

Fueling Innovation in Transit

Potential Funding Options for Public Transit

Connecting People to Places

That, in essence, is what public transit is. Public transportation is a lifeline; connecting workers to jobs and vulnerable populations to the services they need. Just a few short years ago, the Ohio Department of Transportation noted in their Transit Needs Study that the need and demand for transit is changing in response to both underlying demographic change in Ohio's population and to cultural preferences. Unfortunately, over the past two decades, funding for transit has diminished to levels not seen since the early 1980s. This lack of support has resulted in public transit systems across the state being forced to shrink or eliminate services, and have held back systems from innovating. This has undermined their central mission to provide essential services to the public.

Ohio is a diverse state, requiring a range of transportation options. The scant amount of state investment in transit systems hinder efforts to sustain or expand services where they are needed. To ensure Ohio's cities are as attractive as possible and its rural areas as safe as possible, Greater Ohio Policy Center (GOPC) has consistently called for increased state funding for transit.

With that goal in mind, GOPC presents a blueprint for generating millions of new investment in our state's public transportation systems. Together, these options could generate more than \$123 million in new state funding for Ohio's public transit agencies, creating opportunities to meet market demand and innovate service delivery to all Ohioans.



Public Transit Fact:

25 states, along with the District of Columbia, currently have a dedicated source of funding specifically set aside for public transit.

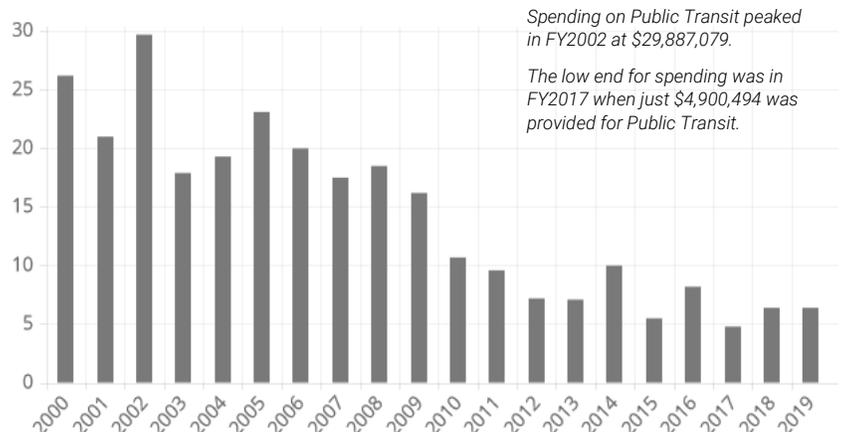
Background: Transit Funding in Ohio

Ohio currently utilizes two sources of funding for public transit, generating a total of \$39.5 million in spending during fiscal year 2018.

The General Revenue Fund (GRF) is the only source of *state funding* for public transit. This is money collected from the income tax and sales tax. Originally intended to provide operational funding for transit systems across the state, in recent years it has been scaled back to only provide funds for Ohio's rural public transit agencies, leaving large and midsized agencies to become increasingly reliant on local sources of revenue.

Sixteen years ago, the state provided more than

GRF Spending for Public Transit FY2000—FY2019
(in millions)



Spending on Public Transit peaked in FY2002 at \$29,887,079.

The low end for spending was in FY2017 when just \$4,900,494 was provided for Public Transit.

\$29 million per year in GRF funds for public transit. The current two year budget appropriates approximately **\$6.5 million per year** in GRF funds for public transit.

The largest source of funding for transit are federal funds the state receives for transportation infrastructure that is “flexible” for other uses. This money, referred to as “flex funds,” is generally used for capital costs. The federal funding requires a local match of 20% of any grants awarded. Ohio currently appropriates approximately **\$33 million per year** towards public transit through FHWA flex funds.

