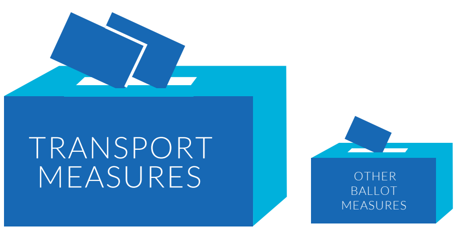
RAISING MONEY *at the* BALLOT BOX

Funding at the ballot box is a successful way to raise money for your transportation projects, whether you are in New York City or Baton Rouge.

TRANSPORTATION BALLOT MEASURES PASS AT TWICE THE RATE OF ALL OTHER BALLOT MEASURES.

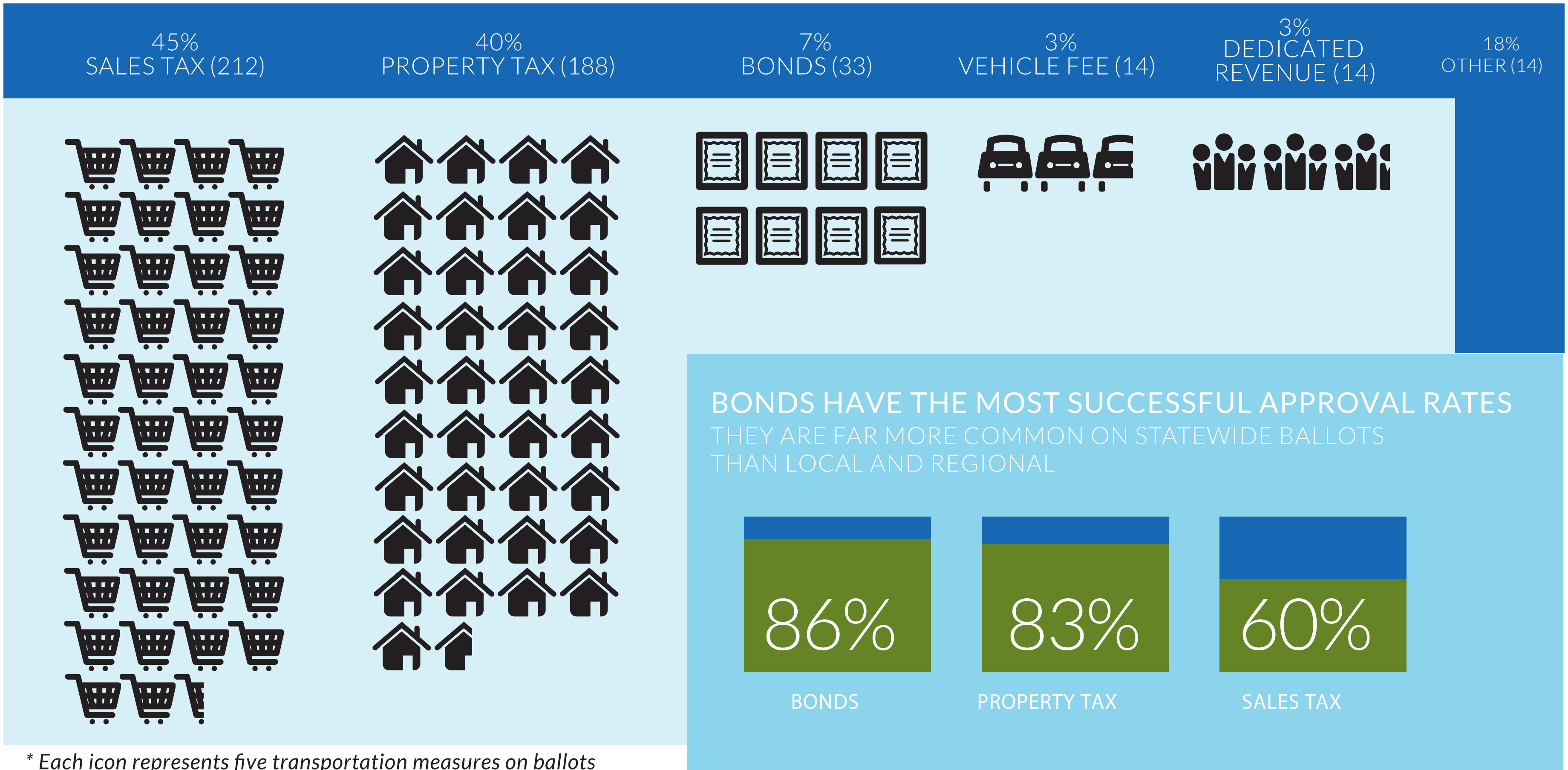


THIS SUCCESS HOLDS ACROSS DIFFERENT REGIONS, POPULATIONS AND PARTY AFFILIATIONS.

71% THE AVERAGE APPROVAL RATE FOR PUBLIC TRANSPORTATION BALLOT MEASURES OVER THE LAST 10 YEARS

2009	73% APPROVED
2010	77% APPROVED
2011	79% APPROVED
2012	79% APPROVED
2013	73% APPROVED

470 BALLOT MEASURES WERE CONSIDERED NATIONWIDE FROM 2000–2013 TO RAISE NEW REVENUES FOR TRANSPORTATION. WHAT TYPES OF REVENUES DID THEY SEEK?



* *Each icon represents five transportation measures on ballots from 2000–2013.*

Local transportation funding: ballot measure and legislative activity

Sales tax **P**roperty tax **V**ehicle fees **G**as tax **O**ther **I**ncome **D**edicated Revenue **B**onding

**Dedicated revenue refers to measures committing existing funds*

	Key funding options available by local ballot measure	Ballot measures considered 2000-13	Local funding legislation considered 2013-14	Ballot measures anticipated 2014-16
AL	S V G B		G B	
AK	S B	S P B		
AZ	S P B	P	S	
AR	S P B	S	S G	
CA	S P V G B	S P V O D B	S P B	
CO	S P B	S P O B	G	
CT	S B			
DE	B			
FL	S P V G B	S V		S
GA	S P I B	S	S	S
HI	G B		P B	
ID	V B	O		
IL	G B			
IN	I B		G I	I
IA	S P V B			
KS	S P V B	S		
KY	V I B	P	G	
LA	P V B	P V		
ME	B	B		
MD	B		P G	
MA	B	D	G I B	G
MI	S P I B	S P D	V G	P I
MN	S V B	D	S P V G B	
MS	B		G	
MO	S B	S P	S G	S O
MT	S G B	S P O		

Sales tax **P**roperty tax **V**ehicle fees **G**as tax **I**ncome **B**onding **O**ther **D**edicated Revenue

**Dedicated revenue refers to measures committing existing funds*

	Key funding options available by local ballot measure	Ballot measures considered 2000-13	Local funding legislation considered 2013-14	Ballot measures anticipated 2014-16
NE	S P V B			
NV	S V G B	S	S G B	
NH	V B		V G	
NJ	S B	D		
NM	S G B	S	S	
NY	S B	B	G	
NC	S B	B	S V B	S
ND	S P B	S		
OH	S P V I B	S P D B	G B	
OK	S P B	O B		
OR	P V G I B	P B	G	B
PA	I B		S V G B	
RI	S B	B		
SC	S B	S	G B	
SD	S P B		P	
TN	S B	O		
TX	S B	S O B		B
UT	S B	S	S	
VT	S B	D		
VA	S I B	S B	S P V G I B	
WA	S V G I B	S P O B	S V G B	S V
WV	B	S P		P
WI	S B	S		
WY	S B	O		

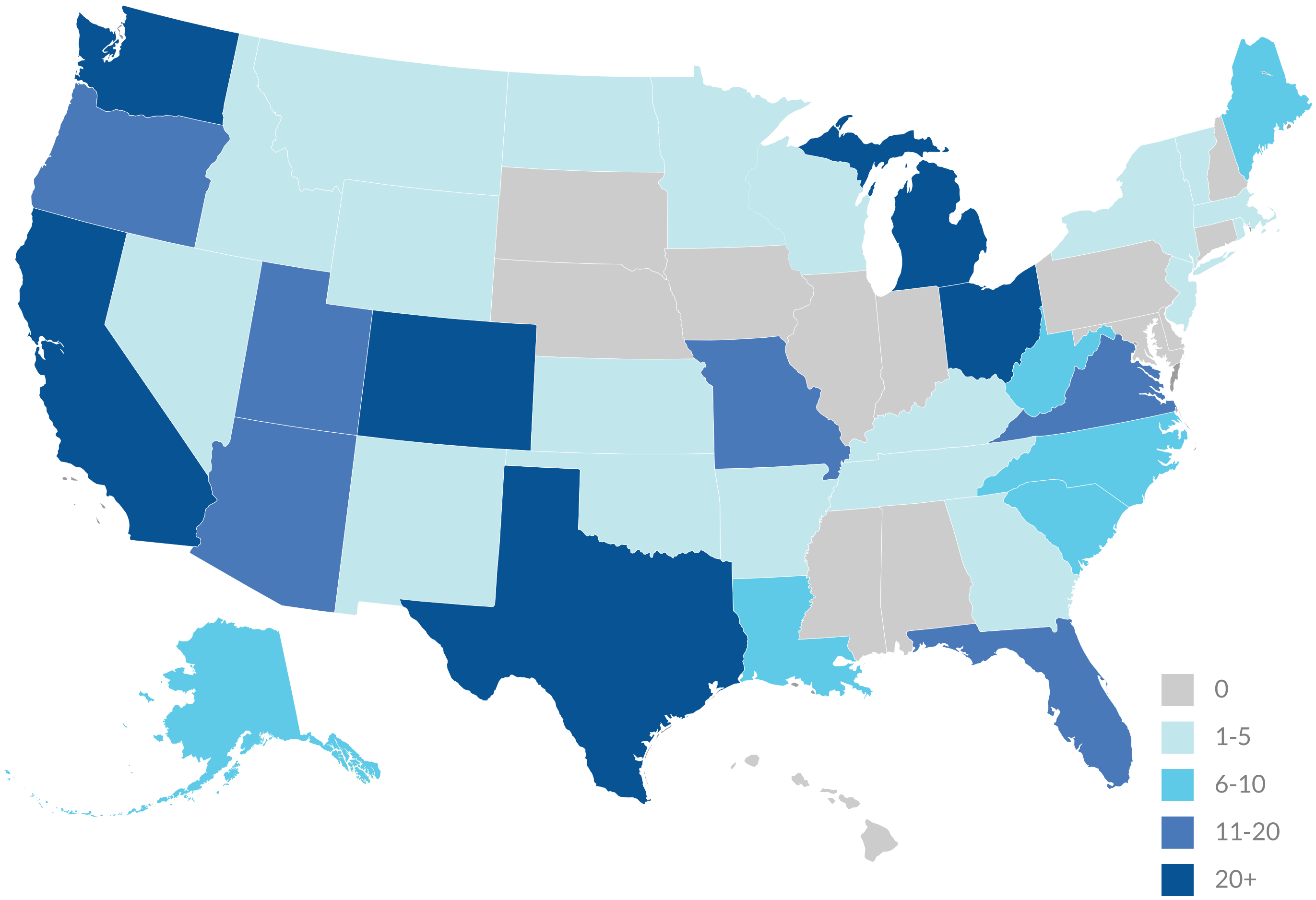
• **Key funding options vailable by local ballot measure**: Funding options available to local jurisdictions that typically require ballot measures. Source: American Association of State Highway and Transportation Officials, Center for Transportation Excellence, National Association of Counties, National Cooperative Highway Research Program, National Conference of State Legislators, T4America, Transit Cooperative Research Program, UC Berkeley ITS

