INITIATIVE:
DEDICATED TRANSIT FUNDING

SUMMARY

Ohio’s trend of using state GRF funds to support transit has steadily and significantly eroded transit funding over time. Despite the creative means of improving efficiencies and the ever changing demand for transit; the need and benefits from a dedicated funding source were clearly articulated in the statewide transit needs study and largely relate to:

- Ensuring Ohio’s transit agencies have a stable, predictable source of revenue to support transit capital and operations.
- Strengthening Ohio’s rural areas with an affordable transportation alternative for much of Ohio’s most transit reliant population.
- Expanding the availability of public transportation services statewide and increasing travel choices for Ohio residents.
- Supporting other state programs, including health and human service programs, that are both best practices and offer economic efficiencies, such as aging in place.
- Supporting coordinated efforts for public transportation and health and human service programs to reduce duplication of services.
- Leveraging available federal funds to maximize infrastructure investment in Ohio.
- Increasing Ohioans access to school, jobs, and healthcare.
- Expanding Ohio’s economic development programs, especially in urban areas.

STEPS TO CREATE A DEDICATED TRANSIT FUND:

— Determine how much funding is needed. The Ohio Statewide Transit Needs Study estimated the amount of funding required to meet Ohio’s gap in public transportation investment.

— Gauge the Ohio State Legislature’s priorities for transit investment. There are compelling reasons and benefits associated with re-investing in Ohio’s public transportation program. The Ohio State Legislature will determine how Ohio decides to address the investment gap and service needs.

— Identify potential revenue sources. A cabinet-level committee should form to consider which funding options make the most sense for Ohio and determine the ability of these options to meet the articulated need.

— Develop a strategy for allocating funding and monitoring use of the funds. Hand in hand with identifying funding is determining how the funds are best allocated across the state as well as how people providing the funds can be assured their resources are spent effectively. The Statewide Transit Needs Study has developed a recommendation for monitoring transit performance and management, which can be used to support this discussion.
OVERVIEW

State funding for transit is an important revenue source for transit agencies nationally. As discussed in other technical memos, the Federal Transit Administration (FTA) supports the provision of public transportation services; the amount of assistance varies depending on the operating environment (urban or rural) and type of project (operating, planning, or capital) but in every case, federal support only covers a portion of the cost. Transit agencies are required to raise the remaining funds through fares, state contributions, local contributions and other sources, such as partnership agreements, service contracts and advertisement revenues.

Currently, the State of Ohio provides a limited amount of support for transit service through allocations made by the State Legislature. Ohio’s transit funds are allocated through General Revenue Funds (GRF). This compares with other transportation projects in Ohio, especially roadway projects, where state funds are largely raised through vehicle fuel taxes collected statewide. In Ohio, however, a constitutional amendment bans the allocation of vehicle fuel taxes from funding public transit. This means that public transportation programs must compete with other state priorities and obligations for state funds including programs related to education, human services, health care and other essential services. As a result, transit funding in Ohio has been vulnerable to budget cuts. In 2012 the State allocated $7.3 million to transit, a decrease of nearly 80% from 2000, when $40 million was allocated to transit (see Figure 1).

Figure 1: ODOT Transit Programs Funding Trend: 2000-2014

Changes in the funding allocation over time have resulted in Ohio falling near the end of the spectrum in terms of state support for transit (see Figure 2). In addition, in the past few years, transit operators have had a hard time relying on state funding as a source of revenue. The ODOT Office of Transit’s ability to maintain programs, such as the Elderly and Disabled (E&D)
assistance program which is not currently fully funded, has been limited with the reduction in funds.
Figure 2: State Funding for Transit per Capita (2012)

Source: AASHTO Survey of State Funding for Public Transportation (2014)
Note: Alabama, Arizona, Hawaii, and Utah had no state funding for transit in 2012.
A comparison with Ohio’s neighboring states (see Figure 3) demonstrates that Ohio not only invests considerably less in transit as compared to most of these states but also adjacent states’ per capita spending has increased while Ohio’s has decreased. Even at the height of transit spending in 2000, Ohio was roughly on par with Indiana, but lower than all remaining neighbors except West Virginia. Overtime, however, neighboring states have increased their investment in transit, especially between 2000 and 2010. West Virginia’s transit funding per capita was less than one tenth of Ohio’s in 1990 and in 2010 exceeded Ohio’s. Kentucky, which does not appear in this figure, had a lower level of transit investment per capita than Ohio in 2010, $0.33 per capita. However, this number has more than doubled since 1990.