FHWA Flex Funding in Ohio | FY2012–FY2019

State Fiscal Year	Federal Funds “Flexed”	Total Federal Funding	Percentage “Flexed”
FY2012	\$20,000,000	\$1,387,758,129	1.44%
FY2013	\$20,000,000	\$1,404,383,163	1.42%
FY2014	\$20,000,000	\$1,296,533,589	1.54%
FY2015	\$20,000,000	\$1,168,315,271	1.71%
FY2016	\$23,000,000	\$1,176,824,518	1.95%
FY2017	\$23,000,000	\$1,241,252,129	1.85%
FY2018	\$33,000,000	\$1,194,997,789	2.76%
FY2019	\$33,000,000	\$1,213,432,221	2.72%

While any RTA, county transit board, county commission or municipality can apply for funding, the local match requirement generally limits grantees under the program to the state’s large transit systems. In the most recently completed state fiscal year, \$27 million was made available for competitive bids, for the purpose of maintaining, sustaining, or keeping in good sound state the transit systems of Ohio.

The remaining \$6 million appropriated from the federal flex funding is awarded by formula to transit systems.

The results of the reductions in funding varies by agency.

Example: Richland County Transit Board, a mid-size urban transit program, receives slightly more than 11% of its total operational budget from state assistance, while the Greater Dayton Regional Transit Authority receives no operational support from the state. South East Area Transit, a rural transit program serving Guernsey and

Muskingum counties, receives just under 2% of its total operational budget from state assistance. None of these agencies currently receive state support for capital projects, according to the *ODOT Status of Public Transit*.

Richland County Transit Board	
Total Operational Revenue	\$1,972,656
State Assistance	\$86,803
State Elderly & Disabled Assistance	\$131,923
Percentage State Funds of Total Revenue	11.08%
Greater Dayton Regional Transit Authority	
Total Operational Revenue	\$77,456,128
State Assistance	\$0
State Elderly & Disabled Assistance	\$0
Percentage State Funds of Total Revenue	0.00%
South East Area Transit (SEAT)	
Total Operational Revenue	\$2,568,578
State Assistance	\$40,000
State Elderly & Disabled Assistance	\$9,931
Percentage State Funds of Total Revenue	1.94%

Only two transit agencies did report receiving any state assistance for capital projects in 2016, Delaware Area Transit Agency (\$53,401 or 6.85% of their total capital funding) and Greater Cleveland RTA (\$418,751 or 0.77% of their total capital budget). The majority of all capital funding either derives from local or federal funding.

The State of Public Transit in Ohio

At present, there are 61 public transit agencies in the state of Ohio; 27 Urban Systems and 34 Rural Systems. Urban systems are any transit agency that serves an urbanized area with a population of 50,000 or more. Rural systems serve areas with a population of fewer than 50,000. Urban and rural systems feature fixed route service (dedicated service routes), in addition to demand response (flexible routing and scheduling of small/medium vehicles operating in a share-a-ride system), and paratransit services (specialized transportation services for people with disabilities).

In 2016, the most recent year with available information, Ohio’s public transit agencies provided 103 million trips, with an additional 14.6 million trips for elderly and

disabled riders. Ohio’s public transit fleet features 3,250 vehicles and an additional 683 specialized transportation vehicles.

Twenty-six of Ohio’s counties are served by an urban transit system, while thirty-five are served by a rural transit system. Seventy specialized transportation programs either serve a county or overlap urban and rural transit systems, and thirty-two mobility managers provide services, often overlapping existing systems across the state. Five counties—Defiance, Holmes, Noble, Paulding and Wayne Counties, have no form of public transportation.

With this in mind, how might Ohio begin reinvesting in our public transportation systems? Twenty-five states, along with the District of Columbia currently dedicate funding specifically for public transportation. These funds provide transit agencies with the needed funding to provide basic services and maintain efficient fleets.

GOPC has three recommendations on how the state can begin reinvesting in public transit and meet the demands of the 21st century.

Recommended Funding Options



Increase FHWA Flex Funds
Estimated Revenue: \$33 million

1. Increase the Use of FHWA Flex Funds

As noted, FHWA flex funds are currently the largest single source of funds for public transit systems in Ohio, with \$27 million currently available for competitive bidding, and \$6 million awarded by formula amongst Ohio’s eight largest transit agencies. Today, FHWA flex funding accounts for nearly 84% of all state funding that is provided for public transit.

GOPC recommends that the state double the amount of funds that are currently flexed to public transit each year.

Providing an additional \$33 million per year would provide needed funding to Ohio’s large urban public transit agencies to help institute innovations that could increase services and reduce costs, as well as reduce the number of vehicles on the road that are beyond their useful life.