• **Ballot measures considered (2000-2013)**: Transit or multi-modal ballot measures in 2000-2013 period that included revenue-generation provisions. Source: Center for Transportation Excellence

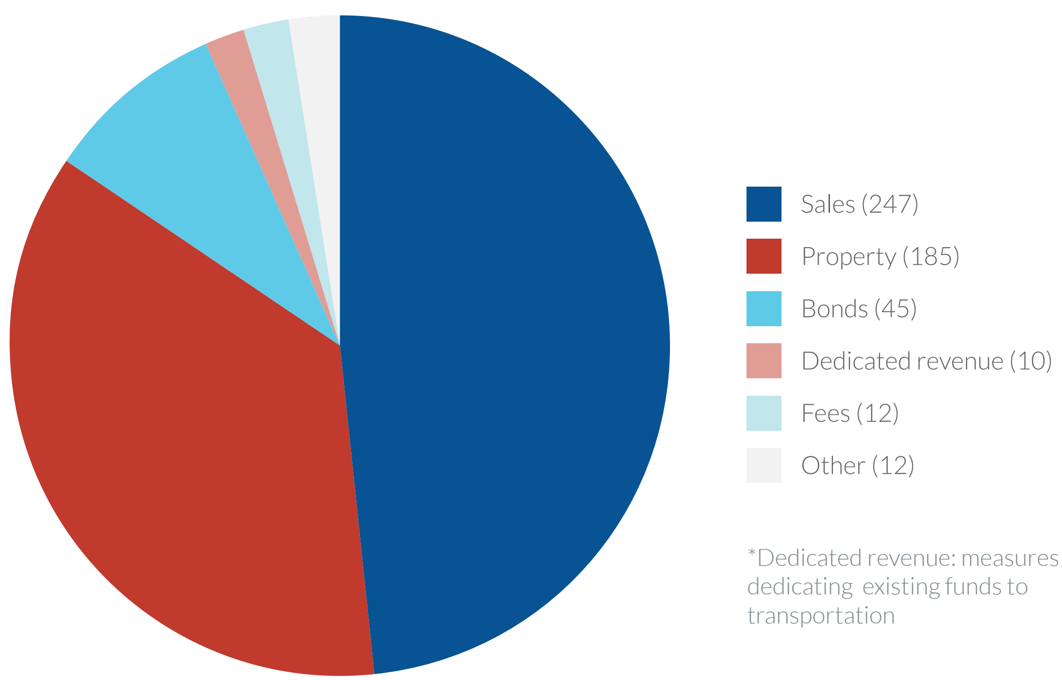
• **Local funding legislation considered (2013-2014)**: Legislation considered which would raise new revenue sub-allocated to local jurisdictions or would enable them to raise revenue Source: National Conference of State Legislators, T4America

• **Ballot measures anticipated (2014-16)**: Anticipated transit or multi-modal ballot measures in 2014 or 2016 election cycles that include revenue-generation provisions. Source: Center for Transportation Excellence

Revenue-generating transit or multimodal ballot measures considered, 2000-13



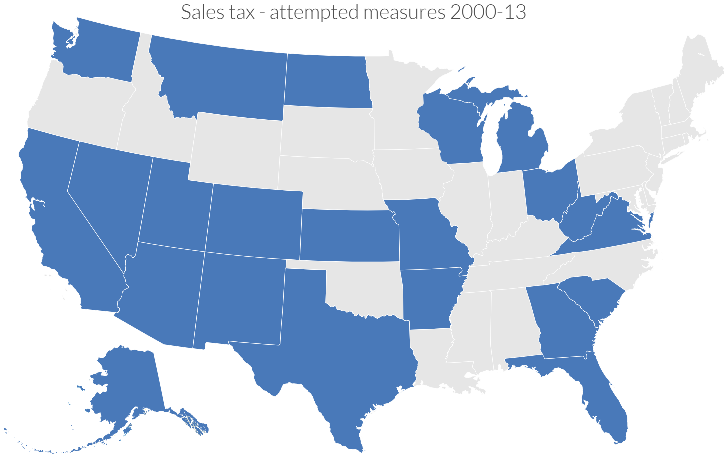
Revenue-generating transit or multimodal ballot measures considered, 2000-13, by funding/revenue type



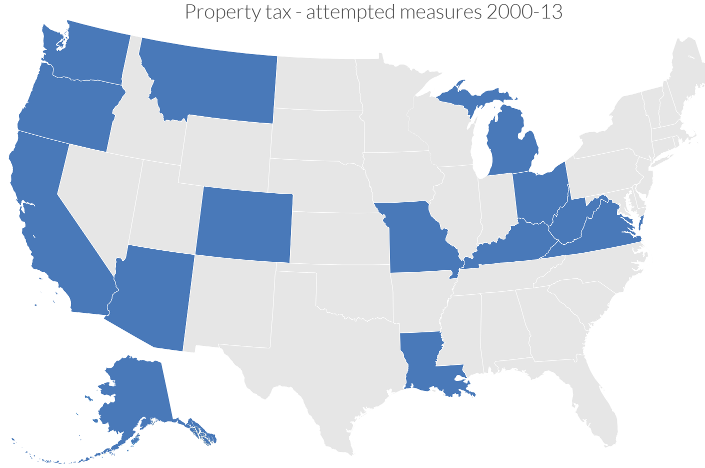
*Dedicated revenue: measures dedicating existing funds to transportation

Local ballot measures 2000-13, by type

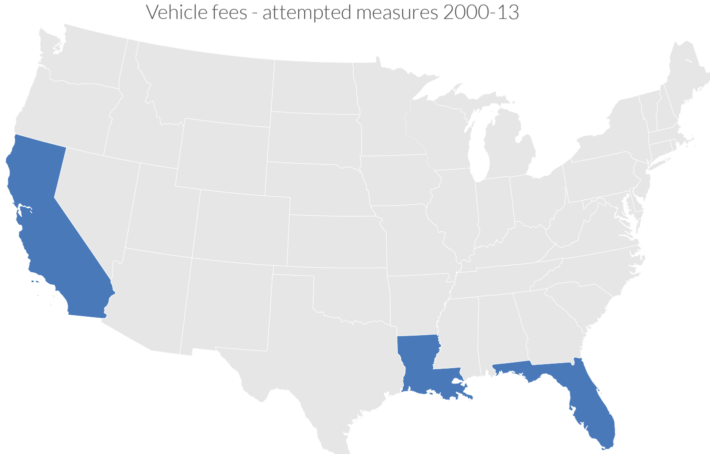
Sales tax - attempted measures 2000-13



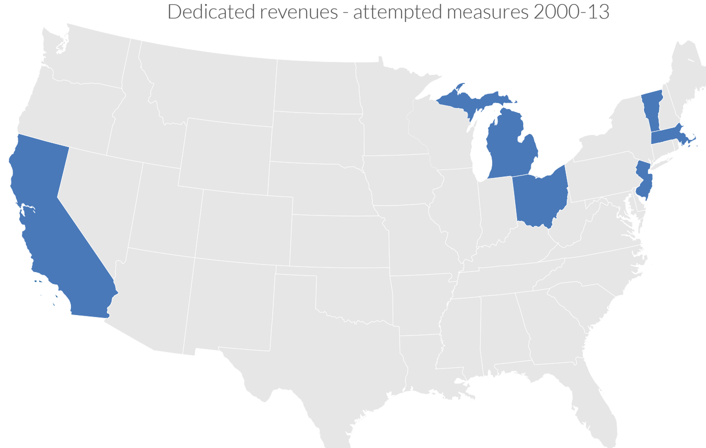
Property tax - attempted measures 2000-13



