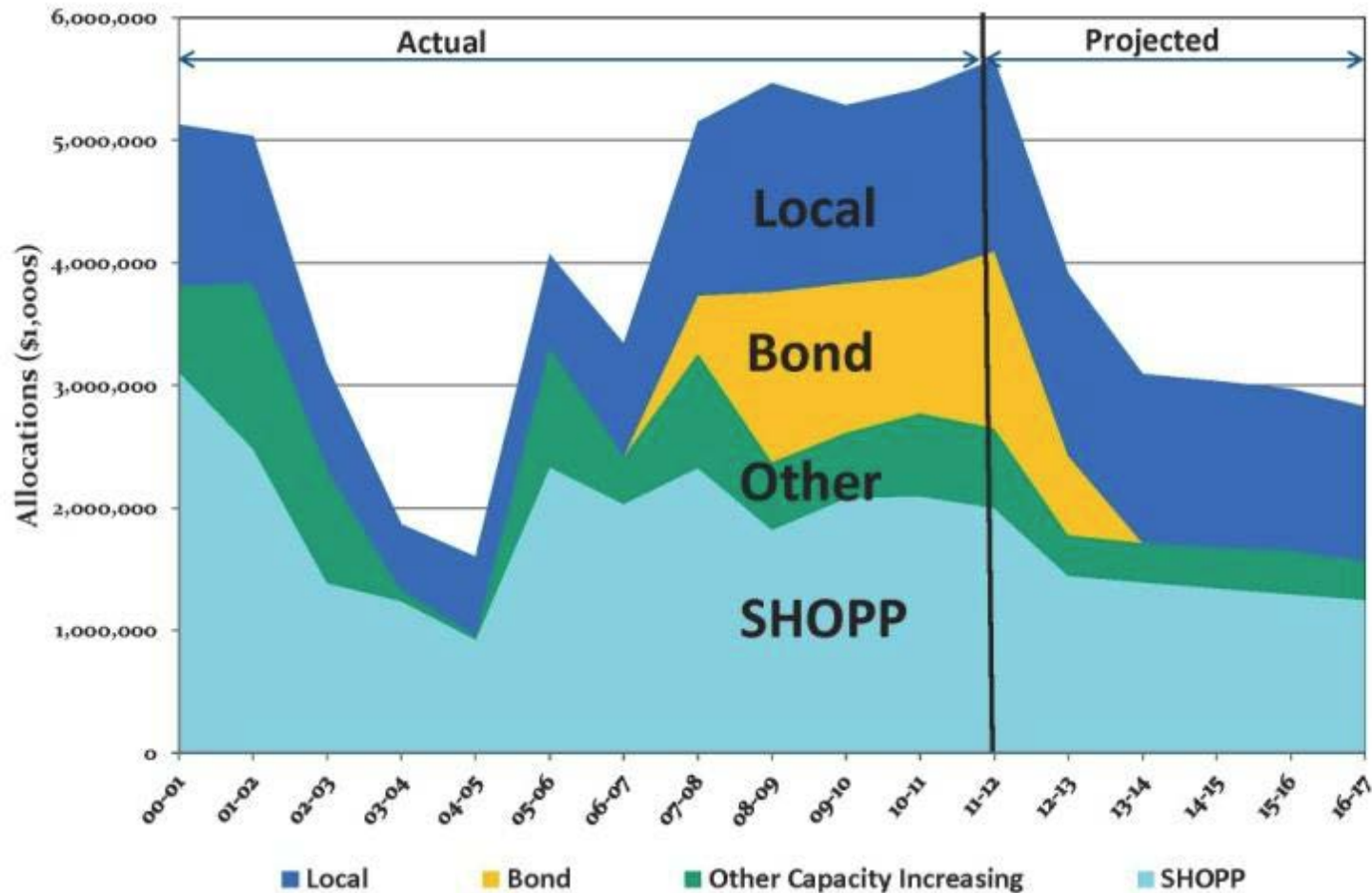
PTMISEA

- Public Transit Modernization, Improvement, and Service Enhancement Account
- Distributes funds through the STA formula:
 - **50% to Metropolitan Planning Organizations based on population – they allocate to operators**
 - **50% to transit operators directly based on proportional share of total fare revenues statewide**
- Can fund new or replacement equipment, system rehabilitation, capital service improvements or expansion, and Bus Rapid Transit – but not operating costs