Figure 3: State Transit Funding per Capita (1990 – 2010)

One potential strategy to strengthen state support for transit is using dedicated funds. Dedicated funding sources have the advantage of – as the name suggests – being dedicated to support a particular program or service. Dedicated funds can be structured in such a way that state legislators have input in how transit funds are invested across the state, but not simply whether or not (or how much) money is allocated to transit.

Looking to other states, there are examples of dedicated funding mechanisms and coordination strategies that can serve as models for Ohio’s transportation decision makers. A disadvantage of dedicated funding sources is that they are affected by the health of the overall economy. In the recession beginning in 2008, even transit agencies funded through a dedicated source experienced a decline in revenues.
NEED IN OHIO

The need for additional funding to support transit was expressed consistently and strongly throughout Ohio Statewide Transit Needs Study. Transit agency staff and stakeholders said the lack of funds, including reliable funding sources, hamper their ability to meet local service needs and access federal funds. Survey data collected from riders and members of the community also identified expanded service as among their highest priorities for transit service development in Ohio. Finally, the quantitative assessment of transit needs conducted as part of this study identified a fairly substantial gap in the need for service and the amount of service available.

FUNDING OPPORTUNITIES

As discussed, in the past decade Ohio transitioned from a state that provided similar resources to other states for transit to one that provides less support for transit than the majority of other states. There are a variety of ways that states support transit, but for purposes of this analysis, the study team focused on states that developed dedicated funding sources. The Study Team defined dedicated funding in one of two ways:

- A tax, fee, or surcharge with all revenues raised through the tax, fee, or surcharge dedicated to public transit. This approach is very common strategy for local transit authorities (i.e., GCRTA assesses a 1% sales tax in Cleveland) and less common for state agencies.

- A specific amount or percentage of an existing funding source (which is often also a dedicated funding source) that is allocated to public transit. Under this definition, the funding source already exists, but states allocate a specific amount to transit. This is a more common practice at the state level.

As mentioned, several states identify specific revenue sources and dedicated all (or most) of those tax revenues to public transit. Among the most common strategies are to use “sin” taxes, which generate revenue from goods and services such as gambling, alcohol, and cigarettes and apply them to programs that benefit disadvantaged individuals. Oregon, for example uses a cigarette tax to fund its Special Transportation Fund for the Elderly or Disabled (STF). New Jersey has a Casino Revenue Fund, and Pennsylvania has a Lottery Revenue Fund, both of which support transit providers that serve the elderly and disabled. Although the Ohio state constitution currently limits the scope of eligible beneficiaries from its lottery and current casino districts, these case studies still serve as potential funding opportunities for the future.

In the case studies described below, there are several types of strategies that states and participating jurisdictions have employed to dedicate funding for transit. Some states dedicate a portion of the transportation trust fund to transit. Florida, for example, sets aside 15% of the state
transportation trust fund to fund the **Public Transit Block Grant**. A portion (15%) of the Public Transit Block Grant in turn is dedicated to a Transportation Disadvantaged Trust Fund, which funds transportation services for older adults and persons with disabilities.

There are also a handful of states with dedicated transit funding that rely on both creative financing and tax revenue opportunities. A portion of Indiana’s **state sales tax** finances its Public Mass Transportation Fund (PMTF) and its Commuter Rail Service Fund (CRSF), the latter of which is also funded by a **property tax** on railroad companies.