Vehicle fees - attempted measures 2000-13

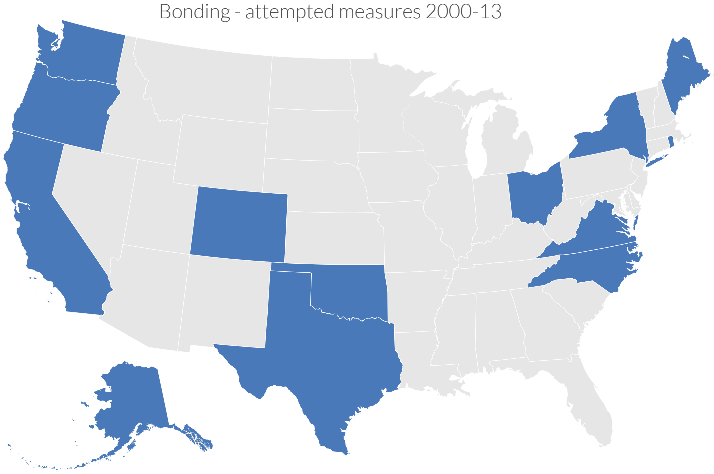


Dedicated revenues - attempted measures 2000-13

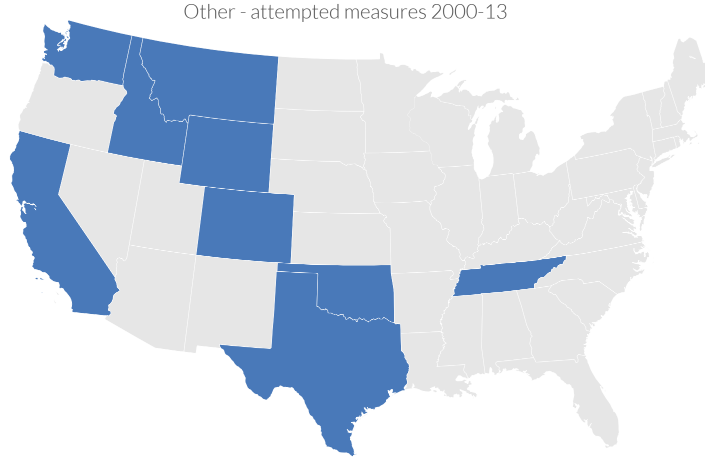


*Dedicated revenue refers to measures to dedicate existing funds to tranpsortation

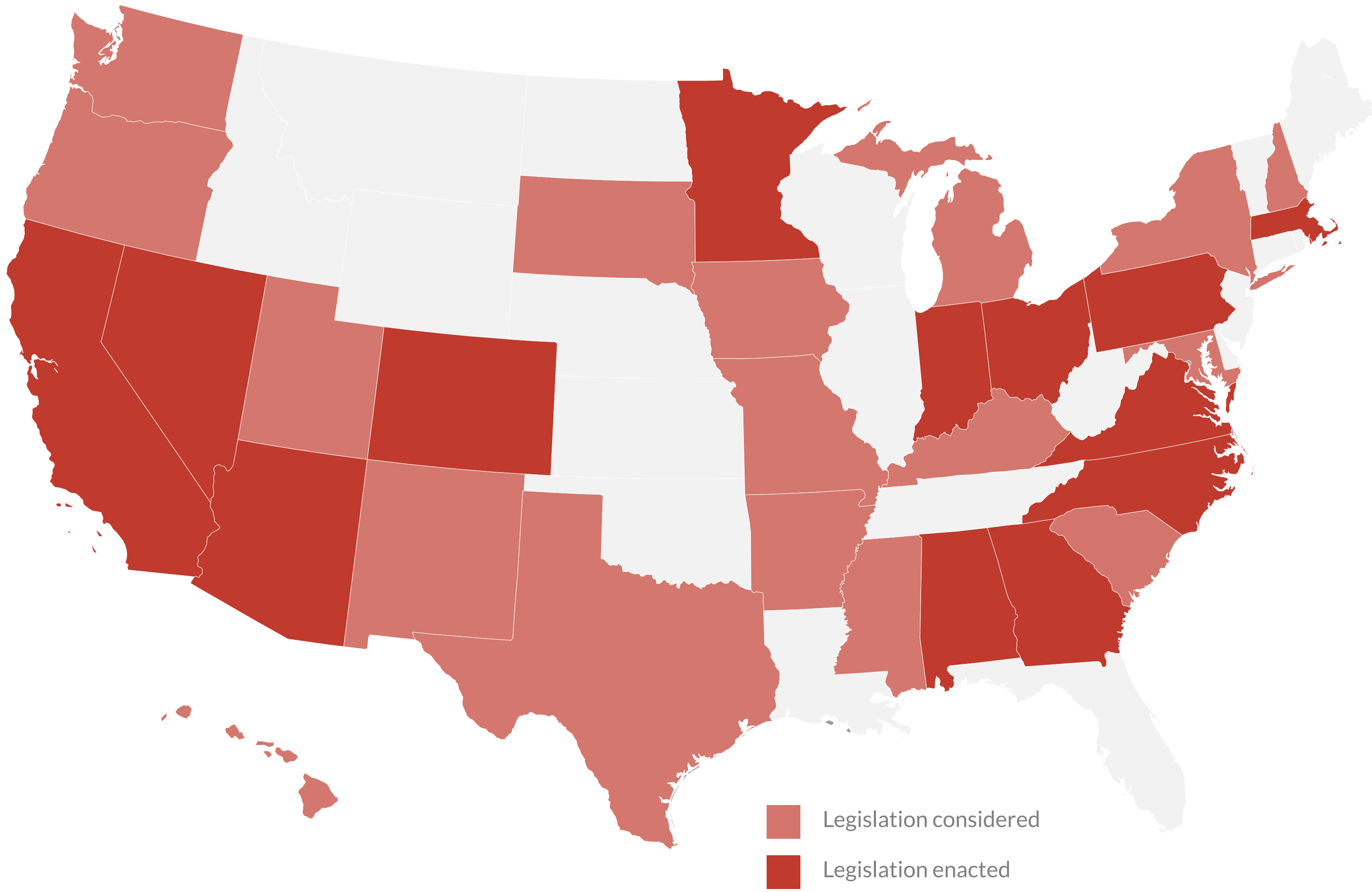
Bonding - attempted measures 2000-13



Other - attempted measures 2000-13

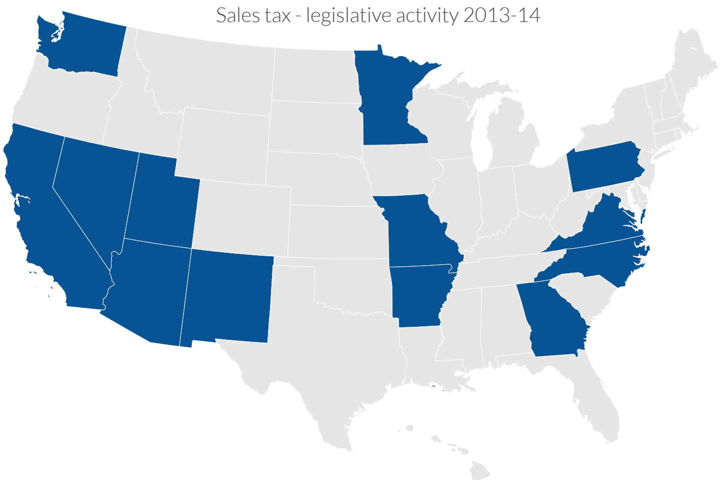


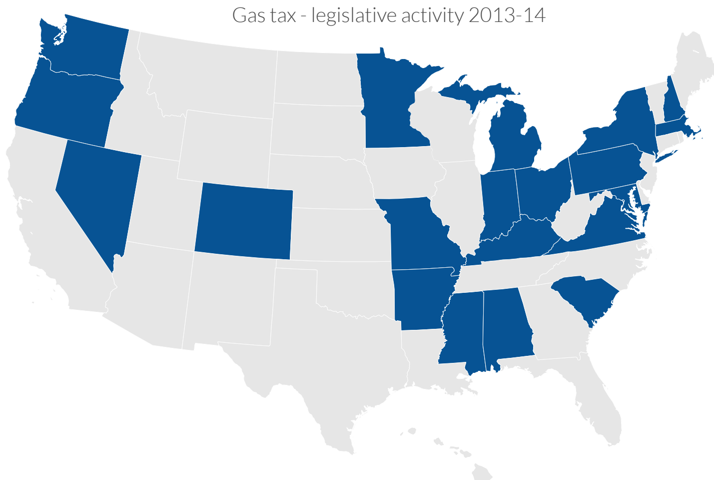
State legislation to raise or allow increased local funding, 2013-14