The additional \$33 million in funds would result in 9 fewer miles of new highway built or 27 fewer miles of roadway repaired each year. In Fiscal Year 2017, the Ohio Department of Transportation paved 7,123 lane miles.



Apply Sales Tax to Parking
Estimated Revenue: \$33 million

2. Apply the Sales Tax to Parking Services

Over the past twenty years, there have been efforts to broaden the state sales tax to make it more “service based”. Parking services has been one of those proposed for sales tax expansion.

Municipal corporations currently have the opportunity to apply an excise tax on parking services—at a rate not to exceed 8%. To date, only Cleveland has applied a local excise tax, enacted in 1996 to provide funding for the construction and maintenance of First Energy (Cleveland Browns) Stadium.

According to the Ohio Department of Taxation, applying the 5.75% state sales and use tax to parking would produce approximately **\$33 million annually** in revenue for the state. Revenue would be collected from parking facilities and structures across Ohio. Meters would be exempted under the proposal. Revenues collected from the state sales tax would be deposited into the state GRF.

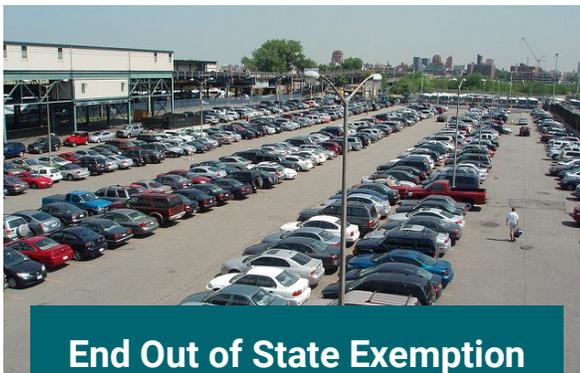
GOPC recommends that the state enact this sales tax and dedicate the revenues collected by the state to public transportation. Dedicated funding of \$33 million per year would constitute a five fold increase over current funding, and would provide the state the opportunity to not only increase the amount of funding which is currently provided to rural transit systems, but also allow nimble

resources that can be used for innovation or operational support.

3. End Out of State Auto Sales Tax Exemption

Motor vehicles sold in Ohio to non-residents, when the vehicles are immediately removed from Ohio and titled or registered in another state, are exempted from the state sales tax. However, no exemption is permitted for residents of states that apply a sales tax to an Ohioan purchasing a vehicle in that state.

Currently, residents of 7 states must pay sales tax when they purchase a car in Ohio, and then take it back to their home state: Arizona, California, Florida, Indiana, Massachusetts, Michigan, and South Carolina.



End Out of State Exemption
Estimated Revenue: \$57.1 million

For residents of states Ohio does collect sales tax from, such as Michigan, Ohio collects the sales tax that would be collected by their resident state.

Example: When a Michigan resident makes an automobile purchase in Ohio, they are charged the Michigan sales tax rate of 6%. Also factored into the tax rate is the trade-in allowance, if any. Ohio’s trade-in allowance (tax credit) is \$7,500; Michigan’s credit is \$3,500.

Using the Ohio calculation, on a \$28,000 automobile purchase, a Michigan resident with a trade-in valued at \$7,500 would pay 6% sales tax on a \$20,500 purchase price. Tax revenue amounts to \$1,230.00. When the Michigan resident returns to register their automobile, they do not owe any taxes to the state because they have already been paid in Ohio.

Under existing law, when a resident of Pennsylvania travels to Ohio to purchase an automobile, sales tax is not charged at the point of purchase. Instead, the tax is paid when the automobile is registered and titled back in Pennsylvania. If Ohio were to begin assessing the sales

tax at the point of purchase, the out-of-state resident would still be able to take advantage of a higher trade-in allowance (PA allowance is \$5,000 compared to Ohio’s \$7,500) and would receive a credit for taxes already paid when the automobile is registered and titled back in Pennsylvania. When factoring in the higher Ohio trade-in allowance, Pennsylvanians would still save an estimated \$150 in taxes based on a purchase price of \$28,000, while Ohio would collect \$1,230 in revenue it currently exempts.