### FUNDING ALLOCATION STRATEGIES

Consistent with understanding how revenue is raised, is determining how it is shared statewide. Among the following case studies, there are various allocation strategies used to determine how to distribute revenue among eligible agencies or jurisdictions. Some budgets are annually distributed to agencies that meet specific qualifications. For example, New Jersey’s lottery fund is distributed based on a formula using county population. All counties are eligible to receive funding but they must have a committee to manage the distribution of the funds and the committee must be comprised with a majority of senior citizens and/or disabled persons.

Though not discussed in the following case studies, another strategy may be to recognize the funding commitments made to support transit at the local level and provide a percentage match, incentivizing a greater local commitment.

Other times, funding is contingent upon **annual grant applications** from each participating county or agency. New Jersey, North Carolina, and Pennsylvania tie **coordination requirements** to funds, a strategy aimed at improving the quality of service for riders and the efficient use of state funds. Finally, whether it is automatically allocated or grant based, many states opt to distribute transit funds based on **performance measures**. By this method, states are able to incentivize agencies to improve their transit service productivity, and also give legislators some control over how money is being spent on transit from year to year. Florida, North Carolina, and Indiana all distribute state transit funds according to performance-based metrics.

### CASE STUDIES

**Florida**

In 1979, Florida began the Transportation Disadvantaged Program, mandating all counties to coordinate their social service transportation. In 1989, it enacted the **Transportation Disadvantaged Trust Fund**, which supports service for the elderly, disabled, and low-income populations. The fund is administered by Commission for the Transportation Disadvantaged (CTD) and distributed to county/regional Community Transportation Coordinators (CTCs). Each county’s CTC is tasked with coordinating – and ensuring the quality of – transportation services that serve transportation disadvantaged populations.

Florida funded the Transportation Disadvantaged Trust Fund by allocating 15% of the state’s **Public Transit Block Grant** directly to the fund. It also levied a $1.50 fee on annual vehicle registrations and dedicated the revenue stream to the trust fund. Funding for the public transit block grant is a 15% allocation of the Florida Department of Transportation (FDOT) trust fund, whose sources include motor fuel taxes, aviation fuel taxes, motor vehicle license taxes, title fees, rental car surcharges, and documentary stamp taxes. Annually, the Transportation Disadvantaged
Trust Fund averages $38 million. In 2013, the trust fund increased to $48 million due to an additional $10 million allocated from the State’s General Trust Fund.

The distribution of funds is determined by a methodology which considers the actual costs of each transportation disadvantaged trip (based on prior year information), efficiencies that a provider might adopt to reduce costs, and cost efficiencies of trips when compared to the local cost of transporting the general public. The program funds the unsubsidized trips of persons who rely on community transportation (e.g., non-medical trips at times – or to places – not eligible under ADA programs).

**New Jersey**

Established in 1978, New Jersey’s Casino Revenue Funds are used to benefit senior citizens and the disabled. Eight percent of tax is levied on the gross revenue of all casinos, 8.5% of which is allocated for the Senior Citizen and Disabled Resident Transportation Assistance Program (SCDRTAP). Participating jurisdictions include each of the state’s 21 counties, municipal transit agencies, social service agencies, and other non-profits.

To be eligible for funds, each county must have a committee or board consisting of 51% seniors and disabled citizens who make recommendations as to the merits of the proposed transportation services. Fifteen percent of funds are allocated to NJ Transit for administrative purposes and technical support, while the remaining 85% is allocated to the counties based on a formula that uses county population (total, senior, and disabled).

In addition to directly funding transportation services for seniors and the disabled, the SCDRTAP can also be used to provide and maintain capital improvements that support accessibility to fixed-route and other transit services, as well as capital improvements that enhance accessibility for the ADA paratransit program such as the purchase of mobile data terminals, and AVL and IVR systems. The SCDRTAP also fosters coordination among county transportation programs and funding sources by requiring annual applications and coordination planning.

One weakness is attributed to a decline in casino revenue. According to New Jersey Business Magazine, the annual Casino Revenue Fund amounted to $502 million at its peak in 2006. However, in 2012 it only amounted to $248 million, essentially cutting the transportation portion in half by $21 million.