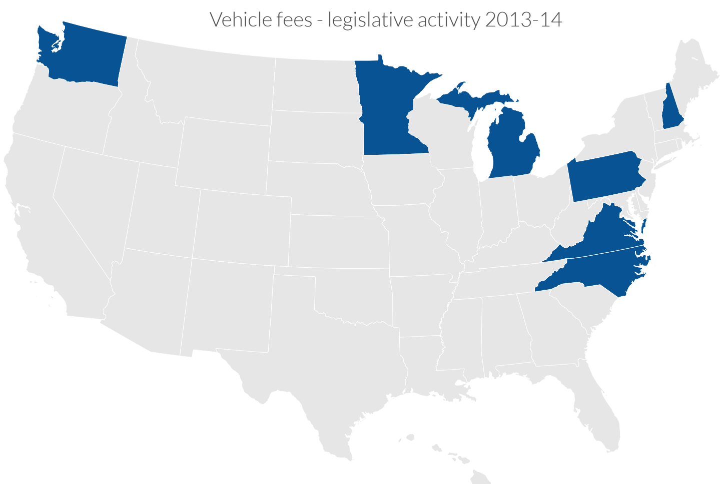


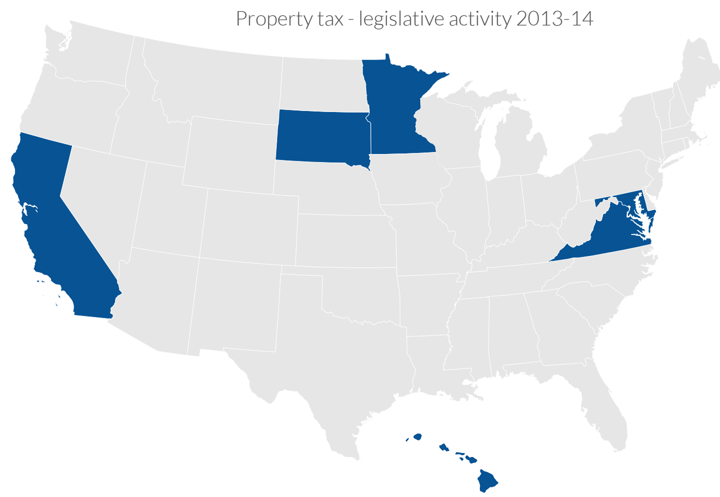
State legislation considered which would raise new revenue sub-allocated to local jurisdictions or would enable them to raise revenue. Source: National Conference of State Legislators, T4America

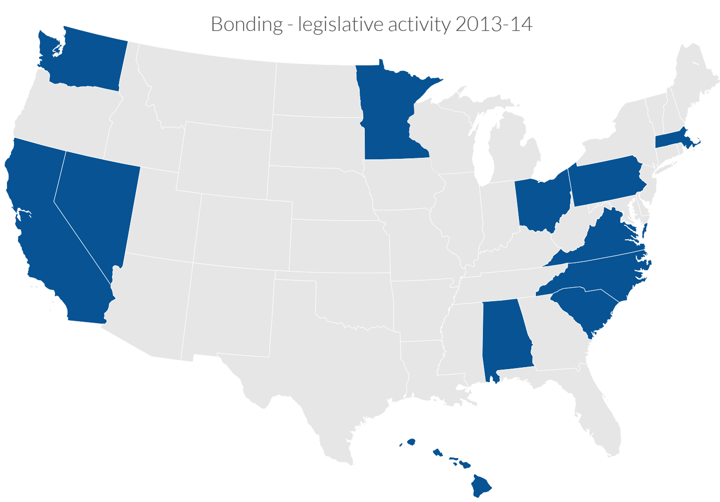
Local funding legislation considered at the state level, 2013-14, by type

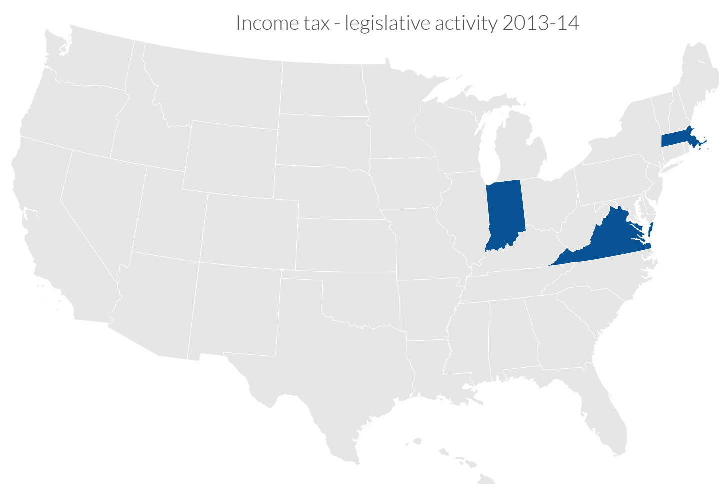












Success at the Ballot Box

Ballot initiatives seeking voter approval to raise money for transportation have twice the success rate of ballot measures generally. Since 2000, nearly 500 transportation funding measures have appeared on ballots nationwide, and 71 percent have been approved. Year after year, voters in both liberal and conservative communities, prove at the ballot box that they understand the importance of infrastructure investment.

The vast majority of those measures ask voters to direct their tax dollars towards transportation investment. These measures run the gamut from property tax levies in small Michigan townships that bring in just over six figures annually to a 30-year sales tax increase in Los Angeles County projected to generate $40 billion. Property and sales taxes are by far the most common method of ballot-box financing, but bonds, vehicle fees, and other innovative tax mechanisms are also used with success. Often, these sources of dedicated local funding are the linchpin for securing state and federal capital grants.

Hallmarks of Successful Ballot Measures

Across all types of communities and financing methods, winning transportation measures are united by certain hallmarks of success:

Building the reputation of the implementing agencies: Voters are inclined to vote for transportation initiatives if they believe the agency responsible is capable of doing a good job. In 2007, a sales tax measure in **Salt Lake City** sponsored by the Utah Transit Authority (UTA) passed with a two-thirds majority even though specifics of the measure were not worked out until six weeks before Election Day. One key to success was that the agency had put great effort into maintaining a strong, positive public reputation prior to launching the campaign. TV ads were already regularly appearing reminding the public of the benefits of the service provided by UTA. When it came time to initiate the electoral campaign, early outreach efforts had already paved the way.

Salt Lake City's light rail, bus and commuter rail systems have been expanded with funding from a 2007 voter-approved sales tax, which won by a two-thirds majority

Early polling and fundraising are crucial to ensuring a successful campaign. Early fundraising allows for a more robust campaign and can be used to engage in pre-campaign educational activities. Early polling reveals not only where voters stand, but also what messages will resonate. **Clark County, WA,** ran a successful sales tax campaign in 2011, the same year neighboring county Pierce lost a similar measure. One of the key differences for Clark County was early polling. Coalition leaders took this information to the County Board to aide elected officials in developing the right plan.

Tout specific benefits: When voters understand the transportation and economic benefits they will receive, they are much more likely to support a tax measure. Both the language of the measure itself and the messaging of the campaign need to make those clear. Officials in **Grand Rapids, MI,** discovered this in 2009 when they lost a measure that would have invested in bus rapid transit serving only half of the communities in the service area. After the loss, the transit agency formed the "Mobile Metro 2030 Task

Force” to develop a transit master plan that would bring a specific set of outcomes to the broadest possible swath of voters. A subsequent ballot measure passed in 2011.

Strong champion(s): Successful ballot measures usually benefit from the support of prominent public figures, whether elected officials, sports figures, academics or business leaders. They help put a face to the issue and draw media attention to the cause.

When a repeal of the transit sales tax in **Charlotte, NC**, went on the ballot in November 2007, the president of the Carolina Panthers appeared with a player in a commercial asking for a vote against the repeal. In another ad, two popular former mayors from opposing political parties appeared in an ad where they “secretly” admitted to agreeing on the same issue—namely that a vote against repeal was important for the community.

Voters in Baton Rouge approved a regional sales tax to nearly double the dedicated revenue for their struggling bus system

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This is adapted from “Thinking Outside the Farebox: Creative Approaches to Financing Transit Projects”, available for free from Transportation for America at [*http://t4america.org/maps-tools/transit-guidebook/*](http://t4america.org/maps-tools/transit-guidebook/)

Recent State Legislation Allowing for More Local Transportation Funding

As Congress has proven unwilling to raise new transportation revenue and reform an outdated federal transportation program structure, state and local leaders have increasingly stepped up with new ways to fund transportation. In the past two years, more than two-thirds of the states have pursued legislation to increase state and local funding for transportation. Notably, many state legislatures are extending additional authority and funding to local governments through legislation enabling local option taxes and sub-allocation of certain state funds. For instance, in the past two years Minnesota and Pennsylvania created new provisions allowing counties to levy vehicle fees, Virginia increased taxes dedicated to transportation and sub-allocated the new funding to regional governments, and Indiana allowed counties to use local income tax funds for transit. In all, at least twelve states passed laws dedicating new money or new taxing authority to local governments. *More detailed descriptions of several bills considered and enacted are included below.*

Yet even as state legislatures have expanded the available funding for local governments, many have placed specific restrictions on how new funds can be spent. For example, the Indiana law prohibits new local tax funds from being used to construct or operate light rail transit. Similarly, the Virginia law limits new funding in the Hampton Roads region to use in road, bridge and tunnel projects. In contrast, Colorado's legislature allowed for the diverse transportation needs of different regions by allowing cities and counties to use a portion of the state fuel tax funds they receive for transit, pedestrian and bicycle projects needed to integrate a multimodal system.

Local funding works best when local leaders can direct funds to the most needed projects and can partner with state and the federal government. Local leaders are best able to determine the needs of their city, county or region and choose transportation projects that will ease congestion, clear bottlenecks, and allow goods to flow freely and workers to access jobs. Local transportation choices allow for innovation and progress. However, local funding cannot be made to replace federal and state funding. Local governments need strong partnerships with the federal government and their state government to succeed.

Examples of recent state legislation

States vary widely in the funding types they allow local governments to pursue. The accompanying table and maps show current authorization for different local funding sources and recent legislative activity for different funding types either levied at the local level or raised at the state level and sub-allocated to local governments.

The illustrative examples below explain some of the ways state legislatures are expanding different funding types:

Sales tax:

The Virginia transportation funding package enacted in 2013 raised both state and local funds from a variety of sources. The act switched the state's per-gallon gas tax to a percentage tax on gas and an increase of the statewide general sales tax. In the state's two largest urban regions it additionally it raised the general sales tax by 0.7% and raised other taxes including the gas tax and hotel tax. Additional revenues from these regions are directed to transportation projects in these regions. In Northern Virginia, 30% of the funding is given to local jurisdictions for transportation projects and 70% is directed by the regional transportation board. In Hampton Roads, the funds go to the regional transportation planning board to be directed to regional road, bridge and tunnel projects.

