NCSL
National Conference of State Legislatures

On Track

How States Fund and Support Public Transportation

On Track

How States Fund and Support Public Transportation

By Kevin Pula
Douglas Shinkle
Jaime Rall

National Conference of State Legislatures

The Forum for America's Ideas

William T. Pound, Executive Director
7700 East First Place
Denver, Colorado 80230
(303) 364-7700

444 North Capitol Street, N.W., Suite 515
Washington, D.C. 20001
(202) 624-5400
www.ncsl.org

June 2015

The National Conference of State Legislatures is the bipartisan organization that serves the legislators and staffs of the states, commonwealths and territories.

NCSL provides research, technical assistance and opportunities for policymakers to exchange ideas on the most pressing state issues and is an effective and respected advocate for the interests of the states in the American federal system. Its objectives are:

- To improve the quality and effectiveness of state legislatures.
- To promote policy innovation and communication among state legislatures.
- To ensure state legislatures a strong, cohesive voice in the federal system.

The Conference operates from offices in Denver, Colorado, and Washington, D.C.

Cover Photo Credits:
Rail Runner: Ernie Montoya and the New Mexico Department of Transportation
Bus: Minneapolis Metro Transit
Rainbow, Ariz., Streetcar: Senator Steve Farley
Denver Union Station Canopy: Denver Regional Transportation District

ISBN 978-1-58024-805-1

Contents

List of Figures and Tables iv
Acknowledgments v
A Word on the Rockefeller Foundation's Transportation Initiative vi
Executive Summary vii
Methodology viii
Introduction 1
Ridership 1
Generational Shift 2
Urban vs. Rural Transit Uses 3
Proximity to Transit 4
Socioeconomics of Public Transportation 5
Job Access 6
Economic Value of Public Transportation 7
State Support of Public Transportation 8
Organizational and Structural 8
Funding 13
Motor Fuel Tax 13
Dedicated Specific Fees/Taxes 14
State Transportation Fund 17
General Fund 19
Other 18
Finance 21
Value Capture 22
Public-Private Partnerships 22
Infrastructure Banks 24
Policies 25
Transit-Oriented Development 25
Marrying Environmental and Transit Goals 25
Other 26
Offering Tax Credits to Employers for Commuter Benefits 30
State-Local Nexus 31

List of Figures and Tables

Figures

1. Transit Vehicle Miles 1997-2009 2
2. Age and Transit Use....2
3. Transit Use by Age and Region....3
4. Transit Use by Age Group 3
5. Selected Consumer Transportation Expenditures by Income (Before Taxes), 2003-2013 5
6. Median Income of Commuters, Select Cities 6
7. State Support for Public Transportation....8
8. Funding for Public Transportation (2012 data) 13
9. PTTF Disbursements FY 2013/14, Millions of Dollars....17
10. Bonds for Public Transportation....24

Tables

1. Transit Trips by Purpose 4
2. Total General Fund Transfers—Top Six States 19
3. State Tax Incentives for Employers that Offer Commuter Benefits 30

Acknowledgments

The National Conference of State Legislatures first and foremost thanks the Rockefeller Foundation for the support and vision that made this report possible.

A critical source of information about the state role in public transportation was state department of transportation transit contacts. This report would not have been possible without their graciously taking the time to respond to our questionnaire, adding to their already full plate of responsibilities and duties. Their answers informed the entire report and helped construct a rich examination of the state role in public transportation.

These DOT contacts were provided to us, in most cases, by Shayne Gill, the Passenger Rail and Aviation Programs Manager with the American Association of State Highway and Transportation Officials (AASHTO). Mr. Gill's participation was imperative in collecting the state responses for this report, and we extend our sincere thanks for his assistance.

We also would like to thank Sharon Edgar, the administrator for the Michigan Department of Transportation's Office of Passenger Transportation. She provided a number of timely and helpful suggestions for our survey and the overall report.

The report also benefitted enormously from the contributions, suggestions and input of many state legislators, state agency staff and other knowledgeable stakeholders. Our deepest gratitude goes to this multitude of experts who provided interviews and quotes, fact-checked and edited the case studies, and offered their insight about innovations in the states. Too numerous to be named here, their efforts immeasurably strengthened the final product.

Our thanks also go to:

- Art Guzzetti and Rich Weaver with the American Public Transportation Association (APTA) for providing helpful assistance and research;
- The Federal Transit Administration and the U.S. Department of Labor for their support of NCSL's ongoing research into human service transportation coordination efforts;
- American Association of State Highway and Transportation Officials (AASHTO) for partnering on the groundbreaking *Transportation Governance and Finance* 50-state report and our many joint presentations on the latest in transportation funding and finance; and
- National Highway Traffic Safety Administration (NHTSA) for its ongoing support that allows NCSL to comprehensively track traffic safety legislative trends across the nation.

Finally, NCSL staff assistance was an important part of writing, reviewing and editing this report. Of particular note, Leann Stelzer was instrumental in editing and formatting the report.

A Word on the Rockefeller Foundation's Transportation Initiative

This report was funded by the Rockefeller Foundation's Promoting Equitable, Sustainable Transportation Initiative. A key goal of that initiative is to ensure that policymakers at all levels of government in the United States have actionable and practical research and analytical support to advance equitable, sustainable and economically beneficial transportation policies. The Initiative's vision of success, as expressed in its strategy overview, includes:

- Healthier and safer lives for U.S. residents.
- More disposable income as a result of smart infrastructure choices that create communities characterized by convenient and affordable transportation options.
- Increased opportunities for prosperity and social mobility for all residents, especially the poor and vulnerable, through safe, reliable and inexpensive transportation options.
- Communities that encourage and sustain active and healthy living through well-designed, clean streets that are shared by both drivers and pedestrians.
- Systematically organized, well-maintained multimodal transportation networks serving metropolitan regions.
- Performance-driven transportation policy, funding and implementation with outcomes that are beneficial to society: increased economic productivity, reduced greenhouse gas emissions, reduced reliance on petroleum and expanded individual opportunity.
- Transportation agencies that work seamlessly with housing, energy and environment, economic development and health agencies toward a common vision and shared goals.

Executive Summary

The role states and particularly state legislatures play in supporting and funding public transportation typically is not a well-understood dynamic. This report highlights the many successful state efforts to provide high-quality transit options, with an emphasis on state legislative actions. Many states use common funding sources to support transit: motor fuel taxes, state transportation funds, general funds, and automobile-related fees or taxes. Many states are taking further steps to create alternative funding and finance mechanisms for public transportation. While the most common state-level support for public transportation comes in the form of funding, other types of program support exist. State actions are organized into five categories in this report: Organizational/Structural, Funding, Finance, Polices and State/Local Nexus. Throughout the report, specific state programs and initiatives are examined in detail to explore traditional, innovative and emerging methods of state support for public transportation.

Methodology

The primary sources of information for this report are responses, provided by representatives from each state department of transportation, to an original NCSL questionnaire. The questionnaire was developed with the intent of gathering information regarding state-level support for public transportation, especially support in which the state legislature plays a significant role, either through passing legislation or formulating policy.

Working closely with the Rockefeller Foundation, AASHTO staff, public agency members of the AASHTO Subcommittee on Public Transportation, APTA, state department of transportation staff and state legislators, NCSL identified specific topics of focus for this report.

The questions posed to each state DOT focused on a range of topics, including organizational/structural aspects of the state's public transportation agencies, funding sources, financing mechanisms, state-level polices and the state/local nexus. While funding is often considered to be the primary means of support for public transportation, we sought, with this questionnaire, to explore additional aspects of state efforts to enhance transit.

Once the initial surveys were collected, NCSL staff conducted original research to write case studies and state highlights about specific initiatives. This research involved statutory review, conducting interviews with DOT staff and state legislators; and reviewing source materials on each subject.

The result is a thorough national examination of how each state and the District of Columbia is striving to provide constituents with safe, reliable and quality public transportation options.

NCSL received questionnaire responses from 49 states and the District of Columbia; Rhode Island did not participate.

Introduction

Public transportation is a critical aspect of America's transportation network, serving Americans in every state throughout the country. Without access to public transportation, millions of Americans would be left with fewer transportation options, potentially leading to higher transportation costs, longer travel times and, in some instances, an inability to travel at all, forcing them to forego possible employment, health and social opportunities.

Public transportation systems in the United States recorded 10,753,151 individual trips in 2014, up nearly 1 percent from 2013. These trips represent riders from every state, race and socioeconomic class. Although public transportation typically is regarded as serving those Americans living in large metropolitan and urban regions, more transit agencies actually serve rural areas than urban ones.

74 %

of respondents in a recent survey agreed that tax dollars should be used for public transportation.

Americans across the country see public transportation as an important public good and a benefit to their cities, municipalities and communities. A 2014 survey conducted by the American Public Transportation Association (APTA) asked respondents about their feelings on funding for public transportation. Nearly 68 percent of respondents supported increased federal spending, and nearly 74 percent agreed that tax dollars should be used to create, expand and improve public transportation. A 2014 study found that even non-users support transit at the voting booth due to public transportation's public benefits to society.

Ridership

Vehicle miles traveled (VMT) in the United States has flat-lined in recent years, even with a steadily increasing driving-age population. Numerous factors have contributed to this phenomenon, many of which are beyond the scope of this report. One aspect that cannot be ignored, however, is the fact that public transportation trips have increased during this time period.

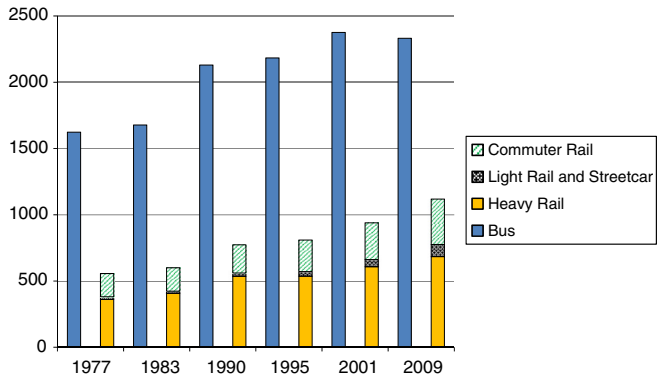
While single occupant vehicle commuting trips—one of the most significant contributors to national VMT—still accounts for more than 75 percent of commuting traffic, public transportation commuting has increased annually since at least 2010.

Broken down by mode, public transportation saw a wide-range of gains and shifts in 2014. Bus ridership, which represents the major portion of the nation's ridership—remained relatively steady, decreasing by 0.1 percent. Other modes of transit saw significant gains—heavy rail, including subways, increased 2.8 percent; commuter rail increased 2.1 percent; and light rail increased 1.6 percent. Bus ridership accounted for nearly half of all transit trips in 2014, representing 5.28 billion of the 10.7 billion total trips.

In New York City, the most developed region in the country in regard to public transportation access, the subway and heavy rail networks

provide 2.7 billion trips annually, compared to 794 million bus trips. However, bus trips typically far outpace other U.S. transit modes due to less developed rail infrastructure and lower population density, among other factors. For example, in the Denver and Minneapolis metro regions, two areas with relatively new and burgeoning light-rail systems, bus ridership eclipsed light rail in 2014 by three and four times, respectively.

Figure 1. Transit Vehicle Miles 1997-2009



Source: Taylor & Morris (2014), adapted from APTA (2012) historical tables.

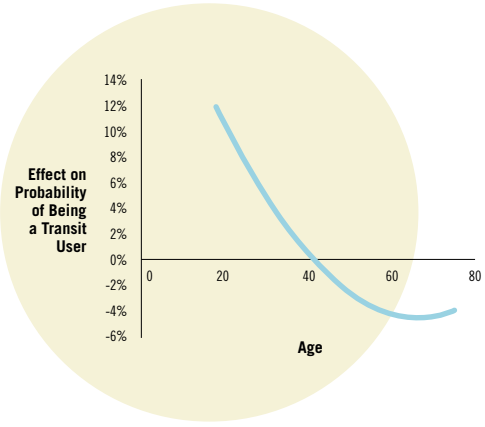
Figure 1 charts the change in transit vehicle miles for public transportation since 1977. All modes have net increases over the last three decades, but the rate in growth varies widely. Even with the slight drop in bus ridership, it is apparent from the trip data and the transit VMT data that buses play a primary role in America's public transportation.