**North Carolina**

The Rural Operating Assistance Program (ROAP) Grant is an annual grant distributed by the North Carolina Department of Transportation (NCDOT). ROAP grants include funding from both the federal and state governments. It is intended to be used to provide transportation when other funding sources are not available. All 100 North Carolina counties are eligible to apply for ROAP funds, although only those already providing transit services are eligible for Rural General Public (RGP) funds, described below. Funds must be used for the operating cost of trips or for other transportation services, but not for administrative or capital costs. The distribution amounts are based on a formula that accounts for population, urbanized area, and prior services provided. The grant amount is determined by NCDOT Public Transportation Division. ROAP includes the following programs:

- **Elderly and Disabled Transportation Assistance Program (EDTAP).** Supports human service transportation for the elderly and disabled.
Employment Transportation Assistance Program. Available to the general public living in urban areas with no public transit access.

Rural General Public (RGP) Program. Available to the general public living in rural areas with no public transit access. Provides service to health care, education, shopping, and employment.

In order to be eligible for any or all programs, counties must apply annually. Recipients must distribute their funds in accordance with each county’s Coordinated Public Transit – Human Service Transportation Plan, the public transit system’s Community Transportation Service Plan (CTSP), and any other transportation development plan in place in the county. There are also public outreach and public hearing requirements.

EDTAP and EMPL funding can be used to provide up to one hundred percent (100%) of the fully allocated cost of the trip and requires no local match. RGP funds may be used to provide up to ninety percent (90%) of the fully allocated cost of each general public trip. The remaining ten percent (10%) must be provided from fares, local funds or a combination of the two.

Indiana

In 1980, the Indiana General Assembly established the Public Mass Transportation Fund (PMTF) to promote and develop public mass transportation in Indiana. Funds are allocated to public transit systems on a performance-based formula based on total boardings, total vehicle miles of travel, and amount of local-derived income. Any transit system that receives federal funds under the Federal Transit Act and provides public transportation in Indiana is eligible for funding. Agencies must apply annually, and are eligible to receive both Operating Project Grants and Capital Project Grants. In 2013, the PMTF funding level was $42.5 million. Currently, PMTF is funded from .67 of 1% of sales and use taxes collected statewide.

The Commuter Rail Service Fund (CRSF) is a special state fund generated from property tax on a railroad company’s distributable property that provides service with a commuter transportation district. According to Indiana state law, the fund is also intended to provide matching state funds for federal transportation capital grants. To date, this funding has been used for maintenance, improvements, and operation of only one commuter rail line in the state, from South Bend to Chicago. Currently, the CRSF is funded from .123 of 1% of sales and use taxes collected statewide, amounting to $7.8 million in FY 2011.

Oregon

Started in 1985, the Special Transportation Fund for the Elderly or Disabled (STF) is a dedicated state-level public transit source funded primarily by a cigarette tax and excess revenue from the sale of photo ID cards. By Oregon state law, $.02 of tax from every cigarette pack is appropriated to the DOT to be distributed to mass transit districts, transportation districts, as well as Indian tribes and counties with no mass transit/transportation district. Counties without mass transit can use funds to provide service through a private contractor or a non-profit. After accounting for administrative costs, the DOT distributes the remaining three-quarters of the fund to the aforementioned jurisdictions based on their respective population. In order to be eligible for these funds, a jurisdiction must have an appointed advisory committee to oversee the distribution of funds locally.

Permitted uses of STF include:

- Maintenance of existing transportation programs and services for the elderly or disabled
Expansion of such programs and services
Creation of new programs and services
Planning for, and development of, access to transportation for elderly and disabled individuals who are not currently served by transportation programs and services

Funds are not limited to supporting ADA paratransit. For example, in the Portland area, STF supports a wide variety of programs operated by small towns and non-profit organizations. During the most recent biennial budget period (2011-2013), the funds amounted to $17 million. One weakness of the program is that smoking rates per capita are on a general decline, which is likely why the state Legislative Assembly added new funding sources to the STF from Oregon’s Transportation Operating Funds and revenue from DMV identification cards in 2003.