PTMISEA Allocations

- \$4 billion authorized. As of June 2012,
 - **\$2.6 billion programmed; \$1.3 billion allocated**
- Legislature budgeted \$950 million in FY 2012-13
- Caltrans releases budgeted funds twice per year for programming

Capital Funding Running Out



State Transportation Improvement Program (STIP)

- A four-year expenditure plan adopted by the California Transportation Commission (CTC) for capital expansion projects.
- Primarily focused on highways due to fund sources (primarily highway funding), but some PTA funds available
- RTPAs propose programs for 75% of funds via Regional transportation improvement programs (RTIPs)
- Caltrans proposes program for 25% of funds via Interregional TIP (ITIP)
- CTC accepts or rejects each RTIP in its entirety but may not modify individual projects

Can STIP Fund Transit?

- Historically, STIP has been a highway focused program, but “fixed guideway” i.e., rail projects are eligible
 - Each county/region determines what projects they want to fund relative to other needs
- Some counties are heavily investing in transit in 2012 STIP:
 - Los Angeles County: \$272 million (28%)
 - Santa Clara County: \$82 million (90%)
 - Contra Costa County: \$31 million (27%)



Federal Transit Funding

Federal Transit Formula Programs in California, FY 2012-13

5307 Urbanized Area Formula	\$ 765 m
5337 State of Good Repair	329 m
5339 Bus & Bus Facilities	65 m
5311 Rural Transit	27 m
5310 Mobility, Senior/disabled	28 m
MPO, State Planning	21 m
Total Apportionments to California	\$1,235 m

Federal Transit Formula Programs

Who select projects?

5307 Urban Formula	100% to MPOs
5337 State of Good Repair	100% to MPOs
5339 Bus & Bus Facilities	100% to MPOs
5310 Mobility, senior/disabled	100% to Caltrans (Local Assistance grants)
5311 Rural Formula	100% to Caltrans (Local Assistance grants)
5303 MPO Planning	100% to State for MPOs
5304 Statewide Planning	100% to Caltrans

Capital Investment Program a.k.a. **“New Starts”**

- **FTA Section 5309**

- \$1.9 billion nationwide (FY 2013 and 2014)
- Discretionary grants for guideways, bus rapid transit
 - New fixed guideway capital
 - Small starts (grant <\$75 million, project <\$250 million)
 - Core capacity improvements
- **Eligibility:** project development, engineering, and construction as separate stages

Feds Still Play Critical Role in Transit Capital Expansion

Recent Full Funding Grant Agreements

- BART to Silicon Valley: **\$900 million**
- S.F. Muni Central Subway: **\$942 million**
- Sacramento, South Sac Corridor: **\$135 million**