Generational Shift

Recent studies point to a growing preference and use of public transportation by younger Americans, particularly those in the millennial cohort. This is due to a number of factors, including less vehicle ownership and reliance; less need for travel due to more work and socialization at home via online access; more travel by foot, bike and shared-use services such car-sharing and ride-hailing (i.e., "ride-sharing" services such as UberX and Lyft); and more people living in urban areas where transit options are more plentiful. According to real-estate trend watchers, 88 percent of millennials want to live in an urban setting.

A 2014 survey conducted by the Transit Center found that an individual at age 20 is nearly 12 percent more likely than the average American to be a "transit user," defined as someone who uses transit at least once weekly. As people grow older, the likelihood that they will use transit decreases steadily. However, the same study also found some evidence that younger Americans may sustain their transit use at a higher level than past generations as they age (Figure 2).

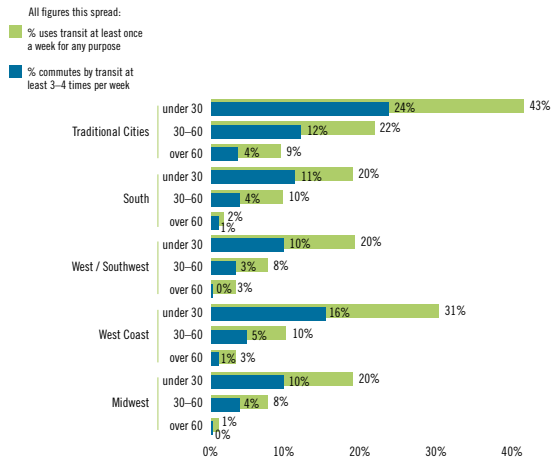
Figure 2. Age and Transit Use



Source: Transit Center, *Who's on Board 2014*.

The same report also concludes that younger people (under age 30) are by far the most likely of any age group to use transit. Across all regions of the United States, younger people are using transit at twice the rate of their elders (Figure 3).

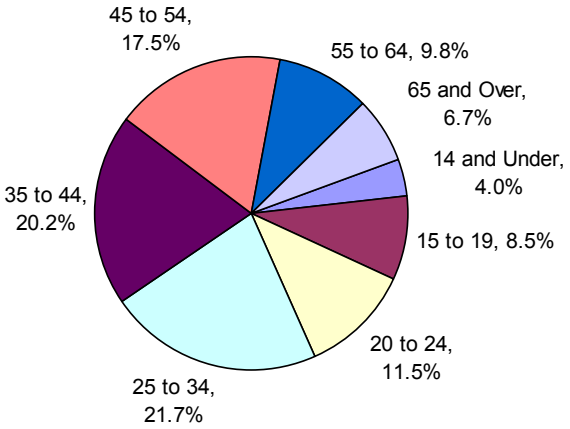
Figure 3. Transit Use by Age and Region



Source: Transit Center, *Who's on Board 2014*.

Similarly, a 2007 APTA study found that riders ages 25 to 34 accounted for nearly 22 percent of all transit trips, more than all riders over age 55 combined (Figure 4).

Figure 4. Transit Use by Age Group



Source: APTA, A Profile of Public Transportation Passenger Demographics and Travel Characteristics Reported in On-Board Surveys, 2007.

However, millennials are not the only cohort that is showing increased transit ridership and interest. Baby boomers, who are now reaching retirement age, are becoming more interested in and needing public transportation. The AARP reports:

> "According to research by the Rehabilitation Institute of Chicago, nearly 80 percent of respondents believe they will see no serious limits on their activity until after age 70 and close to 50 percent believe they will remain active and going strong over age 80. Yet, research shows that more than 20 percent of seniors age 65 and older—nearly 7 million people—do not drive at all. Thus, even as millions of baby boomers cease driving, they expect to remain active and the most cost-effective way to meet their demand for mobility will be through additional public transit services."

Figure 2, produced by the Transit Center, indicates an uptick in likely transit use for the highest age bracket. Those older than age 65 are slightly more likely to use transit than those ages 55 to 65.

Urban vs. Rural Transit Uses

The Transit Center's research confirms, as expected, that "traditional cities," followed by West Coast environs, have the largest percentages of transit users and commuters. It is important to keep in mind, however, that more transit agencies serve rural areas than metropolitan regions. In 2012, there were an estimated 815 urban transit systems, compared to 1,703 rural systems; nearly 1,200 of the rural systems were demand-response programs.

The National Center for Transit Research (NCTR) found that only .5 percent of rural residents used transit for commuting, compared to 6 percent of urban residents. While

ridership is far lower in total trips and as a rate in rural regions, it is important to consider the critical role public transportation plays in these regions.

Urban and rural populations use transit in different ways. The same 2014 study by the NCTR breaks down transit trips by purpose (Table 1). A greater percentage of rural trips are made for work, school/church and medical/dental purposes, compared to urban trips. Fifty-five percent of rural transit trips are used for vital purposes, compared to just over a quarter of non-transit trips, indicating the critical role served by rural transit.

First-Last Mile Problem

Users must complete the first and last portion [of a transit trip] on their own; they must first walk, drive or roll themselves to the nearest station.

—Los Angeles County MTA

Proximity to Transit

One of the most difficult problems for public transportation agencies and transportation planners to overcome is "first-last mile" access. Transit systems strive to provide riders with access to their jobs, places of commerce and residential areas. Accessibility can be measured by how efficiently and effectively transit riders are moved to a desired destination. If transit systems do not provide access to the most desired regional hubs (serving both economic and utility needs), it will be difficult to attract a sustainable level of ridership.

The "first-last mile" problem arises from studies pointing to between a half-mile to 1 mile as the typical distance a transit rider will travel by foot to access a transit stop, as well as their final destination. Researchers from the University of California at Berkeley examined the distances commuters are likely to travel between their destination and origin to a transit stop. While the generally accepted distance has been one-half mile, researchers found that one-quarter mile and three-quarter mile radii yield similar ridership predictions. No matter the distance, the underlying assumption remains that transit riders must include travel to and from transit stops as part of their trip.

Lack of station parking (or access to a vehicle), poor walking and bicycling conditions due to unsafe traffic and crime threats, weather and geography may limit a prospective transit rider's ability to use transit. Governments and private companies are taking steps to provide legitimate "first-last mile" options, such as car-sharing and bike-sharing at stations, "safe routes to transit" that improve walking and bicycling infrastructure near transit stops and other innovative approaches. (See box on Last-Mile Solutions on pages 28-29.)

Table 1. Transit Trips by Purpose

Trip Purpose (Selected Categories)	Urban	Rural	Urban	Rural
	Transit		Non-Transit	
Work	27.3%	27.4%	15.3%	16.5%
School/Church	10.4%	20.4%	9.6%	9.7%
Medical/Dental	6.3%	7.4%	2.5%	2.4%
Total	44.0%	55.2%	27.4%	28.6%

Source: Adapted from NCTR, 2014.

"First-last mile" access is more problematic for rail-based than for bus transit systems. Inherently, buses are better able to provide access within a given city. Bus routes typically are cheaper, more numerous and more adaptable than a fixed-route subway or light-rail network. This accessibility, paired with availability and in some instances cost, is chiefly responsible for the large ridership numbers for bus systems. Municipalities, transit agencies and state policymakers may wish to help ensure well-used transit systems that carry more passengers by analyzing data about transit accessibility to employment centers, schools, residences, services, and cultural and entertainment complexes.

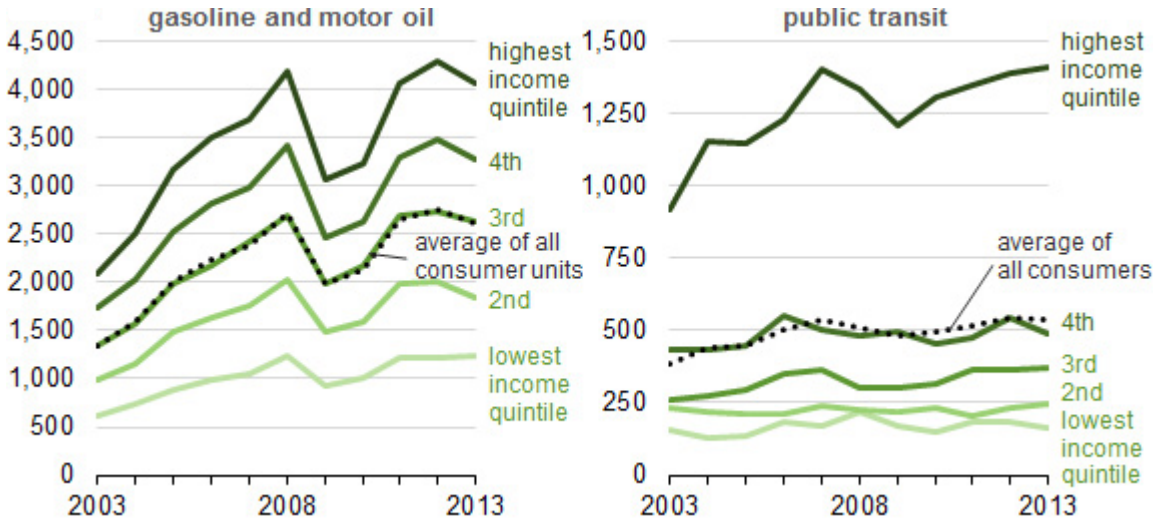
Socioeconomics of Public Transportation

According to a recent report from the U.S. Energy Information Administration, American households spend an average of $537 on public transportation each year (Figure 5). Broken down by income, however, average expenditures range from more than $1,400 by the highest quintile of earners to only $163 by the lowest quintile. While this disparity also exists for gasoline purchases, the distribution is far less variable. This data is even more striking when considering the levels of transit reliance by various socioeconomic classes.

An analysis of transit rider income levels by Governing highlights that, for the most part, transit users earn less money (Figure 6). The only communities where transit riders earn higher incomes than the area's median income are those near the large, wealthy metro regions of Boston, Chicago, New York City, the San Francisco Bay area and Washington, D.C. According to an APTA survey of nearly 500,000 transit riders, only 45 percent reported having access to a vehicle when they decided to take their transit trip. A higher number, nearly 70 percent, had at least one vehicle in their household, however.

However, that is beginning to change in some areas as transit services appeal to and serve "choice" riders that are not necessarily depen-

Figure 5. Selected Consumer Transportation Expenditures by Income (before taxes), 2003-2013



Source: U.S. Bureau of Labor Statistics, Consumer Expenditure Survey, 2003-13.

Figure 6. Median Income of Commuters, Select Cities

Source: Adapted from Public Transportation's Demographic Divide. Governing. 2014.

dent on transit. As Art Guzzetti, APTA's vice president of policy, notes, "Transit systems across the country are making themselves a more mainstream option for the community as a whole."

A 2014 Transit Center survey of more than 11,000 Americans about their transit use and perceptions offers intriguing insights about the socioeconomic and racial dynamics of transit use in the United States. An interesting dichotomy exists in that the lowest wage earners (those earning less than $35,000) and the highest income groups (earning more than $150,000) commute frequently by transit at the same rate—9 percent. Middle- to upper-income people (earning between $50,000 and $150,000), however, use transit the least. With regard to transit use by race and ethnicity, a clear distinction exists. African-Americans, those of Hispanic origin, Native Americans/ Alaska Natives and Asian-Americans commute by and use transit at rates at least double those of whites.