Gas tax:

A Nevada law passed in 2013 will allow Clark County (the county containing Las Vegas and the largest in the state) to increase local fuel taxes and index the tax rates to inflation through 2016. The law requires any additional tax increase imposed after 2016 be approved by a voter referendum. Nevada law had already allowed certain counties to levy a county fuel tax.

South Carolina's legislature considered a bill allowing counties to enact a local option fuel tax of up to $0.02 per gallon. Such a tax would need to by approved by the county government and by voter referendum and revenues could be used for road projects in the county. The bill is currently stalled in a House committee.

Vehicle fee:

A bill passed by Minnesota's legislature in 2013 expands counties' ability to impose a "wheelage tax," a fee on vehicles registered in the county. The bill expanded the taxing authority from just the metropolitan Twin Cities counties to all counties in the state and increased the fee from $5 to $10 in 2014 and up to $20 in 2017. Forty-seven counties in Minnesota currently impose the fee, which is used to fund highway projects in the county.

Property tax:

This year South Dakota's legislature considered legislation that would allow counties to raise property taxes to fund transportation. It would have removed an existing provision that such county revenues can be used only to match federal transportation dollars. Accompanying legislation would have given counties more leeway to raise property taxes in line with inflation.

Income tax:

A bill passed this year in Indiana would allow six counties in the Indianapolis region to increase local income tax rates by between 0.1% and 0.25% and dedicate these additional revenues to transit. The tax increases will need to be approved by county voter referendum. The bill contains a provision to allow adjoining municipalities to increase taxes and join the transit district by local referendum if the county-wide vote in their county fails. The legislation also mandates that 25% of the transit system's revenue come from fares and 10% of revenue is supported by business contributions through a non-profit organization.

Recent or Anticipated Ballot Measures Followed by CTFE

2014 Confirmed Transportation Ballot Measures

Location	Type	Details	Date	Results
Tigard, OR	City Policy	Measure would amend the Tigard Charter adopting a declared public policy opposing construction of new high-capacity transit corridors within the City, unless voter approval is first obtained. High-capacity transit includes light rail, rail transit, and exclusive bus lanes.	March 11, 2014	Loss, 51% approval, 49% opposed
King County, WA	TBD, Vehicle Fee, Sales Tax	Executive Dow Constantine, along with four county council members and other regional officials have proposed an April vote on the creation of a transportation benefit district that implement a $60 annual vehicle fee and a one-tenth of a cent sales tax, generating a combined $110 million a year.	April 2014	Loss, 45% approve, 55% opppose
Lorain County, OH	Property Tax	The transit tax, on the ballot as Issue 11, is for a 0.065 mills and would last five years.	May 6, 2014	Loss, 42% approve, 58% oppose
Ann Arbor & Ypsilanti, MI	Property Tax	.7 millage increase to fund a five-year plan of service improvements.	May 6, 2004	Win, 71% approve, 29% oppose
Grand Rapids, MI	Income Tax	"Vital Streets and rights-of-way are accessible, attractive, environmentally responsible and safe; serving all people of our community. Vital Streets embrace the entire right-of-way through design that provides safe access for all users, manages stormwater in place through low impact	May 6,2014	66% approve, 34% oppose

		development practices, enhances urban tree canopy and quality of life in neighborhoods and economic vitality in business districts."		
Parkersburg, WV	Property Tax	A two-year renewal of a property tax levy for the Mid-Ohio Valley Transit Authority, which operates Easy Rider.	May 13, 2014	
Seminole County, FL	Sales Tax	One cent sales tax for 10 years, 25% goes to school district, 75% for transportation, stormwater, and other physical infrastructure. Includes bike/ped infrastructure, excludes transit operations of SunRail and Lynx and routine maintenance.	May 20, 2014	
Milwaukie, OR	Bond	Milwaukie will ask residents to approve a $4 million bond to pay its light-rail obligation to TriMet.	May 20, 2014	
Detroit, MI (Macomb, Oakland, and Wayne Counties)	Property Tax	The Suburban Mobility Authority for Regional Transportation seeks a property tax increase from .59 to 1 mil to generate an additional $28 million annually to fund capital needs.	August 2014	
Pinellas County, FL	Sales Tax	Pinellas County Commission has formally approved the ballot language and placed the measure on the ballot for November 2014. A public hearing on the referendum is scheduled for December. Transit officials will use the 11 month lag to complete a study of the county's bus system and proposed light rail plan.	November 4, 2014	
Polk County, FL	Sales Tax	The Polk County Transit Authority and Polk County Board of County Commissioners approved a referendum for November 4, 2014 to levy a one-cent sales tax increase. Half of the new tax revenues will be used to fund the development,	November 4, 2014	

		construction, equipment, maintenance, operation, and supportive services for a countywide bus transit system.		
Massachusetts, Statewide	Gas Tax	The Tank the Automatic Gas Tax Hike campaign seeks to repeal a provision in a law passed in 2013 that would increase the gas tax annually to match the growth in the consumer price index for the use of transportation projects.	November 4, 2014	

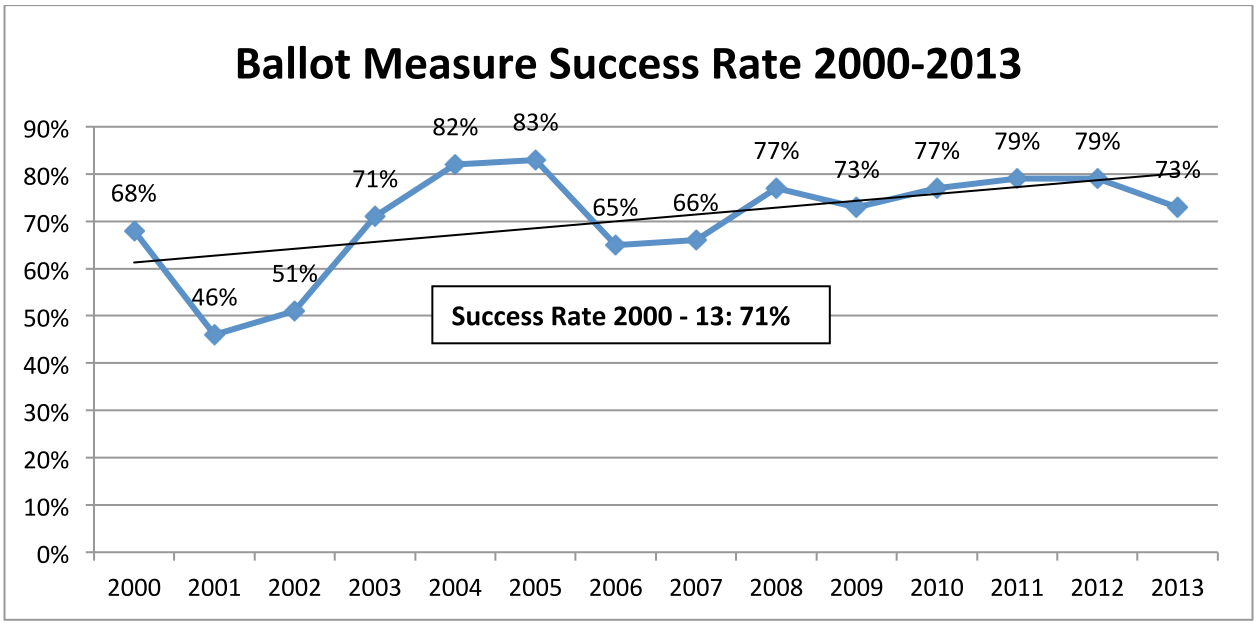
Future Measures

Location	Type	Details	Date
Alameda County, CA	Sales Tax	Increases current transportation sales tax from half a cent to a full penny on the dollar for thirty years.	2014
California, Statewide	Constitutional Amendment	California is considering a statewide election to change the winning percentage for ballot measures from a 67% majority to 60%.	2014
Wake County, NC	Sales Tax	Half-cent sales tax for regional transit plan	2015 at earliest
Hillsborough County, FL	Sales Tax		March 2015
Delaware, Hamilton, Johnson, Madison, and Marion Counties (Indianapolis), IN	Income Tax, Business Tax	SB 176: Approves of mass-transit plans in each county and a funding mechanism with 25% generated by fares, 10% from businesses and 65% from an income tax.	2016
Perry, MI	Property Tax	A two-year, 0.25 mill levy renewal to support service by the Shiawassee Area Transportation Agency.	2014
Owosso Township, MI	Property Tax	A two-year, 0.333 mill levy renewal to allow local residents to utilize service by the Shiawassee Area Transportation Agency at a reduced rate.	2014
Niles, MI	Property Tax	A two-year, 0.50 mill levy renewal for operational support of the Dial-A-Ride	2014

		bus system.	
Caledonia Township, MI	Property Tax	A two-year, 0.17 mill increase to support existing transportation services by the Shiawassee Area Transportation Agency.	2014
Oakland County, MI	Property Tax	A two-year renewal of a 0.59 mill levy to support service by the Suburban Mobility Authority for Regional Transportation (SMART).	2014
Missouri, Statewide	Sales Tax	Missourians for Safe Transportation and New Jobs is pushing for a November ballot for a transportation sales and use tax.	TBD
Kansas City, MO	Other	Kansas City, Missouri, is considering a double election season this year to fund expansion of their streetcar line with an August vote to create a transit development district, followed by a November vote to decide on a funding mechanism within that district. Court approval scheduled for April.	2014
Milwaukie, OR	Bond	Milwaukie is expected to vote on a ballot measure to pass a $4 million bond to pay its light-rail obligation to TriMet. Expected to refer in March.	2014
Nashville, TN			TBD
Austin, TX	Bond	Funding for central corridor	TBD
Detroit, MI		To fund RTA	2016
Clayton County, GA	Sales Tax	To join MARTA	2014

Hallmarks of Successful Transit Ballot Measure Campaigns

Since 2000, local ballot measures supporting public transportation investments have achieved a success rate of 71 percent. There has been steady growth in the use of local ballot measures to fund transit and transportation options generally. While every campaign is unique, there are some common characteristics that define electoral success for transit.