The Ohio Legislative Service Commission, using data provided by the Ohio Department of Taxation and Office of Budget and Management, has estimated that Ohio stands to lose **\$57.1 million** from the out-of-state sales tax exemption in FY2019.

This exemption is unique when comparing other products that residents from other states may be purchasing in Ohio and represents a major loss of potential revenue which, if applied to public transit funding, would provide a unique opportunity to enhance, expand, and innovate services Ohio’s public transit agencies are providing to residents throughout Ohio.



Public Transit Fact:

Ohio’s 61 public transit systems—27 urban and 34 rural— provided 103 million trips in 2016, and 14.6 million trips for elderly and disabled riders.

GOPC recommends that the state eliminate this sales tax expenditure and dedicate the revenues collected by the state to public transportation. Like the collection of the parking sales tax, dedicated funding of \$57 million per year would constitute a major increase over current GRF funding.

Conclusion

Public transportation is a vital link for millions of Ohioans. In 2016, Ohio’s 61 public transportation systems provided more than 117 million trips in 83 of Ohio’s 88 counties. Still, that leaves 5 Ohio counties, mostly located in rural

areas where the population is aging and becoming less reliant on personal transportation, underserved. While ridership on public transportation systems across the state continues to increase, rising nearly 2% between 2013 to 2016, state-level funding for public transportation has been reduced to levels not seen in more than 30 years.

Transportation is a vital component to our state’s economic engine. In order to meet market demand for 21st century transportation options, Ohio must prioritize and diversify its transportation network to better connect workers to jobs. Many job centers are located on the edges of our metros, away from residential neighborhoods. Other job creators like tech companies, expect a range of transportation options for their employees.

In Ohio’s rural regions, communities are aging and citizens wish to remain in their homes as long as possible. As it becomes more difficult for these Ohioans to travel to vital services, the role of public transportation increases to provide that connection to basic services.

As an urban and rural state, Ohio requires a range of transportation options. These funding recommendations will provide a substantial increase in funding, which can be applied to public transit. This additional support can be used to bolster and improve existing services while also providing the funds to fuel innovation—assisting with everything from enabling buses with Wi-Fi service and allowing for mobile payments, to redesigning routes and are more efficient and meet the needs and expectations of consumers.

Over the past two decades, reductions in state funding, coupled with elimination of funding sources, have forced agencies across Ohio to make difficult decisions in what

priorities need to be funded and where cuts can be made. The recommended funding sources outlined here will not completely solve all of the challenges Ohio’s transit systems face. The 2015 Ohio Transit Needs Study identified a funding gap of \$648.6 million for Ohio’s public transit systems—an amount that is expected to grow to more than \$1 billion by 2025.

What this funding will do, however, is demonstrate a renewed commitment on the part of the state of Ohio—a commitment that Ohioans have access to a multifaceted transportation system that guarantees Ohio maintain its competitive advantage economically, ensures everyone has access to some form of public transportation and links residents to jobs or job training, health care and basic personal services.



Public Transit Fact:

32% of Ohio’s Public Transit Fleet (1,050 of 3,250 vehicles) are estimated to be beyond their useful life and are in need of replacement.

2019 will present Ohio with a new opportunity to recommit itself to investing in public transportation to ensure all Ohioans have access to safe and reliable methods of transportation.

About Greater Ohio Policy Center

Greater Ohio Policy Center (GOPC) is a statewide non-profit organization that champions revitalization and redevelopment in Ohio’s cities and metros. GOPC is highly respected for its data-driven, nonpartisan policy analysis, research expertise, and policy development, and regularly provides expert analysis to public, private, and nonprofit leaders at the local, state, and national level.

Investment and improvements to our state’s transportation system have been a priority for GOPC since our founding. Today, we are recognized by policymakers and agency administrators as being a pragmatic voice for reform to Ohio’s transportation funding priorities. Our work on innovating transportation has, over the years, resulted in improvements to Ohio’s transportation budget and renewed investment in public transportation systems—lifelines that connect workers to jobs and Ohio’s vulnerable populations to needed services.



Greater Ohio Policy Center

Champions for revitalization & sustainable growth in Ohio.

399 E Main Street, Suite 220

Columbus, OH 43215

614-224-0187

 [@GreaterOhio](https://twitter.com/GreaterOhio)

 www.GreaterOhio.org