Job Access

Observing the critical link between transportation, job access and social equity, many states have begun to provide state funding to support transportation services for people with mobility challenges. In a recent Harvard study on upward mobility of children, access to transportation, particularly for job access, had a stronger impact than any other factor.

State legislatures have created a number of special programs that fund public transportation services for the people who need them most. Specific state examples include the following.

- **Florida's Transportation Disadvantaged Trust Fund** was designed to fill the gaps in existing public funding streams for special needs transportation. Paid for by motor vehicle registration fees and other sources and administered by the Florida Commission for the Transportation Disadvantaged, the fund—which totaled $36.6 million in

FY 2012—provides grants for local planning activities, transportation services and capital purchases that are not sponsored by any other government program.

- **New Jersey's Senior Citizen and Disabled Resident Transportation Assistance Program**, supported by 8.5 percent of the state's Casino Revenue Tax Fund, helps counties develop and provide accessible local transit service for older adults and people with disabilities.
- **Pennsylvania's Welfare to Work Transportation Program**, funded from the state's Public Transportation Trust Fund, sponsors local projects and services that help low-income people with transportation to work and child care services.
- **Washington's state-funded Paratransit/ Special Needs Grant Program** biannually awards $5.5 million to nonprofits to improve transit services for people who can't provide their own transportation due to age, disability or income. The goals of Washington's program include enhanced access to jobs.

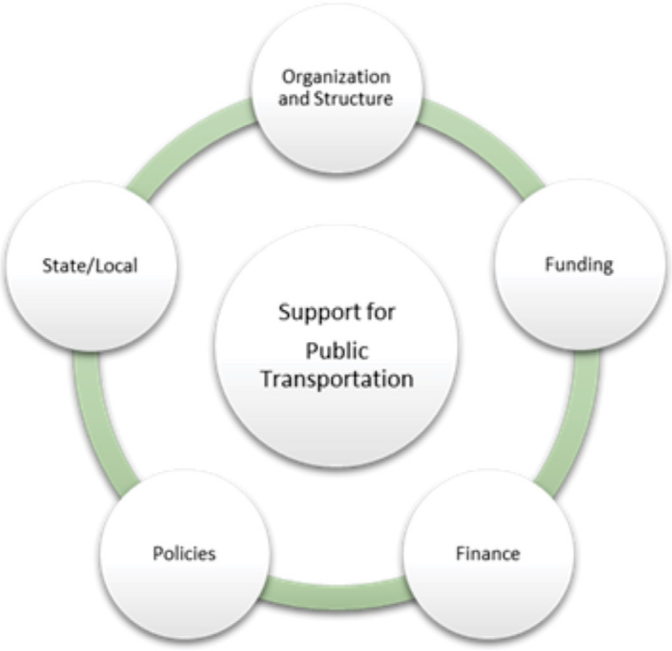
Economic Value of Public Transportation

Public transportation is important not only to the transit riders, but also to their employers. Companies with better transit access enjoy a larger pool of prospective workers and less frequent employee turnover. A recent study from Ball State University compared small Rust Belt metro areas with and without bus service and found that "counties with transit systems have lower employee turnover rates." Another study, one from Rutgers University, found that access to transit can create a larger base of employers, employees and services, which positively affects the entire economy, particularly in large cities where increases in personal vehicle travel sometimes simply cannot be accommodated due to road and space constraints.

State Support for Public Transportation

State support for public transportation may take many forms. State-level funding is the most recognizable form of support, but the state role may not end there (Figure 7). Lawmakers and policy stakeholders may decide to/may wish to support transit programmatically, via state statute, by empowering localities or by enabling certain financial mechanisms to leverage funding. This report examines the role played by states—and, particularly, state legislatures—in providing financial, technical and planning support for public transportation systems.

Figure 7. State Support for Public Transportation



Source: NCSL, 2015.

State strategies to support transit run the gamut, from enabling statutes for localities to create and fund transit agencies, to dedicated state funding streams for transit funding, to building and operating a state transit system.

Organizational and Structural

As with nearly every aspect of state government, public transportation is administered differently in all 50 states. The size and structure of state transit agencies vary dramatically. According to survey responses from state departments of transportation, 44 states and the District of Columbia house a transit division within their DOT. Of the states that provided employee data, transit divisions range from over 100 employees in California to as few as four employees in South Dakota. The median size of a state transit agency is 19 employees.

In addition to transit divisions within the DOT, a third of the states actually operate a transit system. Seventeen states and the District of Columbia reported that their state operates at least one transit system. State-run New Jersey Transit, for example, is the third-largest transit system in the country. Bus systems are the most common state-operated transit systems, but other examples include CTrail and CT River Ferry, a passenger rail line and a ferry operation in Connecticut; SunRail, a commuter rail line in Florida; and Washington State Ferries, among others.

STATE CASE STUDY: New Mexico Runs with a Commuter Rail Line

A decade ago, New Mexico undertook an ambitious plan to build one of the nation's longest commuter rail lines. Coined the New Mexico Rail Runner Express, the rail line was built to address traffic and mobility challenges along the state's most important and congested corridor, a 100-mile stretch between Belen, Albuquerque and Santa Fe. Unlike most commuter rail systems, the state was responsible for providing almost all the funding for its construction and owns the line's trains and infrastructure. Due to the large outlay of state funding and varying opinions on Rail Runner's effectiveness, the state's bold move is still hotly debated across New Mexico.

In 2003, after years of various calls and plans for commuter rail, the New Mexico Legislature enacted House Bill 15, authorizing issuance of up to $1.585 billion for new transportation construction projects, including the Rail Runner. The New Mexico Department of Transportation (NMDOT) designated the Mid-Region Council of Governments (MRCOG), a multi-county regional government planning agency, as its agent for planning, design, construction, operation and maintenance of the Rail Runner project and service.

The line was planned, built and carrying passengers within three years on the initial segment from Bernalillo to Albuquerque that opened in July 2006. Many credit this speedy build-out to several factors, including a willing partner in Burlington Northern Santa Fe (BNSF), limited involvement of the federal government (because federal grant funds were not requested) and strong political leadership. The Rail Runner uses existing BNSF tracks for most of the corridor, taking advantage of good track conditions and excess capacity. The state ultimately purchased the corridor from Belen, south of Albuquerque, all the way to Santa Fe, although

Photo courtesy of Ernie Montoya and New Mexico Department of Transportation

BNSF still has permanent exclusive rights to use the line for its freight traffic. The state is now responsible for maintaining the tracks and associated infrastructure; BNSF and Amtrak also pay a share.

The Legislature also enacted legislation that allows local governments to create regional transit districts (RTDs) and enables the districts to levy a tax to pay for transit, if approved by district voters. Voters in the four counties, located in two separate RTDs, served by Rail Runner approved an eighth of a cent gross receipts tax increase (levied on goods and services) in 2008 that provides funding for operation and maintenance of the Rail Runner, as well as for bus service to and from the Rail Runner stations to help riders complete their trips. NMDOT has a Memorandum of Agreement with Rio Metro RTD to serve as the managing agency for Rail Runner, manage ongoing operations and maintenance, and provide funding, although they have contracted with a private company, Herzog, for operation and maintenance.


Senator Ortiz y Pino (D)

As new stations opened, ridership increased quickly, from 500,000 in 2007 to more than 1.35 million in 2009. However, ridership since fell to just over 1,060,000 riders in 2014. It appears that the Rail Runner has provided a number of positive environmental, transportation and economic benefits for the state and its citizens. An NMDOT fact sheet based on FY 2014 data estimates that a commuter traveling by Rail Runner, rather than driving alone, between Albuquerque and Santa Fe would save $1,210 a month. The same fact sheet also estimates that the Rail Runner reduced vehicle miles during peak commute times by 24 million miles and reduced carbon dioxide emissions by 10,900 tons. Senator Gerald Ortiz y Pino believes environmental benefits are a major reason the state should support transit. "It helps with our air pollution and carbon emissions, as much as it helps get more single-occupancy vehicles (SOVs) off the highway." MRCOG also has estimated reductions in traffic accidents and fatalities due to decreased driving.


Representative Larrañaga (R)

However, a sizeable chunk of New Mexicans are dissatisfied with the considerable state investment in Rail Runner. Representative Larry Larrañaga, a former state Transportation Department Secretary for New Mexico, voices many of those concerns. He cites the considerable debt the state has accrued due to bonding to build the line, including two balloon payments of over $100 million each due in fiscal years 2025 and 2026. He believes that dedicating so much funding to Rail Runner is "not enabling us to address the other transportation needs in the state."

Reflecting these concerns, the Legislature passed House Memorial 127 in 2015, which requires the DOT to study the long-term costs of the Rail Runner system and the feasibility of selling the system's infrastructure. A 2011 bill, House Memorial 42, requested an efficiency analysis of Rail Runner and compared it to similar systems in the United States.

The analysis, conducted by NMDOT, generally found that Rail Runner was in the middle to low-end of cost-effectiveness compared to other systems in the nation. This is partly due to the fact that Rail Runner covers a longer distance than most commuter rail lines and must contend with elevation gains that affect speed and efficiency. Furthermore, although the train serves a corridor that contains about half the state's population and 60 percent of its jobs, New Mexico's population is still relatively low-density.

The study also noted that the train had the lowest average passenger fare per passenger mile. While this benefits riders, it also affects revenue. Fares currently account for 12 percent of the operating budget, which is at

the lower end of comparable systems. Representative Larrañaga supports raising fares to a level that maximizes revenue. A 2011 study estimated a 15 percent fare increase would increase revenue by about $312,000 a year, but would lead to a 3.75 percent ridership decline, or about 45,000 riders a year.

Senator Ortiz Y Pino believes that, considering the full cost of highways and the Rail Runner's environmental and other associated benefits, Rail Runner is a wise investment, cost-comparable with highways and that it offers choices for residents.

Representative Larrañaga thinks otherwise; he believes that, as transportation needs increase around the state, the decision to build Rail Runner will become more controversial because so much state funding is dedicated to the system. Given the ongoing debate and the 2015 legislation, the Rail Runner will continue to be a source of discussion in the Land of Enchantment.

FOCUS ON: New Jersey

With about 950,000 trips per day, 5,325 square miles of service area, 11,384 employees and an annual budget of more than $3 billion, New Jersey's NJ TRANSIT is the largest statewide public transit system and the third largest provider of bus, rail and light rail in the nation. The New Jersey Legislature established NJ TRANSIT in 1979 to provide "efficient, coordinated, safe and responsive public transportation." Today, the organization operates or oversees a total of 262 bus routes, 12 commuter rail lines and three light rail lines that serve communities across the state and connect them with major centers in New York and Philadelphia. The agency also administers publicly funded transit programs for people with disabilities, older adults and rural residents who have no other means of transportation.

New Jersey Assemblyman Herb Conaway points out that, "New Jersey is the most densely populated state in the nation. For that reason, providing reliable, convenient and safe public transportation options is not just a luxury—it's a necessity for individuals and businesses alike. Whether it's a senior citizen who needs to get to a doctor's appointment, a commuter taking the train to work, or a young family looking to take a weekend trip, New Jerseyans rely heavily on public transit for their health, economy and leisure."

Assemblyman Conaway (D)

New Jersey draws on various funding sources to support its massive transit network. About 46 percent of the revenues for NJ TRANSIT's operating budget come from fares, 48 percent from state and federal funding, and the remainder from commercial sources such as contracted service revenues, rental income, station and vehicle advertising, facility leases and parking lot operations. For the capital budget, about 40 percent is from the state's multimodal Transportation Trust Fund and the remainder from federal and other sources. These sources include toll revenues. According to a New Jersey survey respondent, a number of toll facilities in the state—notably the New Jersey Turnpike, the Port Authority of NY and NJ and the Delaware River Port Authority—help fund and operate public transit, and both the New Jersey Turnpike and the Port Authority of NY and NJ provide some capital funding assistance to NJ TRANSIT.