Pre-campaign education & outreach: Campaigning begins before a measure is confirmed on the ballot. Often voters are unaware of the transportation needs in their community, the benefits of transit, and the transportation plans of their region. Strong campaigns conduct early polling, engage the community on the specific benefits of transportation infrastructure and proposed projects, and work to coordinate the agencies, campaign coalition, and advocates in preparation of going to a vote. This work includes research on issues like key messages and project benefits.

Powerful champions & diverse coalitions: Crucial to any successful initiative is building a diverse coalition of supporters and advocates. Partners typically include grassroots organizations, business leaders, developers, community leaders and labor. Coalitions that fail to include any one of the varied interests in the success of transportation funding miss part of the puzzle. It is important to start early in reaching out to groups to build your coalition and engage the stakeholders in your community. Many campaigns find it valuable to enlist the support of key champions that can help define the issue, bolster political support, and support outreach and fundraising.

What's in it for me? Specifically define for the voters what their investment will bring. Be clear about both the project and its benefits. Strong campaigns develop specific plans early on which lay out the benefits to each targeted audience. Create specific engagement strategies for each key constituent group and target messaging for those groups.

It's all local. Tailor your strategy to your community. While other communities can provide an outline for your campaign, there is no single key to success at the ballot box. Campaigns must consider the local context and carefully evaluate the local political environment. Research is vital. Know who your voters are and how to reach them. Messages should be value based and customized for specific neighborhoods and constituencies.

Accountability. Voters need to feel confident that tax resources will be used well. Providing a sense of accountability and confidence in the performance of the implementing agency is vital. Understand and address any issues with agency or local government reputation. Voters often want accountability and funding transparency built into both the campaign and the ballot measure.

Economy. Some of the strongest campaign messages are based on economic value. Be able to relate your initiative to issues like jobs, economic recovery, and a return on investment in the community. Transportation infrastructure is vital to protecting and strengthening local economies and successful campaigns are able to convey this message to voters. Business leaders can be especially effective messengers on the economic benefits of transit.

Be prepared for critics. No campaign is able to escape criticism and opposition. Anticipate your critics and prepare for their arguments. Often the same arguments are used across the country in every community. Being able to addressing critics' arguments in a timely manner with facts that disprove their claims is another hallmark of a strong campaign.

Some of us ride it. All of us need it. Not everyone who votes for a transit measure will personally use the service. But, a strong argument can be made that the proposed investments benefit the entire community. Many campaigns have effectively used this message. Convincing voters of this simple message, while localizing the value and benefits, can be a key to winning at the ballot box.

If at first you don't succeed … Despite the strong record of success, some measures do fail. There are any number of reasons a measure might fall the first time, but many failed measures return to the ballot box and find success the second time around.

Common reasons for Fail the First Time

- Public Perception
- Too much money
- Not the right mix of projects
- Consequences aren't apparent
- Weak Coalition or Campaign Coordination
- Not enough campaign planning and infrastructure

Winning after a loss …

- St. Louis—Lost in 2008, won in 2010 with a stronger coalition and new GOTV strategy
- Seattle—Lost in 2007, won in 2008 after cutting "roads" portion of "Roads & Transit" proposition
- Kalamazoo, MI—Countywide measure failed in 2008, two measures won in 2009 (small countywide & additional city-only measure)
- Grand Rapids, MI—Lost millage increase in 2009, won in 2011 with greater urban support
- Mahoning County, OH—Lost in Spring 2008, but won in November 2008 when voters realized entire system was at risk

Key Funding & Finance Options for Local Transportation Investments

Local and regional entities are doing more with less as we ask them to be centers for economic growth and continued prosperity for the nation. Communities across the country are stepping up efforts to maintain their existing infrastructure and prepare for future demands on their transportation systems. Local leaders in these communities are best able to identify the particular transportation investments needed to address their community's unique challenges. Since the turn of the 21st century, local governments have dramatically increased their commitment to our transportation systems by increasing revenues to meet demands.

It is important to give these communities and local leaders the tools and resources to invest in the transportation solutions that are critical to their economic competitiveness. Through the consolidation of programs in MAP-21, many discretionary programs that communities looked to are not there anymore to help them advance their transportation solutions. Formula programs now make up nearly 93 percent of all Federal highway funding, an increase of 10 percent over SAFETEA-LU. Furthermore, local and regional entities are provided less than 15 percent of all authorized highway funds from MAP-21. In short, funding and project selection has been streamlined in a way that only a select few determine how Federal funds are spent, in some instances, largely ignoring the needs of local governments both large and small.

Additionally, the primary source of funding for local transportation projects, the Surface Transportation Program (STP), had more than $5.0 billion of new responsibilities added to it by MAP-21; however, STP funding was increased only $1.2 billion.

While local options are increasingly important in making projects happen, the federal and state governments will continue to have important roles to play in supporting the construction, expansion, and operations of local transportation infrastructure. Local and regional success in the years to come will only be possible with a continued strong partnership with states and the federal government.

MAP-21 Highway Programs	Funding (billions)	Percentage of MAP-21 Funds
National Highway Performance Programs (NHPP)	$21.8	58.6%
Surface Transportation Program (STP)	$10.0	26.9%
STP Suballocation for Local and Regional Control	$5.0	13.4%
Highway Safety Improvement Program (HSIP)	$2.4	6.5%
Congestion Mitigation Air Quality (CMAQ)	$2.2	5.9%
Transportation Alternatives (TA)	$0.8	2.2%
TA Suballocation for Local and Regional Control	$.04	1.1%

Filling the Gap: Local Revenues & Bonds

Building a new transportation project typically requires sponsors to combine multiple sources of funding (grants or money that does not have to be repaid) and financing (debt or money that must be repaid). As evident in the research completed by T4America, governments have a wide range of revenue options, such as sales taxes, special assessments, local option income taxes, tax increment financing, and property taxes. These revenues can be applied directly to project costs or used to as a repayment stream either for municipal bonds or private investment. Innovative financing is one way to assemble a complete funding package—especially when a local jurisdiction can generate long-term locally controlled revenue.

Local Revenue Sources

In order to access financing options and to compete effectively for federal and state grant programs, local revenues need to be raised. Debts have to be repaid and federal programs reward applicants with a strong local financial commitment (also referred to as local match).

Local funds typically originate from a limited number of common taxes and fees. Each potential tax and fee has its own unique benefits and trade-offs that this chapter will discuss in detail.

When debating the merits of a particular revenue strategy, four considerations are critical:

Revenue Yield: Will the tax generate enough revenue to make debt service payments?

Reliability: Is the tax susceptible to cyclical fluctuation or sudden changes?

Equity: Does the tax unfairly burden certain residents or businesses?

Political Feasibility: Can the tax generate sufficient political support from elected officials and key stakeholders?

A successful revenue strategy will combine those tax and fee options that produce sufficient money to support project financial obligation and also hold together a local political coalition. The revenue options outlined in this section are some of the most common and robust.

Property Tax – General : The property tax is the oldest tax levied in the United States and is the only major tax common to all fifty states. It is also a mainstay of municipal and county revenue structures, although fifteen states still levy the tax to garner state revenue. This tax is levied on a property owner who pays a percentage of the value of his property. 'Property' is a broad category which includes real, personal, and state-assessed property. Real property is immobile and includes residential and commercial land, natural resources and fixed improvements to the land. Personal property is mobile and includes both tangible (i.e. vehicles and equipment) and intangible (stocks, bonds and bank accounts) items. State-assessed property includes public utilities and railroads, which span several local jurisdictions.

> ***Revenue Yield:*** Assessing a property's value, generally defined as 'fair market value,' is an inexact science; the total value of a parcel of land plus the property on it is estimated using legally specified standards applied by a tax assessor. While assessors in most states are part of county government, New England states usually employ municipal assessors, and Maryland is unique in its use of state assessors. The assessed value remains until the property is exchanged on the market where its actual market value is determined, or until it is reappraised. Real property is reappraised periodically, but most states have no statutory requirements requiring their frequency. For the states that require regular appraisal, the frequencies range from every two years to every ten.
>
> ***Reliability:*** Land Values tend to be stable over time, providing predictable revenues

Political Feasibility: Restrictions are in in place in many states to increasing the general property tax levy. Where allowed, these are new taxes and land owners need to understand the benefits offered.

Property Tax - Tax Increment Financing (TIF): Tax increment financing is a way of applying the additional property tax revenue generated by the surrounding land after a project is completed. Tax increment financing does not involve a tax rate increase. Instead, the rise in property values resulting from the transportation project generates additional revenues that are dedicated to making payments on debt, for the transit project or supportive projects. Tax increment funds are set aside from properties within a defined geographic zone around the project for as long as necessary to close out project debts.

Property taxes are typically expressed as a certain number of dollars per $100 of assessed value. For instance, at $2 per $100 of assessed value, a $375,000 business property would owe $7,500 in property taxes each year. If the value of the same property rose to $500,000, after the transit project was completed, the property tax liability would rise by $2,500 to $10,000 in total. The $2,500 increase in property tax revenue would be dedicated to covering construction costs or making debt service payments.