Other Major Capital Investment Program Recommendations

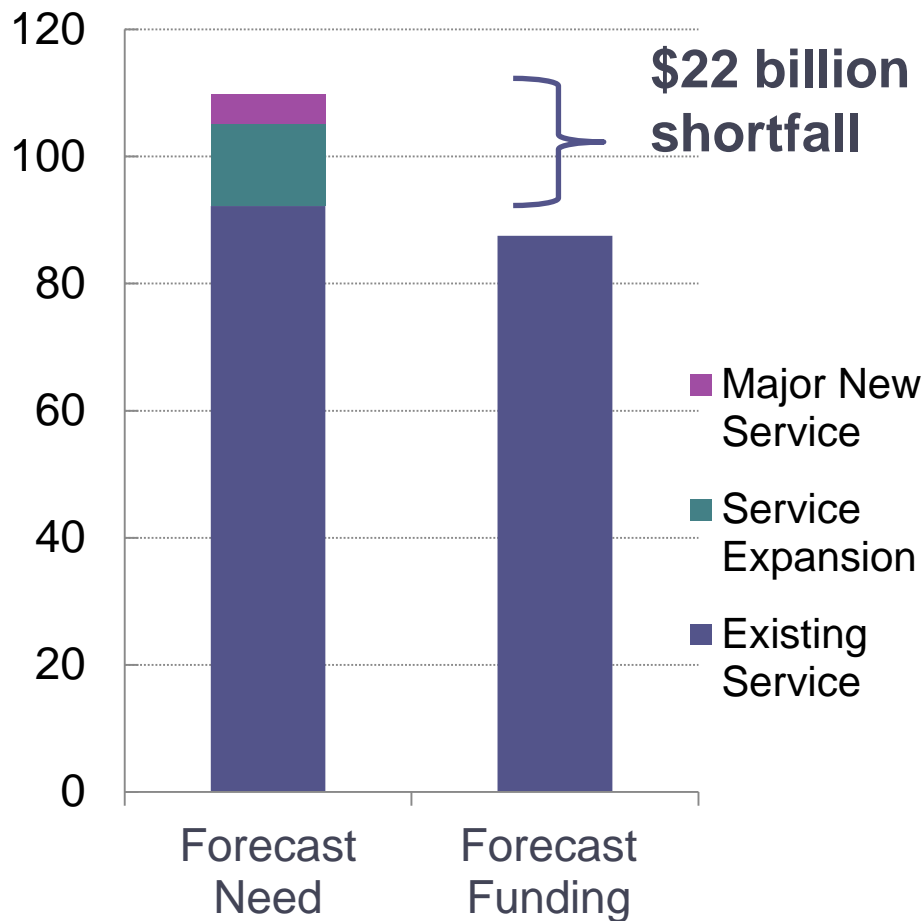
- Los Angeles Regional Connector Transit Corridor: **\$671 million**
- Los Angeles Westside Subway Extension: **\$2.4 billion**

Recommended for Construction grant agreements in 2013

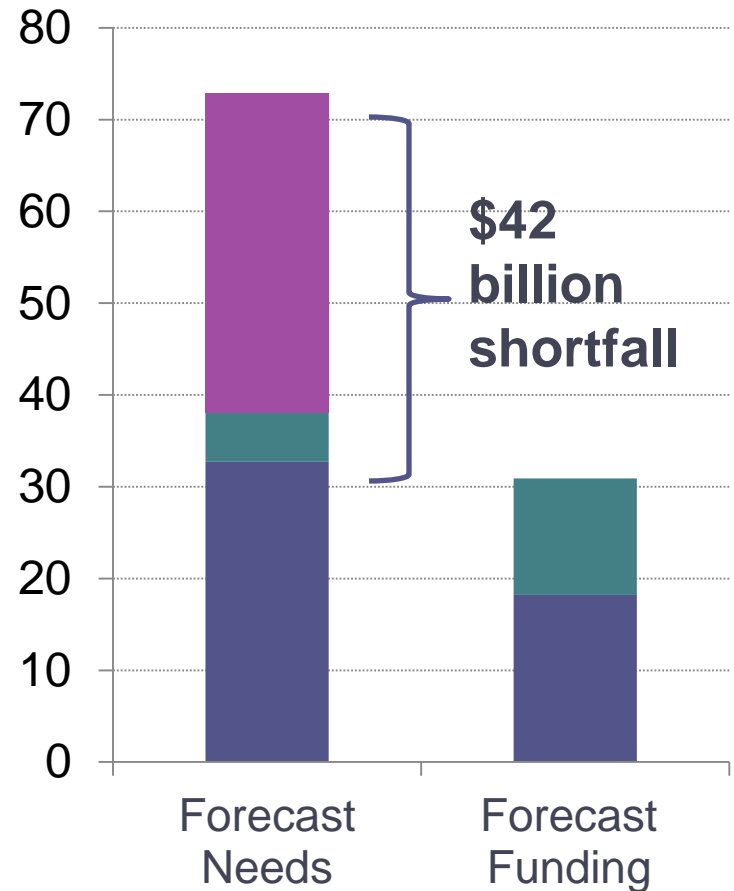
- Oakland East Bay BRT: **\$75 million**
- SF Van Ness BRT: **\$75 million**
- Fresno Area Express Blackstone/Kings Canyon BRT: **\$39 million**

The Big Picture, FY 2011-2020

Operating Needs



Capital Needs





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