New Jersey has many initiatives in place to most efficiently use its extensive transit resources. For example, the state has taken several steps to promote growth and development in areas where public transportation already exists, which encourages ridership and revitalizes transit-adjacent communities. One of these transit-oriented development programs is the Urban Transit Hub Tax Credit, which is offered to large employers that invest in facilities near eligible rail stations. Since the Legislature created the tax credit in 2007, 27 projects have been approved for a total benefit of nearly $1.4 billion. Another noteworthy example is the Transit Villages Initiative, a multi-agency partnership begun in 1999 that recognizes and rewards communities that have "demonstrated a commitment to revitalizing and redeveloping the area around their transit facilities into compact, mixed-use neighborhoods with a strong residential component."

As of 2015, there are 28 designated Transit Villages statewide. "I'm particularly proud of the Legislature's efforts to spur strategic transit investments, like Transit Villages, to encourage economic growth, reduce carbon emissions, and promote healthier lifestyles. Smart planning such as this is essential to growing New Jersey's economy while improving quality of life."

In addition, a number of state agencies and the North Jersey Transportation Planning Authority, with the U.S. Department of Housing and Urban Development and the Federal Transit Administration, are working cooperatively on a program called Together North Jersey. This unprecedented, 13-county planning initiative is working to create an integrated regional plan for sustainable development, implement 15 local demonstration projects, and build local capacity to advance sustainability projects and initiatives in northern New Jersey. Transit-oriented development is a key element of the project's central framework.

By targeting businesses and local communities, state transit-oriented development programs are helping more New Jerseyans access and use public transportation in their daily lives. "There is an unparalleled interest in transit-oriented development, especially along NJ TRANSIT's rail lines, which has added to our ridership," one survey respondent said. "We have worked with over 50 communities on plans for projects. More than half of those planning efforts have resulted in projects being implemented."

For these and other reasons, New Jersey has seen substantial gains in transit commuting and overall ridership. From 1990 to 2010, the share of commuters taking transit grew more in New Jersey than in any other state but New York. The growth continues: In FY 2014 alone, NJ TRANSIT's ridership increased by 267 million trips.

Funding

According to the American Association of Highway and Transportation Officials (AASHTO) report, *State Funding for Public Transportation*, all but four states—Alabama, Arizona, Hawaii and Utah—provided state funding for public transportation in 2012, the most recent year for which data is available (Figure 8). Twenty states and the District of Columbia had a year-over-year increase in public transportation funding. Many of these states—notably California, New Jersey and New York—are historically associated with high levels of transit access, but other, more rural, states with less developed transit networks made the list as well, including Alaska, Arkansas and Indiana.

In 2012, states provided $14.2 billion for transit.

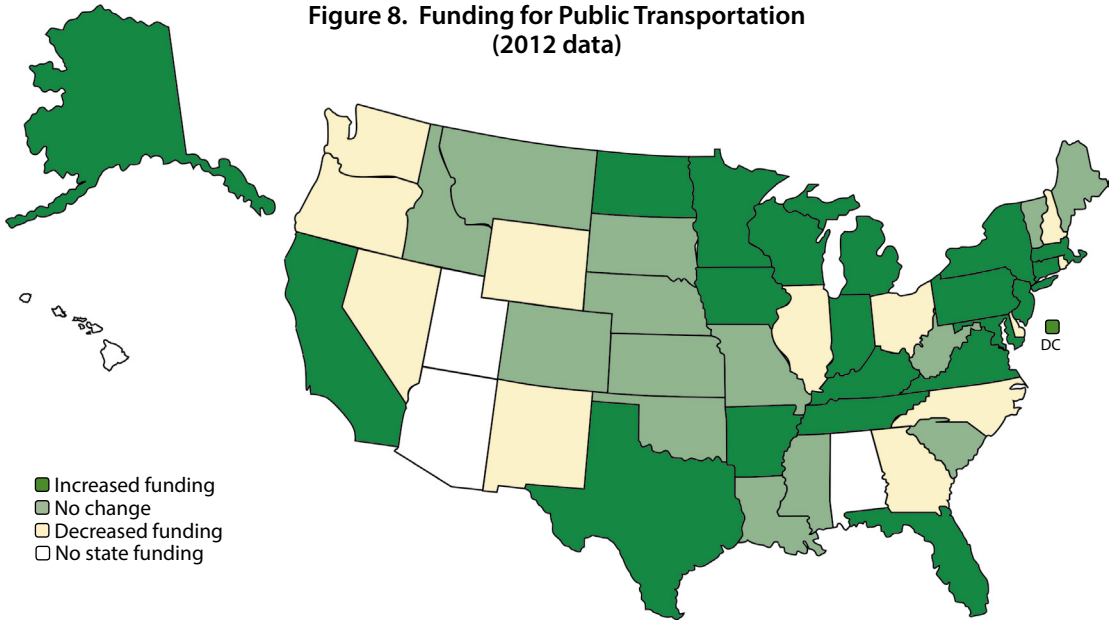
In total, states provided $14.2 billion for public transportation in 2012, up from $13.9 billion in 2011. State-level funding comes from a variety of sources, ranging from a state's general fund to specific fees/taxes, to niche sources such as lottery revenues and cigarette taxes.

A Kansas survey respondent provided even more up-to-date funding data from the Sunflower State. State statute annually transfers $6 million from the state highway fund to the coordinated public transportation assistance fund. Legislation passed in 2010 called for an increase in this transfer to $11 million annually, starting in 2013. Even amid the well-documented budgetary concerns in the state, Kansas lawmakers allowed the nearly 85 percent increase to stand. This annual appropriation accounts for 100 percent of state-level funding for public transportation in Kansas.

Motor Fuel Tax

Every state levies taxes on gasoline and diesel fuel. About half the states can use motor fuel taxes revenue for public transportation. This authority commonly arises tangentially because motor fuel taxes are dedicated to state transportation funds that, in turn, are used to support public transportation programs and infrastructure.

Figure 8. Funding for Public Transportation (2012 data)



Source: Adapted from AASHTO's Survey of State Funding for Public Transportation, 2014.

For example, Florida statute requires 15 percent of the State Transportation Trust Fund to be used for public transportation each year. While the fund is made up of a variety of sources, nearly 50 percent of the state-level contribution to the fund comes from the state motor fuel tax, which effectively requires the use of motor fuel taxes for public transportation.

Senator Dibble (DFL)

"What's great is we now have this guaranteed source of funding, created by the Legislature in 2008, that really recognizes the centrality and importance of transit to the overall transportation system…Looking into the future, we need more resources to meet service gaps and to align economic development and land-use decisions with our transit system planning."

A handful of states specifically dedicate a portion of fuel tax revenue directly to public transportation. South Carolina allocates one-quarter of 1 cent of the motor fuel tax to public transit, nearly $6 million annually. Oregon allocates any gasoline tax revenue collected from certain non-highway use activities to public transportation. According to an Oregon survey respondent, this includes all-terrain vehicles (ATVs), certain watercraft, recreational vehicles and other uses.

Dedicated Specific Fees/Taxes

Based on respondents to an NCSL survey, at least 25 states and the District of Columbia dedicate specific fees or taxes (non-motor fuel taxes) to public transportation. As in states that use motor fuel taxes for public transportation, this authority commonly arises indirectly because certain funds have a variety of revenue sources, subsequently enabling a portion of the fund to be used for transit.

Some states, however, directly dedicate the use of a specific fee or tax. For example, Iowa funds its state transit program in part by allocating 4 percent of the fees for new registration on motor vehicles (Iowa Code Ann. §321.145(2)(b)(1)). Arkansas statute dedicates 75 percent of the rental vehicle tax to the Arkansas Public Transit Trust Fund (Ark. Stat. Ann. §26-63-302(c)).

A Minnesota DOT representative reported that the state uses a variety of transportation taxes to fund public transportation. The Minnesota Constitution dedicates 40 percent of the motor vehicle sales tax revenue to public transportation (Minn. Const. art. 14, §13); state statute further divides the motor vehicle lease tax between the Metro Region county roads and Greater Minnesota transit (after the first $32 million is transferred to the general fund) (Minn. Stat. Ann. §297A.815(3)).

In addition, lawmakers in St. Paul passed legislation in 2008 granting seven Greater Minnesota counties the authority to impose a .5 percent sales tax dedicated to capital and operating costs of special transit projects (Minn. Stat. Ann. §297A.993). According to the survey respondent, five of the seven counties have decided to impose this local-option sales tax.

Up For Debate

The 2015 Minnesota legislative session ended this year without reaching a consensus on a new transportation funding budget. Up for debate was an expansion of the Greater Minneapolis transportation sales and use tax. Another initiative on the table was reallocation of the motor vehicle lease tax in order to provide more funding for transit.

STATE CASE STUDY: California Trades Emissions for Transportation Options

Nearly a decade ago, the California Legislature enacted landmark legislation: The California Global Warming Solutions Act of 2006 (also known as Assembly Bill 32 or AB 32) (Cal. Health and Safety Code §§38500 et seq). The ambitious law requires the state to reduce its greenhouse gas emissions to 1990 levels by 2020—a reduction of about 15 percent under what would be expected in a "business as usual" scenario, according to the California Air Resources Board. To help achieve this goal, the state established a regulatory "cap-and-trade" program that, among other roles, has become a major source of funding for public transportation statewide.

California's cap-and-trade program sets an annual statewide cap on greenhouse gas emissions from certain sectors and requires affected facilities to hold permits called "allowances" for each metric ton of carbon dioxide equivalent they release. Allowances can be allocated or auctioned by the state, bought and sold among eligible entities on the open market, or offset by eligible projects. The annual cap on total statewide emissions is lowered each year and, with it, the number of available allowances, so businesses must determine whether it makes more sense for them to purchase increasingly valuable permits or reduce their emissions. The first phase of California's cap-and-trade rules came into effect in 2013 for large electric power plants and industrial facilities. In 2015, they were extended to include distributors of transportation, natural gas and other fuels. Transportation is responsible for about 40 percent of the carbon pollution generated in California, as well as for 80 percent of smog-inducing pollution. In total, the cap-and-trade program will cover the sources of roughly 85 percent of the state's greenhouse gas emissions.

California State Senator Fran Pavley, the author of AB 32, the 2006 California law mandating reductions in greenhouse gas emissions, points out that given transportation's large contribution to greenhouse gas emissions in California, "It's important that a significant portion of cap-and-trade auction revenues be earmarked for transportation alternatives that rely on fuels, such as electricity, biofuels and hydrogen, which emit little or no carbon dioxide." Senate Bill 375, signed into law in 2008, required local governments to include "sustainable communities strategies," such as transit-convenient, affordable housing developments in their regional transportation plans in order to create incentives for reducing greenhouse gas emissions. As Senator Pavley notes, "The decision to appropriate money from cap-and-trade auctions for public transit and transit-friendly developments was made in last year's budget and recognizes the importance of reducing greenhouse gas pollution by helping people to drive fewer miles in their personal cars."

Senator Pavley (D)

In addition to creating financial incentives for the private sector to meet environmental goals, the cap-and-trade program has become a substantial revenue source for the state. Under additional legislation enacted in 2012, California must spend the proceeds from cap-and-trade auctions on programs that further reduce greenhouse gas emissions, including public transportation. As of February 2015, the state had held nine auctions and raised $969 million in state revenues, according to the Legislative Analyst's Office. Of that, $660 million had been used for transportation-related purposes—including transit capital investments, low-carbon transit operations and high-speed rail—and for transit-oriented development and affordable housing near transit stops through the state's Affordable Housing and Sustainable Communities Program. With the phasing in of fuel distributors in 2015, the state is poised to receive billions more in cap-and-trade revenues in the coming years. Much of that will go to transportation projects: The 2014–15 state budget permanently allocates 60 percent of future auction proceeds to public transit, affordable housing, sustainable communities and high-speed rail.