Revenue Yield: The revenue yield from tax increment financing is highly variable. In part, the amount of revenue generated depends on the geographic size of the TIF district. Moreover, the extent to which local planners work with developers to facilitate new real estate development also greatly impacts property tax receipts. Tax increment financing is an important source of revenue, but will likely not be the only source for your project. As discussed above, in some cases, tax increment revenue can be pledged to support a Tax Increment Bond, or a local government can agree to provide capital funds for a project based in part on its expected increase in revenue in future years.

Reliability: Property values tend to be relatively stable over time, providing a degree of predictability.

Equity: The benefit of tax increment financing is that it connects project financing with those property owners who benefit directly from the new system and it is considered less regressive than a sales tax.

Political Feasibility: Because TIF is not a new tax, it is usually does not encounter the political opposition that other sources of revenue might. Still, tax increment financing may raise concerns that a new project is diverting money that would otherwise flow to other public services.

Additional Resources

Center for Transit Oriented Development: Capturing the Value of Transit
http://www.reconnectingamerica.org/assets/Uploads/ ctodvalcapture110508v2.pdf

Property Tax - Special Assessment District: A special assessment district is another form of property tax. The properties located within a defined zone around the transportation project are assessed with a higher tax rate or a flat fee expressly to fund amenities that benefit those properties. A special assessment district may levy the additional taxes or fees based on distance from the project, type of land use, total acreage, or frontage along the transit line. Special assessments are typically structured to generate either a specified level of revenue or to last a set number of years.

Revenue Yield: The revenue yield from a special assessment district can be substantial. Typically, an assessment district is applied to a highly developed portion of the metropolitan area or an area with significant planned development. The developed land has high property values that can generate significant revenue.

Reliability: Property values tend to be stable or rise over time, providing a high degree of predictability.

Equity: The benefit of a special assessment district is that it connects project financing with those property owners that directly benefit from the new system.

Political Feasibility: Because special assessments are levied on specific parcels they are a highly visible form of taxation that may prove more politically challenging than a diffuse revenue stream such as a sales tax. Moreover, special assessment districts are a new tax.

<u>**Sales Tax:**</u> A sales tax is a broad-based revenue source capable of generating substantial revenue due to the large volume of transactions that happen each year. In many states, the legislature must enact an enabling statute that provides local jurisdictions the authority to impose a dedicated sales tax to support transit. The taxing jurisdiction has the flexibility to determine applicability or scope of the sales tax (i.e., the types of goods and services to which the tax will apply). This flexibility allows the taxing jurisdiction to address concerns over equity. For instance, local officials may decide to exclude food, medicine, and other essential goods from the sales tax. In many cases these "local-option" sales taxes must receive voter approval.

Revenue Yield: Sales taxes can generate robust revenues— especially when levied on a region-wide basis.

Reliability: Sales tax transactions are a relatively stable source of revenue (though they are typically not as stable as property taxes). The recent economic downturn has substantially affected sales tax receipts.

Equity: Sales taxes are sometimes critiqued as being regressive because they take a higher percentage of income for individuals further down the earnings scale. Equity concerns may be addressed by exempting certain basic products from sales taxes.

Political Feasibility: The political feasibility of a sales tax depends on many factors. In part, a regional sales tax should be connected to transportation projects that bring regional benefits. Building support for a sales tax, which often requires voter approval, requires a well-designed campaign and time. It also requires a well-defined set of projects and benefits that voters can connect to. Initiatives that meet those criteria often meet with voter approval.

<u>**Vehicle Assessment or Registration Fees:**</u>

Traditionally, states collect vehicle registration and annual license or tag fees. In addition, some states allow city and county governments the option of imposing an annual assessment based on the value of the vehicle. Local vehicle taxes may also support transit capital projects.

Revenue Yield: Vehicle registration fees are the second most common (and robust) source of transportation revenues at the state level. A number of states are now authorizing local jurisdictions to pursue this revenue source.

Reliability: Vehicle ownership and registration rates are stable.

Equity: Registration fees are typically a flat percentage of vehicle value. Thus, owners of older vehicles have a lower total tax liability than owners of newer models.

Political Feasibility: Political fights over vehicle registration fees are more common than some of the other revenue sources discussed in this chapter. Some states do not permit local jurisdictions to levy vehicle registration fees. Some states also have statutory or constitutional limitations that limit the use of vehicle registration fees only to road projects.

Fuel Tax: For decades, states have funded a large portion of their transportation expenditures with motor fuel taxes. Some states allow city and county governments to tax fuel either on a per gallon basis or through sales taxes.

Revenue Yield: The United States consumed more than 134 billion gallons of gasoline in 2011. Moreover, states also raise the majority of their transportation revenues from gas taxes. Fuel taxes—depending on the tax rate—are a robust but declining source of revenue.

Reliability: Historically, fuel consumption has been a stable, growing source of revenue. Recently, with total driving on the decline and more fuel-efficient vehicles, the future of gas taxes at all levels of government is less certain.

Equity: Fuel taxes, like all flat taxes or fees, are regressive, meaning they represent a higher percentage of income for individuals further down the earnings scale.

Political Feasibility: Fuel taxes are a well-established revenue mechanism, though not all states permit local jurisdictions to levy fuel taxes. Increasing gas prices make raising gas taxes a difficult political lift.

Income Tax: The local option income tax is a flat-rate or sliding scale tax on earned income (including wages, salaries, tips and commissions) from individuals residing in a local jurisdiction, earned income from those who work in the jurisdiction (sometimes referred to as a "commuter tax") and net profits from unincorporated businesses. According to the Tax Foundation, income tax rates range from 0 percent in South Carolina to 11 percent in Hawai'i and Oregon. Some states require state authorization for municipalities to collect the income tax. Adoption of an income tax is more likely in cities than in counties, and some municipalities elect not to levy the tax even when their state authorizes them to do so, as is the case in Arkansas and Georgia. Only Maryland requires income tax adoption by all its municipalities.

Revenue Yield: Income taxes are highly variable and depend on how progressive the income tax structure is in the local jurisdiction

Reliability: Income taxes are volatile, typically corresponding to the state of the local economy

Equity: Fuel taxes, like all flat taxes or fees, are regressive, meaning they represent a higher percentage of income for individuals further down the earnings scale.

Political Feasibility: Local option income taxes are infrequently considered. They are only an option in states with a statewide income tax. Passage is more likely in states with highly progressive

Local Financing

Bonds are the basic way that governments—and government-created entities—borrow money. State and local bonds are often simply referred to as municipal bonds or "munis." Bonds allow local governments to finance large infrastructure projects that would not be possible within the limitations of annual budgets.

By issuing a bond, a public project sponsor can spread costs over many years for projects that typically last far longer. In return for lending the government money by purchasing a bond, investors receive a specified rate of return or interest payment.

The interest paid by the public entity issuing the bond determines the "cost of funds." A lower interest bond allows a project sponsor to access capital more cheaply than a high interest bond. The risk of default (i.e., failing to pay bondholders back what they are owed) governs the rate of interest that a project sponsor must offer to attract investors. Interest rates follow a rule: the greater the risk that a bondholder will not be repaid, the higher the interest rate required to attract investors.

Local governments can take steps to make their bonds more secure and attractive to investors. In return for reducing the risk of default, the project sponsor is able to offer a bond with a lower interest rate. For instance, a local government may lower risk to investors by issuing a bond with insurance. If the local government is unable to pay, the insurance company repays bondholders.

When building a funding package for a project, it is important to balance risk and cost. The mixture of grants, loans, bonds, and other financial tools should expose the project sponsor to an acceptable level of risk at the lowest possible cost.

General Obligation Bonds:

General obligation bonds are secured by and repaid from the general tax revenues of the borrowing government. The government issuing the bond pledges its full faith and credit to investors. In effect, the government is promising to use its full powers of taxation to generate enough revenue to repay bondholders. The strength of the full faith and credit pledge makes general obligation bonds a low-risk investment. In exchange for the security that comes from such a powerful pledge, investors are willing to accept a lower interest rate.

Benefits: The principal benefit of issuing a general obligation bond for a project sponsor it its low cost compared to other financing options. Even a modest increase in the interest rate on a bond can add millions of dollars to total project costs. The savings that result from low-cost financing may make the difference between successfully implementing a project and failing to move forward.

Drawbacks: General obligation bonds represent a promise to repay investors before making any other budgetary expenditure. This is a significant risk to the government project sponsor. If tax revenues fall below projected levels, the government must still repay bondholders. As a result, other programs and projects may be at risk of being cut or eliminated. Finally, most governments are limited in how much general obligation debt they may take on. Choosing to offer a general obligation bond may limit the ability of the government to pursue other projects in the future.

Bottom Line: The decision to offer a general obligation bond should include an in-depth analysis of its potential budgetary impacts. The lower borrowing costs associated with a general obligation bond should be balanced against the additional budgetary risks.

Additional Resources:

Federal Highway Administration (FHWA): Project Finance Primer
www.fhwa.dot.gov/ipd/pdfs/finance/ ProjectFinancePrimerREV4.pdf

Municipal Securities Resource Board
http://emma.msrb.org/EducationCenter/ EducationCenter.aspx

Revenue Bonds: Revenue bonds are repaid from a specific source of funds. The creditworthiness of a revenue bond is determined by the strength of the specific source of funds pledged toward repayment. Bondholders do not have a general claim to government revenues. Instead, they have a claim only to those revenues pledged to retire the bond. Generally, revenue bonds are treated as a riskier investment than a general obligation bond due to the narrow repayment pledge. As a result, revenue bonds often require a higher interest rate to attract investors.

Benefits: Revenue bonds are attractive to the project sponsors who are borrowing money because they represent a lower level of budgetary risk than a general obligation bond. In addition, many infrastructure projects generate revenue that may be pledged to repay bondholders.