### Pennsylvania

In 1971, Pennsylvania enacted the State Lottery Law Act of 1971, allocating 30% of proceeds to programs benefitting seniors, which includes shared-ride and free transit programs. The Free Transit Program allows seniors 65 years of age or older to ride local fixed-route service whenever it is normally operating. Seniors must present a transit identification card, made available through participating agencies, and the ride is reimbursed by the state. This program is currently offered by 52 fixed route operators in 52 counties.

The Senior Shared-Ride Program is a door-to-door service whereby riders 65 years or older – or a third party – pay 15% of the fare, with the remaining 85% is reimbursed by the fund. Participating agencies must apply annually for a grant to receive funding. Grants are provided directly to participating systems, which in turn either contract out or provide services directly. The program is currently offered by 58 PennDOT-contracted providers.

The state of Pennsylvania has benefited through requiring coordination for both programs, whereby local governments were encouraged to identify single coordinators to become program grantees. The services subsidized by the shared-Ride Program are often used by other government programs, human service agencies, and at times the general public. For FY 2012, more than $159 million in lottery funds provided for nearly 35 million free transit rides and more than 4 million shared rides.

One noticeable weakness of the program is that lottery revenues are not projected to increase much. This poses a problem for acquiring sufficient funds, in consideration of a growing aging population and rising costs for trip expenditures.

### STRATEGIES FOR OHIO

The case studies demonstrate how other states ensure public transportation has reliable, stable funding and in particular, ensure transportation is secure for high need groups, such as older adults and persons with disabilities. The case studies highlight different sources of dedicated funding as well as different strategies for distributing funding statewide (see also Figure 4).
Ohio’s current practice of using state GRF funds to support transit has resulted in a steady and significant erosion of transit funding over time. The lack of state funding for transit has eroded not only the level of transit available statewide, but also some of the coordination efficiencies achieved in the system. The need and benefits from a dedicated funding source were clearly articulated in the statewide transit needs study and largely relate to:

- Ensuring Ohio’s transit agencies have a predictable, reliable source of revenue to support transit capital and operations.
- Strengthening Ohio’s rural areas with an affordable transportation alternative that is viable for people unable to drive.
- Supporting other state programs, including health and human service programs that are both best practices and offer economic efficiencies, such as aging in place.
- Leveraging existing federal funds, including FTA funds but also federal human service transportation funding, such as Medicaid.

Despite clearly articulated needs, there are several challenges facing Ohio as it pursues this strategy. The lingering effects of the recent recession are still being felt in state government; existing funding programs are fully allocated and most of the easiest taxes and fees are already being used. However, there are opportunities to find and secure dedicated revenues for public transportation generally or for special needs populations specifically. The critical steps needed to accomplish this strategy include:

1. **Determining how much funding is needed**. As part of the Ohio Statewide Transit Needs Study, the Study Team has estimated the amount of funding required to meet

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1 This number will be determined as part of the Transit Service Needs initiative and will be added to this paper when available.
Ohio’s gap in public transportation investment. This gap is defined in terms of rural and urban as well as operating and capital.

2. **Gauging the Ohio State Legislature’s priorities for transit investment.** There are compelling reasons and benefits associated with re-investing in Ohio’s public transportation program. The Study Team looks to the Ohio State Legislature to determine how Ohio decides to address the investment gap and service needs.

3. **Identifying potential revenue sources.** As the case studies illustrate, there are any number of ways to dedicate funding to public transportation. A cabinet-level committee should form to consider which funding options make the most sense for Ohio and determine the ability of these options to meet the articulated need.

4. **Developing a strategy for allocating funding and monitoring use of the funds.** Hand in hand with identifying funding is determining how the funds are best allocated across the state as well as how people providing the funds can be assured their resources are spent effectively. The Statewide Transit Needs Study has developed a recommendation for monitoring transit performance and management, which can be used to support this discussion.