Although other states have programs to reduce carbon emissions, the scale and breadth of California's AB 32 mandate is remarkable. California is now the eighth largest economy in the world, and its fledgling cap-and-trade scheme is reportedly second in size only to the European Union's Emissions Trading System. As a result, it offers a unique portrait not only of the first multi-sector emissions reduction program in North America, but also of yet another distinctive state approach that is being used to support public transportation projects.

STATE CASE STUDY: Indiana Connects Hoosiers with Chicagoland

In addition to Indiana's primary source of public transportation funding, the Public Mass Transportation Fund (PTMF), state statute establishes two rail service funds. The Commuter Rail Service Fund (CRSF) and the Electric Rail Service Fund (ERSF) are funded by a portion of the state sales tax and taxes on railroad and railroad car companies (Ind. Code §8-3-1.5-20.5 & §8-3-1.5-20.6).

The CRSF, funded by an allocation of 0.123 percent of the state sales tax ($8,405,682 in FY 2013) and various property taxes on railroad companies, generated $15,166,412 in FY 2013. In addition, the ERSF, funded by property taxes on railroad companies, generated $200,641 in FY 2013. The CRSF can be used first for debt service; any remaining funds are to be available as matching funds for federal transportation capital grants (Ind. Code §8-3-1.5-20.5(c)).

Both the CRSF and ERSF are currently dedicated entirely to the Northern Indiana Commuter Transportation District (NICTD), which operates the South Shore rail line. This train line serves the northwestern counties of Lake, Porter, LaPorte and St. Joseph. NICTD is the only transit agency in the state that operates a commuter rail line.

Representative Soliday (R)

"The South Shore railroad brings over $250 million a year into the Northwest Indiana economy from jobs that exist only in Chicago. It also gives Northwest Indiana residents easy access to the educational, cultural and sports opportunities of a thriving metropolis.

The fare box contribution of the South Shore is just over 50 percent, which is quite good compared to most passenger rail systems. The contribution to the overall economy, which the state and locals tax, makes the remaining expense subsidy a solid investment for the state."

Public transportation serves as a critical resource for Indiana residents in the congested northwest corner of the state, which borders the Greater Chicagoland area. Commuter rail service in Indiana had an estimated ridership of 3.6 million trips in 2014, serving a population of 771,815 (12 percent of the state population). According to Representative Ed Soliday, the legislature "feel[s] that the macroeconomic contribution to the state is great enough that we increased the PMTF in this year's budget by 5 percent over the biennium and created a $6 million a year, 30-year matching grant from the state to extend the South Shore line to more communities along the Indiana/Illinois state line."

State Transportation Fund

Alaska is the only state that does not have a dedicated state transportation fund. Most states constitutionally or statutorily protect these funds in order to limit their use to transportation projects. In some cases, such protections permit the use of funding for public transportation; in other cases, revenues are limited to only highway or road use.

In 2014, voters approved the Wisconsin Transportation Fund Amendment to constitutionally protect the state transportation fund, which now is limited to specific transportation uses, including transit (Wis. Const. art XIII, §11). The amendment was passed by both chambers of the Legislature in two consecutive years before it was put to the vote by the general public.

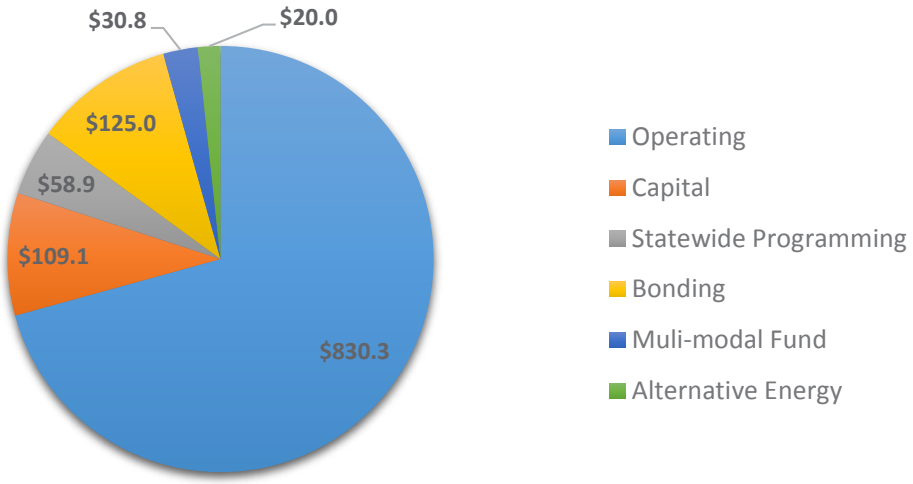
Maryland lawmakers similarly put a referendum to the voters in 2014 to constitutionally protect the state transportation fund. Voters approved the ballot initiative. Under the new constitutional language, the funds can be used for any transportation purpose, and transfers to the general fund are permitted only with legislative approval (rather than approval by the governor) (Md. Const. art III, §53).

Pennsylvania also provides significant state funding for transit. Public transportation in the Keystone State provided more than 428 million individual trips in 2014, one of the largest state-ridership levels in the country. Pennsylvania is one of only seven states that provide more than $1 billion annually in state-level funding for public transportation. The key source of this funding is the Public Transportation Trust Fund (PTTF), established by the legislature in 2007 under Act 44 and further expanded through Act 89 of 2013.

The PTTF receives appropriations from a variety of sources, including Pennsylvania Turnpike revenues, state lottery funds, a portion of sales taxes, taxes on motor vehicle leases and rentals, and various other fees (Pa. Cons. Stat. Ann. tit. 74, §1506). In 2014, total appropriations amounted to $1.17 billion.

State statute sets limitations on the use of PTTF money. The vast majority of the fund is to be used for operations of public transportation infrastructure— 71 percent in FY 2013-2014— while other approved uses are capital improvements, programmatic initiatives, energy improvements and transfers to the multimodal transportation fund (Figure 9).

Figure 9. PTTF Disbursements FY 2013/14
Millions of Dollars



Source: Pennsylvania Department of Transportation, 2014.

STATE CASE STUDY: The Great Lakes State Goes to Great Lengths for Transit Funding

Although about half the states require gas tax proceeds to be spent exclusively on roadways, a number of states, including Michigan, have taken the opposite approach by allocating a portion of these revenues to public transportation and multimodal purposes. Consistently ranked highly among the states for total and per capita transit investment, Michigan offers an intriguing example of how legislatures can put in place funding structures that support public transportation programs.

In Michigan, the use of state transportation funds is determined by the state constitution and by statutory law. The constitution dedicates motor fuel and vehicle registration taxes to transportation purposes. At least 90 percent of these revenues must go to roads, streets and bridges (Mich. Const. art. IX, §9). The remainder is distributed through the Michigan Transportation Fund, according to statutory formulas, including a substantial provision for the state's Comprehensive Transportation Fund (CTF).

The CTF was established by the Legislature in 1951 to provide ongoing support for public transportation (Mich. Comp. Laws Ann. §§247.660b et seq.), and it continues to be the primary source of state funding for Michigan's transit programs today. In the FY 2015 state budget, the Legislature appropriated $280 million from the CTF for public transit (2014 Mich. Public Acts, Act 252 [House Bill 5313]). The CTF relies on two revenue sources. By state law, after certain deductions, 10 percent of Michigan Transportation Fund revenues (mainly from motor fuel and vehicle registration taxes) go to the CTF. This generally accounts for about two-thirds of CTF funding. The remainder comes from a portion of state motor vehicle-related sales taxes (Mich. Comp. Laws Ann. §205.75).

The CTF supports numerous, significant transit programs, several mandated by state law and others at the discretion of the Michigan Department of Transportation. The largest program provides state operating assistance to all transit agencies, as required by law, which covers about 38 percent of local transit operating expenses statewide. In FY 2015, $167 million was allocated for this purpose. State statute (Mich. Comp. Laws Ann. §247.660b(f)) also directs the CTF to pay two-thirds of any local match for federal transit capital grants—although, in practice, according to a Michigan Department of Transportation survey respondent, the CTF has provided the entire match. Other uses of CTF funds include debt service on bonds issued against CTF revenues for transit projects; intercity bus, ferry, rail and vanpool programs; specialized transit for older adults and people with disabilities; transportation to work for low-income people; and service initiatives that preserve or enhance public transit.

This unique funding structure has had a wide-ranging impact on the state's transit network. "The existence of the CTF and the role it plays in supporting local transit, intercity bus and passenger rail," noted the survey respondent, "is the single most significant policy [that supports and encourages public transportation] in Michigan."

Table 2. Total General Fund Transfers—Top Six States

State	Total G.F. Transfer	State Rank (Total P.T. Funding)	General Fund as Percent of Total P.T. Funding
New Jersey	$395,026,996	6	43.03%
Alaska	$179,978,475	14	100.00%
New York	$97,550,900	1	2.18%
Minnesota	$54,061,000	10	17.47%
Washington	$52,775,879	20	100.00%
Indiana	$42,581,051	18	76.01%

Source: Adapted from AASHTO Survey of State Funding for Public Transportation 2014.

General Fund

Some states choose to fund public transportation partly or entirely through general funds. As discussed, Alaska does not have a state transportation fund and its general fund allocation in FY 2012 of $179.9 million was the largest general fund transfer to account for 100 percent of public transportation funding, and the second largest overall. Six states— Alaska, Georgia, Mississippi, Ohio, Washington and West Virginia—provided 100 percent of public transportation funding from their general fund. Table 2 shows the top six states in terms of total dollar amounts of general fund transfers.

Other

Competition for transportation funding is fierce, and public transportation often is not the top candidate for the limited available funds. As discussed earlier, traditional sources of funding—such as motor fuel taxes, transportation related fees and general funds—often are first allocated to highway or road uses. Whether due to constitutional or statutory restraints or simply public policy priorities; public transportation historically has had a tougher time finding dedicated funding. Some states are turning to alternative revenue sources that may have been previously overlooked. Some states are finding alternative revenue sources that may have been previously overlooked.

In Delaware, escheat funds (the transfer of funds for a person without heirs) may be transferred from the general fund into the Delaware Transportation Trust Fund (DTTF). According to a DOT survey respondent, escheat funds are the only source of general fund transfers to the DTTF. While escheat funds are not directly dedicated to transit, the DTTF is the sole source of state-level funding for public transportation in Delaware. This appropriation is written into the annual bond bill (§29 in 2014), but an appropriation must receive legislative approval. Although this approach was not used in FY 2015, it has been used in the past.

According to survey respondents, examples of additional alternative sources used for transit include the following:

- Florida allocates a portion of documentary stamp tax revenues from real estate transactions;
- Oregon leverages cigarette taxes, ID card fees and lottery sales (see page 20);
- New Jersey and South Carolina dedicate a portion of toll revenues; and
- The District of Columbia allocates parking meter revenues.

FOCUS ON: Oregon

Oregon faces a unique mix of challenges to providing effective public transportation: a marked urban-rural divide, a population that is growing at a higher rate than the national average and unusually limited revenue sources, among others. The state is meeting these challenges by leveraging diverse funding opportunities and actively supporting transit programs that serve all its residents statewide, including historically underserved rural communities.

Oregon is one of five states with no state sales tax—a primary source of transportation funding in many states—and one of 23 states that constitutionally require motor fuel tax revenues to be spent exclusively on highways and roads. The constitution also prohibits the use of vehicle fees for non-roadway purposes. As a result, locating funding for transit programs has been a perennial difficulty. However, "Oregon has adapted to its non-roadway transportation challenges through a variety of innovative and non-traditional financing techniques and strategies" and a "complex patchwork" of state, local and federal funding sources, noted the governor-convened Oregon Non-Roadway Transportation Funding Working Group in 2012.