For instance, if a local government wanted to finance the construction of a parking deck, it could offer a revenue bond that pledged to repay investors with the resulting parking fees. In this case, the local government is not pledging its full faith and credit. Bondholders are entitled to the revenues generated by the project and nothing more.

Drawbacks: Revenue bonds have a higher long-term cost for project sponsors than general obligation bonds due to the higher risk of default, which requires them to offer a higher interest rate.

Bottom Line: The decision to issue a revenue bond is driven by two main considerations: the strength of the revenue source (either generated by the project or a separate source such as a sales tax) and the desire to limit the budgetary risk to other programs and projects. A project with uncertain revenue generating potential that receives a lower credit rating (requiring a high interest rate to attract investors) may not be able to generate enough to pay a higher interest rate.

Tax Increment Bonds: Tax increment bonds (sometimes known as tax allocation bonds) are a form of revenue bond that takes advantage of the increased property tax revenues that result from the transportation investment. For example, transit projects can often increase surrounding land values and serve as a catalyst for new real estate development. As new residential and business projects are built around the transit line, the assessed value of land rises and property tax revenues increase. The increase in property taxes is dedicated to making payments to bondholders.

Benefits: Tax increment financing captures the expected benefits of a transit project in a way that helps get the project built today. Also, by only pledging incremental revenues, it can reassure people that existing revenue sources already being used for other needs will not be tapped.

Drawbacks: Tax increment bonds rely on significant new development to occur around transit stations and within the corridor. Because the potential real estate development may slow, the anticipated increase in revenues may not materialize. These bonds can require a project sponsor to pay a higher interest rate than general obligation bonds. Also, the amount of money generated this way is usually less than a regional sales tax or other broad-based tax measure.

Bottom Line: In order for tax increment bonds to be successful and a receive a high bond rating, local leaders, planners, and developers must think critically about how to maximize development potential around stations and within the corridor. This cooperative partnership should begin as early as possible. Also, tax increment financing can cover a portion of project costs, but is not likely to provide full project funding.

Local transportation funding: revenue sources and financing tools

Revenue sources	Amount	Reliability	Equity	Political feasibility
Property tax - general	Variable depending on the tax rate applied to the properties	Land values tend to be stable over time, providing predictable revenues	General property taxes are regressive	Moderate - restrictions are in place in many states to increasing the general property tax levy. Where allowed, these are new taxes and landowners need to understand the benefits offered.
Property tax - tax increment	Variable depending on the size of the tax increment district boundary around the transit facility	Land values tend to be stable over time providing predictable revenues	Tax increment revenues tie project benefits (increased land values) to funding the transit project	High—tax increment is not a new tax or a tax increase
Property tax - special assessment district	Variable depending on the size of the district and the tax rate applied to properties	Land values tend to be stable over time providing predictable revenues	Ties project funding to taxes levied on surrounding landowners who are direct beneficiaries	Moderate—these are new taxes and land owners need to understand the connection between a new project and the benefits it will bring
Sales tax	Sales taxes are broad-based and generate robust revenue	Sales taxes are a little less stable than property taxes but still provide a great deal of predictability	Sales taxes are regressive— although this may be addressed by exempting certain items such as food	High—sales taxes are typically politically successful when the projects they fund brings regional benefits
Vehicle registration tax	Moderate	Vehicle ownership rates are stable	Regressive like all other flat taxes	Moderate—vehicle owners are sensitive to registration fees
Fuel tax	Robust	Driving rates are historically steady (subject to increasing fuel efficiency standards and recent changes in driving patterns)	Regressive like all other flat taxes	Moderate—high fuel prices make new taxes difficult and not all local governments have the authority to impose a fuel tax
Income tax - local option	Variable depending on the amount of income taxed	Income taxes are volatile, typically corresponding to the state of the local economy.	Income taxes are typically progressive	Moderate - local option income taxes typically require a statewide income tax. Passage is more likely in states with highly progressive tax brackets.

Financing tools	Repayment	Cost/Risk	Benefit	Drawback
General Obligation Bonds	Full faith and credit of government	Typically lower risk and lower interest rates	Lower interest rate can save millions in total financing costs	Budgetary risk to project sponsor if tax collections are lower than expected
Revenue Bonds	Specific revenue source (e.g., sales tax, property taxes, user fees)	Typically a higher risk to investors resulting in a higher interest rate	Lower budgetary risk - investors have no claim on general tax collections	Higher interest rates raise the cost of building a project

This chart adapted from "Thinking Outside the Farebox: Creative Approaches to Financing Transit Projects", available for free from Transportation for America at http://t4america.org/maps-tools/transit-guidebook/

How to Develop State Enabling Legislation to Support Your Local Goals

Experience has shown that voters, when given the chance, are typically eager to support new revenue for local transportation priorities. Typically the decision to impose the tax must be taken first by the governing legislative body of the jurisdiction, such as the county board of commissioners. In many – but not all – cases, a voter referendum is then required. This approach allows local communities to raise their own funds to pay for projects important to them, without having to gain the support of the entire state.

Voters only have this opportunity, however, if the state they live in has authorized local communities to raise revenues through ballot measures. State enabling laws are a threshold requirement that must be in place before local ballot measures can even be considered. State enabling laws can govern many aspects of local ballot measures, including the type of revenue that can be raised, the number of years that the revenue can be collected, the process for getting a measure on the ballot, the permissible uses for the revenue, and sometimes even the exact language that must be presented to the voters.

All state enabling laws are not created equal. Variations in voter thresholds, sunset provisions, permissible uses of funds, and other factors can make it easier or harder for local ballot measures to succeed. The following sections discuss key elements that should be considered when drafting enabling legislation, whether starting from scratch in a state that lacks such laws, or as part of an effort to improve an enabling law already on the books.

Voter Thresholds

State enabling laws typically specify the required percentage of voters needed to pass the ballot measure. In most cases, a simple majority is all that is needed. In some states, however, a super-majority is required. **California** now requires a two-thirds majority (66.67%) for new fees or taxes. The impact of this high threshold was clearly illustrated in 2012 when Measure J, which would have extended the existing transportation sales tax in Los Angeles past 2039, failed despite 66.1% of voters supporting it. There have been efforts in California following Measure J's failure to change state law to lower the voter threshold required for passage of local option transportation taxes to 55%.

Sunset provisions

Many enabling laws specify the number of years during which the revenue can be collected before the collection must go back to the voters. Ten, twenty, and even thirty year timeframes are common, but shorter sunset provisions also exist. In **Michigan**, voters must frequently go to the ballot to reauthorize property tax collections for public transportation, as the enabling legislation specifies that such levies can be authorized for no more than five years at a time. (Michigan Compiled Laws, 124.468 Tax levy; collection.) The advantage of a longer sunset period is, of course, that once enacted, the new revenue source can provide funding certainty for a longer period, rather than requiring frequent reauthorization campaigns that put future funding at risk.

Geography

Most state enabling legislation provides authorization to all local governments within a state, such as counties and cities, to go to the ballot. In some cases, however, ballot measures are allowed only as regional measures. In those cases, the way that the region is defined can have an impact on the ultimate outcome. In Indiana, the legislature recently authorized six counties in the **Indianapolis** region to raise their own funds for transit. Along the way, there was significant debate about which counties should be included in the list, since some believed that the more rural counties might make it more difficult to pass a regional ballot measure for transit.

Permissible Uses of Funds

Given the ever-expanding list of critical transportation investment needs, a broad definition of permissible uses has value in enabling legislation. Legislation that is multi-modal and supportive of new capital projects as well as ongoing maintenance and operations needs can increase the chances of legislative success. Broadly defined permissible uses in the enabling legislation will provide the opportunity for the subsequent ballot measure campaign to focus on a limited number of investments with the highest public support.

For example, maintenance of the existing transportation system is increasingly a public priority, but many states restrict local funding authorizations to only new capital projects that expand the transportation system. Having a broad set of permissible uses can also help to address social equity concerns, by allowing local communities to develop a suite of transportation projects designed to meet the needs of people of all income levels. Finally, legislation that has broad permissible uses may also be helpful as authorization for future ballot measures that would otherwise require additional legislation. Among the benefits would be a means to seek local funding for new transportation infrastructure needs that involve new technologies unimagined when the state enabling legislation is passed. Recent examples in **California** include plug-in electric vehicle charger stations and transit smart card systems.

Timing of Revenue Collection

Even when there is a clear need to invest in the transportation system, fiscally conservative legislators can be reluctant to pass legislation that implies, even indirectly, that they support raising new taxes or fees. In these cases, it may be important that the enabling legislation clearly emphasize that it is providing a tool to empower local decision-making. It may also be critical to consider timing of when any ballot-approved revenue would become available. For example, in the **Atlanta** referendum experience, proponents overcame political opposition by including conditions that no revenue would be raised until the completion of the governor's second and final term and shaped enabling legislation that left the decision of whether to tax themselves directly in the hands of local voters.

The Balance between Flexibility and Accountability

One of the biggest problems that voters and many legislators have with local financing measures is that they necessitate a basic trust of government and public agencies to do the right thing with the new revenues. One way to get around the common mistrust of government is for the enabling legislation to end or discourage the practice of allowing large parts of funding measures to be left unaccounted for until after the election. Accountability principles or requirements in the enabling legislation should make it clear that subsequent ballot measures will be clear on specific program categories and purposes that funding will be distributed among. Enabling legislation can also require that ballot measures will contain performance measures and project implementation monitoring methods that will substantiate promised benefits. Recent ballot measure campaigns suggest that finding the right balance between flexibility and accountability requires a good sense of the local politics. For example, in the recent **Atlanta** referendum, political support for the ballot measure was secured through leaving15% of the projected revenue uncommitted to help cash-strapped towns and cities meet their transportation needs.