At the state level, transit revenues have, indeed, come from a diverse array of sources. In 2005, for example, as part of the *Connect*Oregon discretionary grant and loan program, the legislature created a Multimodal Trust Fund that is backed by lottery bonds. By law, the fund can be used only for transit and other modes that are not eligible for motor fuel tax expenditures (Or. Rev. Stat. §367.080). As of March 2015, *Connect*Oregon had distributed $380 million to 239 projects. Transit projects funded by *Connect*Oregon include an extension of Portland's streetcar line that helped to spur a 36 percent increase in ridership and construction of a one-stop transit hub with multiple transportation options serving rural, northeast Oregon.

As another example of Oregon's varied transit funding mechanisms, the Special Transportation Fund draws on statutorily dedicated revenues from cigarette taxes and identification card fees, as well as non-highway gas taxes and legislative appropriations, to support local transit services for older adults and people with disabilities. In 2013 to 2015, the program received $13.5 million in general funds, generated in part by a change to state income tax law, according to a survey respondent. In addition, state-administered payroll taxes fund transit programs in the Portland and Eugene/Springfield areas, while some transit districts receive state general fund revenues "in lieu of payroll tax" for state employees in those districts—an especially significant source of operating revenue in Salem, the state capital.

Oregon has also tapped a grab-bag of funding options to support its joint operation of the popular Amtrak Cascades line with neighboring Washington. The rail route carried more than 800,000 passengers in 2013 on a 467-mile route linking Portland, Ore., Seattle, Wash., and Vancouver, British Columbia. The Oregon and Washington departments of transportation jointly manage the Cascades service so they can pool resources and increase efficiency. Since 2013, due to federal Passenger Rail Investment and Improvement Act (PRRIA) requirements for Amtrak routes of less than 750 miles, Oregon and Washington are responsible for around 80 percent of Amtrak Cascades operating costs. The legislature provided nearly $30 million for Cascades in 2013 to 2015; these funds came from custom license plate fees, non-motor vehicle fuel taxes and $12 million in general funds, according to Stacy Snider of the Oregon Department of Transportation. The custom license plate fees are statutorily mandated to support passenger rail, but have proven insufficient by themselves to support Cascades service (Or. Rev. Stat. §§805.240). Oregon also has recently received federal funding—about $20 million—for planning and capital improvements. Ticket revenues for both states cover 60 percent

of operating costs. However, there is an urgent need for the state to develop a new funding source to team with further general funding to support Oregon's operation of the Cascades.

The state also has leveraged federal transit funding to good effect. Using Federal Transit Administration §5311(f) funds that support public transit in rural areas, the Public Oregon Intercity Transit (POINT) bus program is designed to fill gaps in the rural intercity transportation network. According to an Oregon Department of Transportation survey respondent, the state contracts with three private, for-profit bus companies and provides them with vehicles, preventive maintenance, and marketing and operating support, depending on specific route needs. Operating support is offered as a revenue guarantee for the private operator until a route becomes profitable. These partnerships have brought new routes to previously underserved rural communities and have offered additional, reliable options for statewide travel.

Oregon also supports transit through its trendsetting land use laws. Since 1973, Oregon has had a strong program for land use planning, founded on 19 statewide planning goals. State law requires all communities with 2,500 or more residents to adopt comprehensive plans that further these goals (Or. Rev. Stat. §§197.005 et seq.). The statewide goal for transportation directs local plans to "consider all modes of transportation, including mass transit, air, water, pipeline, rail, highway, bicycle and pedestrian" and to "avoid principal reliance upon any one mode." By integrating transit planning into local processes statewide, these policies can facilitate even more innovative solutions to transportation challenges. Despite the wide-range support for transit in Oregon, long-term funding certainty for transit has thus far eluded Oregon.

As Representative John Davis notes, "Transit funding remains the most challenging budget item within Oregon's transportation financing equation. Simply put, the vast majority of transit funding is derived from federal and local sources. Oregon's general fund revenues continue to be dedicated to other sources, our highway fund revenues are dedicated to roads and bicycle improvements, and our transit system has no state-level, long-term commitment. It is a patchwork. Numerous work groups, task forces, and blue-ribbon committees have failed to advance any proposal that has real gained traction. Further, the perception that transit in Oregon is dominated by agencies that reflect only urban, liberal values has made bipartisan,

Representative Davis (R)

Finance

Similar to traditional transportation infrastructure and many public works projects, states have turned to financing to leverage the limited available funds for public transportation. The financing mechanisms used for public transportation projects range from the traditional—bonds and grants—to more innovative and emerging strategies, such as public-private partnerships (P3) and value capture financing.

One key difference between transit projects and road or highway projects is the potential for a long-term revenue stream. Usage charges or fares rarely, if ever, provide sufficient funding to cover all the capital or operating costs associated with a transit project. However, in some instances the revenue stream can be promising enough to create unique financing opportunities.

Furthermore, some regions have found that certain transit networks have been associated with increased land value and commercial development. The potential increased property tax value or sales tax revenue can create an opportunity for value capture mechanisms to attract private financing.

Value Capture

According to a survey respondent, Portland, Maine, currently is using value capture techniques to capitalize on commercial development around the transit hub at the Forefront at Thompson's Point. In Colorado, the recent revitalization of Denver's Union Station, closely tied to the Eagle P3 project discussed on page 23, has benefitted tremendously from tax-increment financing. The financing for the project included incremental sales and property tax increases. The increased economic activity in the 19.5-acre Union Station District has created sizeable increases in tax revenue, now available to the Downtown Denver Authority to repay debt on the project.

Public-Private Partnerships

A growing number of states are using P3s for transportation projects, and transit projects are no different. According to survey respondents, at least 30 states and the District of Columbia have statutory authority to use P3 procurement for public transportation projects. These laws allow a state to enter into agreements with private companies to deliver, finance or operate transportation projects in exchange for revenue from fares, tolls or other sources. Many states are seizing the opportunity to team with private partners to expand or improve transportation services beyond that possible with traditional methods alone; as reported by survey respondents, at least 11 states have pursued P3s for transit in the last five years.

Pennsylvania authorized the use of public-private partnerships for transportation projects with the passage of Act 88 in 2012 (Pa. Cons. Stat. Ann. tit. 74, §§9101 et seq.). Pennsylvania has pursued a range of creative partnerships since the law was enacted. One of the unique partnerships involves a new project to develop compressed natural gas (CNG) fueling stations at transit agencies across the state, as more of those agencies seek to convert their fleets to CNG as a clean-burning and cost-effective alternative fuel. Under this project, a private partner will design, build, finance, operate and maintain CNG stations at approximately 28 transit facilities. The state's transportation department, PennDOT, is leading the project to provide lower operational cost for transit agencies and public access to CNG fuel where feasible. PennDOT will receive a portion of the fuel sales revenue, which will then be returned to transit agencies to support capital projects. The stations may also be commercialized to serve the general public, with additional CNG supplied by the private partner.

"Through this public-private partnership, PennDOT and its transit agency partners will leverage the state's natural gas resources to become more efficient and underscore our commitment to sustainability," PennDOT Secretary Leslie S. Richards said in 2015. "This opportunity is another step on our path toward improving our environment and meeting transit needs now and in the future."

Up For Debate

In June 2014 Maryland began the process to enter into a P3 agreement for the Purple Line extension of the Washington D.C. Metro. In January 2015, the incoming Governor, Larry Hogan, instructed MdDOT to delay the bid submissions to allow for further review. In June 2015, Governor Hogan announced the Purple Line would move forward, while its counterpart, the Red Line, would not move forward. Under Maryland's P3 statue, the General Assembly will conduct a 30-day review and comment period on the final P3 agreement before it may be executed.

STATE CASE STUDY: Colorado's Eagle P3 Lays Tracks for Transit

In 2005, Congress authorized a new pilot program in the federal Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). The goal of the "Public-Private Partnership Pilot Program," or "Penta-P," was to demonstrate the advantages and disadvantages of greater private sector involvement in new fixed guideway capital projects. Although private companies had long been involved in transit projects, the pilot program was designed to encourage more private risk-taking and long-term investment than had yet been seen in the U.S. transit industry.

One of the three projects selected for the pilot program was the Denver, Colo., East and Gold Line Enterprise Public-Private Partnership Project, also known as the Eagle P3 project, part of a voter-approved, comprehensive initiative called "FasTracks" to expand rail and bus service across the eight-county Denver metro region. Key segments in the region's growing commuter rail network are being built under the Eagle P3 partnership, including the East Rail Line from downtown Denver to Denver International Airport, the Gold Line through the western metro region, and an electrified portion of the Northwest Rail Line, which eventually will extend through Boulder. Service is proposed to run every 15 minutes, providing a convenient alternative for communities with limited transportation options. The Eagle P3 also is providing a commuter rail maintenance facility that will service the trains for all FasTracks commuter rail projects.

The first comprehensive public-private partnership for transit in the nation, the Eagle P3 has engaged a consortium of private companies to design, build, finance, operate and maintain the project's components for 34 years The public sponsor—the Regional Transportation District (RTD), established by the Colorado General Assembly in 1969 (Colo. Rev. Stat. §§32-9-101 et seq.)—will own the assets, set fares and fare policies, retain all project revenues and make payments to the private consortium. These payments can be substantially reduced if defined metrics for operating performance are not met—an approach that encourages the private companies' interest to build and maintain the project at a high level.

The unique partnership between public and private entities has extended to the $2.1 billion project's financing structure, a "three-legged financing stool" of federal, local and private money. Federal support has included $1.03 billion in New Starts grants and a $280 million loan from the Transportation Infrastructure Finance and Innovation Act (TIFIA) program, which offers credit assistance for infrastructure projects. Dedicated local sales tax revenue and at least $450 million in private investment have rounded out the package.

The Eagle P3 project has been widely touted as a groundbreaking success. Despite the Great Recession and other challenges, the project is on track to open all segments in 2016. In 2011, RTD shared some of its lessons learned, in the hope that its experience could help guide others who are working to build and rebuild the nation's transportation infrastructure. Key takeaways included creating a highly competitive environment, which for RTD resulted in a winning bid that was $300 million under internal budget estimates; using a blend of federal, local and private financing, which offers a promising model for delivering large-scale projects; and seeking frequent and candid stakeholder input to ensure that concerns are addressed up front.[108] RTD also advised using peer reviews from third-party and industry experts, which helped RTD learn from the experiences of others. The agency is now paying forward, as interest in this first-of-its-kind project continues to grow among transit providers nationwide.

Also in Colorado, the High Performance Transportation Enterprise (HPTE), a division of the Colorado Department of Transportation (CDOT), is nearing completion of the new U.S. Route 36 Express Lanes project connecting Boulder, Colo., and Denver. HPTE was created by the Colorado legislature to "Aggressively pur-

sue innovative means of more efficiently financing important surface transportation infrastructure projects that will improve the safety, capacity, and accessibility of the surface transportation system… ."

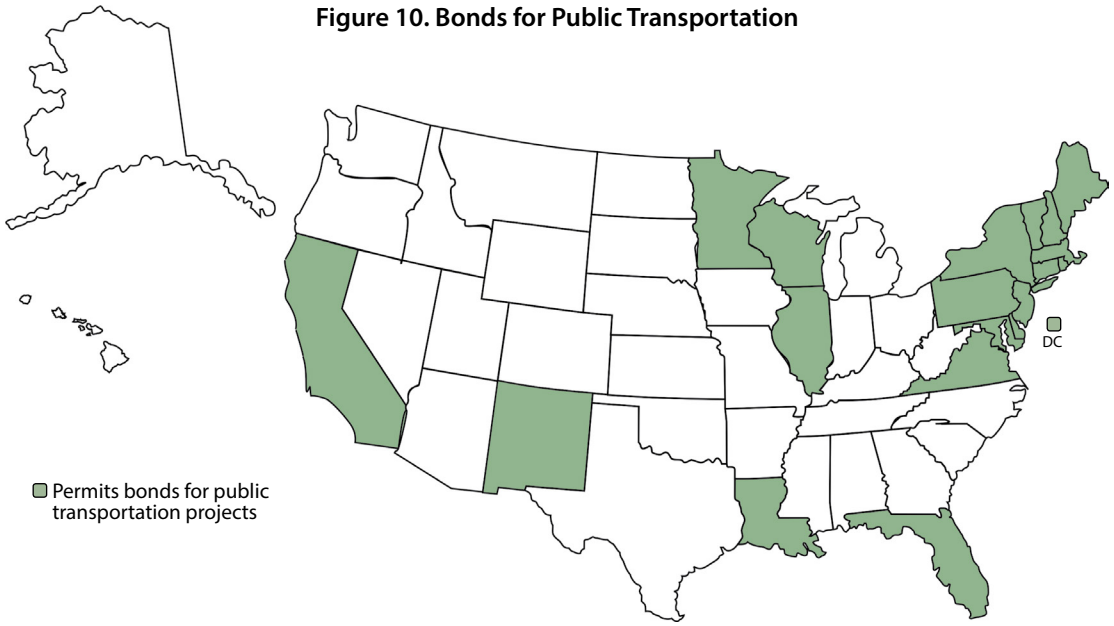
The U.S. 36 project, a P3 between CDOT, HPTE and Plenary Roads Denver, includes construction of new capacity managed lanes along the redesigned existing four-lane corridor. Commuters with three people in a vehicle can drive for free in the managed lanes or choose to pay a variable-priced toll for single- and double-occupancy vehicles in the case that transit headways slow. Also using the managed lanes will be a new bus rapid transit line with increased travel frequency that can use the managed lanes, and even the shoulders, in times of extreme congestion. As part of the concession agreement, the BRT service is required to meet pre-established travel times; in the case that transit headways slow, tolls may be adjusted to increase the level of service for transit riders.

Infrastructure Banks

Thrity-seven states now have State Infrastructure Banks (SIBs) that are designed to support transportation infrastructure projects by increasing access to finance. It is unclear how many SIBs are permitted to provide financing for public transportation projects and, according to survey respondents, SIBs have not commonly been used in this capacity. In the last two years, lawmakers in three states have passed legislation to create state infrastructure banks—Alabama (2015), Louisiana (2014) and New Hampshire (2014). Alabama's newly created SIB was established to provide "the issuance of loans and other financial assistance to certain government entities for certain qualified projects;" this includes mass transit capital projects. The SIBs in Louisiana and New Hampshire are designed to broadly support the state surface transportation networks.

Bonds are financial instruments widely used across the country for public infrastructure projects. A 2011 study conducted in partnership between NCSL and the American Association of State Highway and Transportation Officials (AASHTO) reports that, while 31 states have the authority to use bonds for highway infrastructure projects, only 19 extend this authority to transit projects (Figure 10).

Figure 10. Bonds for Public Transportation



Source: NCSL; AASHTO, *Transportation Governance and Finance: A 50-State Review of State Legislatures and Departments of Transportation*.

Policies

State lawmakers may wish to consider supporting public transportation through public policy apart from funding or financing initiatives. Such policies often are designed to capitalize on the auxiliary benefits of public transportation or to encourage ridership through compatible land-uses, such as transit-oriented development, and other factors that will support transit use, such as transit commuter benefits or policies that encourage carsharing and bikesharing near transit.

Transit-Oriented Development

Transit is much more likely to enhance the overall transportation network if a neighborhood's or city's development patterns encourage transit ridership, a strategy referred to as transit-oriented development (TOD). The Center for Transit-Oriented Development believes that a TOD project should "Increase 'location efficiency' so people can walk and bike and take transit; boost transit ridership and minimize traffic; provide a rich mix of housing, shopping and transportation choices; generate revenue for the public and private sectors and provide value for both new and existing residents; and create a sense of place."

At least 22 states have laws regarding transit-oriented development

State TOD policies help transit agencies, communities and developers capitalize on the increased economic activity associated with public transportation hubs, especially light-rail and commuter rail systems. Statutes in at least 22 states support TOD in some manner. These range from states that simply define TOD to those that provide funding and incentives to encourage TOD to create more transit choices for its citizens, drive economic development, and mitigate congestion and environmental impacts.

An example of state policies to support TOD includes Connecticut, where some state agencies give extra credit to developers that include transit services at their building sites, according to the state's survey respondent. Maryland Code defines TOD and allows the secretary of transportation, in coordination with the governor's office and local officials, to designate TOD areas for development within the state (Md. Transportation Code Ann. §7-101).

For a more in-depth examination of state transit-oriented development policies and support, see NCSL's 2012 Rockefeller Foundation-funded report *Transit-Oriented Development in the States*.

Marrying Environmental and Transit Goals

Policy strategies to meet state environmental policy goals abound. In 2007, for example, the California Department of Transportation issued a policy to, in part, implement multimodal strategies in the hope of improving transportation options, to promote environmental stewardship and energy efficiency, and to increase knowledge about climate issues. California also closely tied the environmental efforts of its cap and trade program to public transportation. Pennsylvania hopes to capitalize on its new P3 authority to realize environmental benefits of compressed natural gas buses.

Other

Among other general policies are Florida's statewide objective to increase transit ridership at twice the rate of population growth; and New Jersey's *Together North Jersey* initiative to connect the 13-county northern region of the state by "[using] sustainability, transit system connectivity and Transit-Oriented Development (TOD) as the central framework for integrating plans, regulations, investments, and incentive programs at all levels of government to improve economic and environmental conditions, while promoting regional equity and resource efficiency."

STATE CASE STUDY: Reducing Pollution and Congestion in Washington

Environmental concerns can also be addressed when establishing state-level public transportation policies. In 1991, the Washington Legislature created the Commute Trip Reduction (CTR) program. The original legislation states that, "reducing the number of commute trips to work made via single-occupant cars and light trucks is an effective way of reducing automobile-related air pollution, traffic congestion and energy use."[1]The intent of the law is "to require local governments in those counties experiencing the greatest automobile-related air pollution and traffic congestion to develop and implement plans to reduce single-occupant vehicle commute trips" (Wash. Rev. Code Ann. §§70.94 et seq.).

Nationally, 76 percent of commuters drive to work alone, clogging roadways during the peak travel hours.[112] Often, commuters receive inequitable financial benefits, such as free parking spots, but are not offered equivalent benefits for taking transit or car-pooling.

Washington's CTR program is a well-regarded example of a state-run Travel Demand Management program. Such programs seek to reduce single-occupancy vehicle (SOV) commuter trips via by working with employers and communities in highly congested areas to provide transportation alternatives for commuting. These options may include car- or van-pooling, telecommuting and taking transit, among others. This policy strategy supports transit use by incorporating transit benefits, education and promotion into outreach and support for both employers and employees.

Washington's CTR requires any county with a designated "Urban Growth Area," and each city within such an area with a certain amount of traffic delay, to adopt a commute trip reduction plan. Employers within an Urban Growth Area, including government agencies, with more than 100 employees who arrive at work between 6 a.m. and 9 a.m. must participate in CTR, with exemptions for construction and agriculture-related employers. Employers must have a designated transportation coordinator who regularly distributes information about transportation alternatives; must develop a CTR plan with the appropriate local jurisdiction and must undergo regular reviews and evaluations. Local governments provide technical assistance and services to help employers achieve the goals, and also may provide outreach and service programs directly to commuters.

For the 2013-2015 fiscal biennium, the state provided 1.5 million in tax credits per fiscal year. These credits can be used for various purposes, including providing financial incentives to use transit. More than 1,050 worksites and 530,000 commuters statewide participate in the CTR Program.

Several methods are used by employers to reduce SOV trips. Washington operates the nation's largest vanpool; 2,800 vans carry 22,000 Washington commuters every weekday, according to the CTR. Park and ride lots throughout the state often are over-capacity, highlighting their popularity. However, allowing flexibility to

reach the program's goals seems to be a successful hallmark of CTR. A 2006 analysis of data found a diverse and balanced approach to reducing trips. Data from WSDOT CTR participants notes that employees use a variety of modes and approaches to reduce drive-alone rates. Transit was the second most popular replacement mode behind carpooling. Representative Judy Clibborn, chair of Washington's House Transportation Committee feels CTR "saves commuters, and their families, money. Parking, gas, and time are all saved by connecting commuters to existing transit, matching to carpools, or connecting them to van pools."

Representative Clibborn (D)

The data indicate that CTR has significantly affected participants' travel behavior. In 2010, the national rate for driving alone was 76 percent, but Washington's drive-alone rate was the seventh lowest nationally, at 73 percent; only 63 percent of CTR drivers drove alone. The CTR program has helped the state make progress toward its greenhouse gas reduction goals. The program's 2013 report to the Legislature notes that, "Between 2007-2012, CTR-affected employees reduced their annual GHG emissions by an estimated 17,000 metric tons, which is roughly equivalent to the carbon found in 73 railcars' worth of coal or the carbon sequestered annually by 14,000 acres of forest."

Representative Clibborn, thinks that, "The CTR program works because it uses the partnership with the private sector and user to meet the needs of individual businesses and regions. It is not a one size fits all. In some places, a bus pass works; in others, it is a van pool. Using the state dollars to help get people to work in ways other than an SOV helps congestion for the commuter."

Traveling the First and Last Mile: What Are States Doing?

One vexing question for transit systems and riders persists: How to get from where they are to the first transit stop on a journey—or get from the last transit stop to their actual final destination—if the stop is not nearby, they are in a hurry or inclement weather threatens.

Known as the "first-last mile" problem, this barrier can discourage transit use and create difficulties for riders. The Los Angeles County Metropolitan Transportation Authority describes the phenomenon thus: "Public transportation agencies typically provide bus and rail type services that may frame the core of such trips, but users must complete the first and last portion on their own; they must first walk, drive or roll themselves to the nearest station. This is referred to the 'first-last mile' of the user's trip."

Policymakers and planners are giving more consideration to providing transportation options at transit stops so riders can reach their final destination safely, conveniently and affordably. Strategies include improving bicycle and pedestrian connectivity and safety and incorporating public carsharing and public bikesharing systems at transit stops.

Safe Routes to Transit Programs These programs target investments in and planning of bicycle and pedestrian infrastructure near transit stops to facilitate safe walking and bicycling trips to and from transit. Enabling transit users to reach a stop on foot or by bicycle also can reduce the need for parking and free more space for housing, shops and services.

The California San Francisco Bay Area Metropolitan Planning Organization (MPO), called the Metropolitan Transportation Commission, created a Safe Routes to Transit program with $20 million in funding derived from an increase in bridge tolls. Because the state has sole authority to raise bridge tolls, the California Legislature needed to approve placing a toll increase on the ballot for voter approval. Infrastructure investments range from secure bike lockers and directional signage to traffic-calming and "safety zones" to ease conflicts with traffic for those who get on and off the trolley in San Francisco. Senate Bill 468 (2011) expanded this approach to San Diego by requiring the San Diego area MPO to establish "a safe routes to transit program that integrates the adopted regional bike plan with transit services."

Public Bikesharing Systems enable short-term bicycle use; bikes can be checked out and returned at different stations to facilitate short, one-way or round trips. Bikesharing systems typically are membership-based, and many are closely linked with transit stops to help public transit riders complete the "first and/or last mile" of their trip. In Denver, 31 percent of riders reported combining bikesharing with transit, according to Parry Burnap, former director of Denver Bike Sharing. A recent analysis of bikesharing and transit use in Minneapolis and the District of Columbia by the Transportation Sustainability Research Center at the University of California found some interesting dynamics. In denser areas, bikesharing may replace transit trips, reducing stress on the transit system. In the District of Columbia, for example, 47 percent of bikeshare users reduced their rail use, and 39 percent decreased their bus trips; much of the reduction occurred in denser areas. As the authors of the study noted, it's "Substitutive of public transit." Meanwhile, in Minneapolis, 14 percent of bikeshare riders increased their light rail rides, using bikeshare as a complement to reach transit for longer trips.

Thus far, bikesharing systems have attracted many users. As of December 2014, 22,000 bikes were available at 2,266 stations across 68 IT-based public bikesharing programs in the United States. Several states—including Colorado, Florida, Hawaii, Maryland and Virginia—have financially supported public bikesharing programs. In the Washington, D.C., region, state actions were instrumental in creating and expanding Capital Bikeshare, a multi-state bikesharing system serving the District of Columbia region.

In Virginia, Arlington County received $250,000 from the state Department of Rail and Public Transportation to start a bikesharing pilot program. Chris Hamilton, Commuter Services Bureau Chief for Arlington County, reports that the funding is credited with attracting private and county funding and the eventual creation of Capital Bikeshare. Arlington County has completed a Capital Bikeshare transit development plan modeled after Virginia's Transit Development Plans. The hope is that this plan will position Capital Bikeshare to be eligible for the same funding and assistance available to other transit systems. In 2012, the Maryland legislature included $250,000 in its capital bonding bill for Montgomery County to place bikesharing stations at all Metro stations in the county and at other locations to help extend mobility options throughout the region and link with Capital Bikeshare (Maryland Senate Bill 151 of 2012). The county also successfully applied for a $1 million grant from the Maryland DOT to help expand the system.

Public Carsharing Programs also can help provide first-last mile mobility. Carsharing is a membership-based service that allows an individual to use a vehicle by the minute or hour for short trips. Typically, carsharing includes access to an insured vehicle from a predetermined location, a certain number of miles and, in some cases, free dedicated parking. Traditional carsharing uses vehicles provided by a carsharing organization. An offshoot of this concept, personal or peer-to-peer (P2P) vehicle-sharing, allows a person to rent his or her car when it is not in use. As of July 2014, 23 carsharing operators existed in the United States with more than 1.3 million members and 19,115 vehicles.

In 2011, the California Legislature linked carsharing explicitly with Transit Oriented Development via Senate Bill 310, which created the Transit Priority Program (TPP). The intent of TPP is to reduce vehicle miles traveled by promoting development that supports transit use (Cal. Government Code §65470). If a city or county adopts a TPP ordinance and the project is within a half-mile of a public transit station, a development then is eligible for reduced permitting costs, expedited review, and increased density and height allowances. The law provides that, if a carsharing program is available in the city or county, a TPP development project must provide for carsharing onsite or nearby; the developer must provide one carsharing vehicle for the first 20 units, and one for every 50 thereafter. Hawaii recently enacted legislation clarifying the taxation for a carsharing organization; the charge is 25 cents per half-hour that a vehicle is rented by a carsharing organization, and will be capped at the current level of the rental motor vehicle surcharge tax (Hawaii Senate Bill 2731 of 2014).

Offering Tax Incentives to Employers for Commuter Benefits. Much of the traffic congestion, fuel consumption and air pollution in America's cities is the result of commuting. As discussed earlier, transit use is increasing, but more than 75 percent of commuters are still driving alone. Under federal tax law, employers can encourage their employees to try alternatives by offering them tax-free transit, vanpool, parking or bicycle commuting benefits, up to certain limits. These benefits are designed to ease rush hour on the roadways, but by offering more ways for employees to save money on commuting costs and taxes—and also expanding travel options—they can help improve job access.

At the state level, legislatures in at least eight states have enacted tax incentives for employers that provide commuter benefits (Table 3). California, Colorado, Maryland, Minnesota and Washington provide such benefits to commuters who use public transit options.

California and Colorado allow deductions from employers' taxable income for subsidizing ridesharing and transit passes. Connecticut, Delaware, Georgia, Maryland, Minnesota and Washington offer tax credits that directly reduce employers' tax liability for a portion of the amount they spend on such benefits. Delaware's law acknowledges low-income workers; there, employer travel assistance programs must focus on reducing commuter trips during peak travel periods, unless they target welfare-to-work employees.

Table 3. State Tax Incentives for Employers that Offer Commuter Benefits

State	Law	Tax Credit	Tax Deduction	Share of Employers' Direct Costs	Limit Per Employee	Total Limit Per Year	Eligible Commuter Benefits
California	Cal. Revenue and Taxation Code §24343.5		X				Carpool, vanpool, subscription taxipool, private commuter buses, **public transit**; facility improvements that encourage walking, bicycling, or any of the other options listed above
Colorado	Colo. Rev. Stat. §39-22-509		X				Carpool, vanpool, **public transit**
Connecticut	Conn. Gen. Stat. Ann. §12-217s; Conn. Gen. Stat. Ann. §13b-38p	X		50%	$250/year	$1.5 million	State-approved traffic reduction programs and services, for businesses with at least 100 employees
Delaware	Del. Code Ann. tit. 30, §§2030 et seq.	X		10% or a measure of commute trip reduction		$100,000	State-approved pro- grams that focus on peak travel periods, unless targeted to welfare- to-work employees
Georgia	Ga. Code Ann. §48-7-29.3	X			$25/year (flat rate)		Federally qualified transportation fringe benefits
Maryland	Md. Environment Code Ann. §2-901; Md. Tax. Code §10- 715	X		50%	$50/month		Vanpool, **public transit**, guaranteed ride home
Minnesota	Minn. Stat. Ann. §290.06[28]	X		30%			Private van or bus for hire, **public transit**
Washington	Wash. Rev. Code Ann. §§82.70.010 et seq.	X		50%	$60/year		Carpool, vanpool, **public transit**, membership- based car-sharing programs, walking, bicycling

Source: NCSL research, 2015.

State-Local Nexus

Successful public transportation is often predicated on strong partnerships between states and municipalities, counties and transit agencies. Collaboration among state, local and regional governments helps to ensure that the needs and concerns of all citizens are addressed.

One of the most common and successful approaches to coordinating regional interests is to create regional transportation authorities (RTAs), sometimes called regional transportation districts or regional transportation councils. These public organizations can establish a coordinated effort among municipalities, cities and counties within a single region to create transportation solutions. Often established under statutory authority or via legislative approval, RTAs enhance a region's ability to work with state DOTs and lawmakers. In many states, RTAs are eligible for funding directly from the state, and some are also supported by localities.

In some cases, RTAs are granted taxing authority in order to provide funding to meet the public transportation needs of those who work and live in their district. A similar approach is a local-options sales tax. This taxing authority can be used in conjunction with a number of infrastructure projects but often is associated with transportation.

Denver's RTD levies a 1 percent sales/use tax, which provides nearly 70 percent of its revenue. Iowa Regional Transit Districts, available to counties of at least 175,000 people, have the power to implement a property tax of up to 95 cents per $1,000 of assessed value; municipalities also have this authority, but it cannot be used in conjunction with an RTD levy. The Chicago RTA and the Metro-East Mass Transit District in Illinois are permitted to levy sales taxes in various counties.

In Arizona, Maricopa and Pima counties are permitted to levy a one-half cent sales tax to support public transportation projects. Five metro-region counties surrounding Minneapolis/St. Paul have implemented a one-half cent sales tax intended to support transit. Utahans in the Salt Lake City region provide nearly 65 percent of the funding for the Utah Transit Authority via a one-half to two-thirds cent sales tax. In 2014, the Indiana legislature passed SB 176, allowing counties to put to a vote an increase to the income tax rate of between .10 percent and .25 percent to fund approved public transportation projects. In 2013, the Colorado legislature, with SB 48, allowed municipalities and counties to spend on transit projects 15 percent of the portion of revenues they receive from the highway users tax fund.

Up For Debate

Georgia legislators grappled with the idea of allowing an increase in the state's local-option sales tax. Language was added and subsequently removed from HB 213 to allow certain counties to put to a vote an increase to their 1 percent local-option tax. The bill also would remove requirements regarding spending limits of the tax revenue on capital vs. operations costs.

STATE CASE STUDY A Streetcar Called Determination

A little over a decade ago, the citizens of Tucson and Pima County in Arizona were at a transportation crossroads, having rejected two transportation plans in 2002 and 2003, respectively. From those failures came a coalition that led to creation of a Regional Transportation Authority (RTA) for Pima County and eventually, in 2014, the unveiling of the popular Sun Link Streetcar.

Sun Link rose from the ashes of two failed city transportation plans in the early 2000s, one top-down and road-heavy, and the other bottom-up and transit-heavy. At that point, future state Senator Steve Farley and a coalition of local stakeholders who were interested in improving transportation gathered and began brainstorming solutions. They eventually coalesced around the idea of forming a regional transportation authority to administer a multimodal plan funded by a countywide half-cent sales tax.

In many states, including Arizona, the legislature must approve creation of and funding for RTAs; thus, Pima County needed the approval of the Legislature. In 2004, the Arizona Legislature enacted HB 2507, which authorized Pima County to form an RTA and to hold an election for a 20-year regional transportation plan and a 20-year transportation tax. After 18 months of hard work from a broadly diverse citizen committee, a compromise plan was developed and, for the first time in decades of trying— thanks to former rivals working together—the plan and tax were approved by Pima County voters by a 3 to 2 margin in May 2006.

The genesis for the streetcar and its route came from future Senator Farley (D) (first elected as a state representative in November 2006), when he noted that his transit colleagues' failed 2003 transit initiative actually won overwhelmingly among voters in the core city. "The rest of my activist friends were ready to throw in the towel after our defeat, but I saw a clear path forward for high-capacity rail transit in Tucson's central city, an economy-boosting project that would serve as proof of concept for a wider system," Farley said.

Sunlink Street Car photo courtesy of Senator Steve Farley

Although his original concept was a much longer light-rail system, Farley refocused on the desire for transit in denser downtown and adjoining areas and successfully obtained inclusion of the Sun Link streetcar project in the 2006 plan. Sun Link went into high gear with approval of the RTA sales tax, and the final piece of the funding puzzle was put in place with the award of a $63 million federal Transportation and Infrastructure Generating Economic Recovery (TIGER) grant program in 2010—the largest single project grant in the first TIGER year.

Senator Farley (D)

Fast-forward to 2015. Tucson is Arizona's second largest city and, according to the RTA, 100,000 people live and work within a half mile of the Sun Link's 3.9 mile route. The Sun Link streetcar now connects the University of Arizona, downtown Tucson, the Mercado District, and many of the other most important employment and cultural centers in the city. To date, ridership has exceeded the projected weekday projection of 3,600; riders average more than 4,000 on weekdays, and more than 1 million people have used the service since it opened in late summer 2014. However, ridership for the overall transit system has declined, which may impact future expansion efforts.

Perhaps even more impressive is the amount of private investment that the Sun Link has helped catalyze in close proximity to the streetcar route; the RTA estimates $800 million in private development has occurred within three blocks of the four-mile route. "We have seen nearly $1 billion in new development and thousands of new jobs in the middle of the worst recession in Arizona history, all directly attributable to our investment in the streetcar," said Farley. Many of the most vocal skeptics of the streetcar have had their doubts quelled by the success of the Sun Link thus far.

Streetcar systems, which run on fixed tracks in mixed traffic, have been subject to criticism from some skeptics for their low speed and volume. Some feel they essentially serve as purely economic development tools rather than legitimate transportation options. However, a recent analysis by CityLab noted that Tucson's Sun Link runs more frequently (every 10 minutes during weekdays from 9 a.m. to 6 p.m. and every 15 to 30 minutes on nights and weekends) than most U.S. streetcar systems, and ridership numbers have surpassed expectations thus far.

What about the future? Farley says, "While it was a tough 15-year struggle to build this streetcar, its phenomenal success has changed the conversation from whether to build the streetcar to where to build it next." The Pima Association of Governments, which runs the RTA, has studied possible future expansions to the Sun Link. Already, private companies are developing public private partnerships to build streetcar extensions to extend the benefits throughout the city.