Testimony to the House Finance Committee
Public transit in the ODOT budget (House Bill 26)

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Good morning Chairman Smith, Vice Chair Ryan, Ranking Member Cera and members of the Committee. Thank you for the opportunity to testify today. I speak on behalf of Policy Matters Ohio, a non-partisan, not-for-profit research organization with a mission of contributing to a more vibrant, equitable, inclusive and sustainable Ohio. In this testimony, we note that the executive budget leaves many public transit agencies with less funding by the end of the biennium than they had going into it. We encourage the General Assembly to find a sustainable source of revenue to replace local sales tax revenues lost with the change of the MCO tax, to restore GRF funding for public transit, and to flex additional federal highway dollars for alternative transit uses.

Ohio needs a 21st century transportation system made up not only of roads and highways but also a complete network of transportation options, including public transit, passenger and freight rail, streetcars, hybrid buses, electric vehicles, and walk-able, bike-able streets. But funding that could make this possible has been eroded over time, and is further reduced by the end of this biennium.

According to the 2015 Transit Needs Study produced by the Ohio Department of Transportation (ODOT), the gap between public transit funding in Ohio, and operating and capital needs, was $650.6 million in 2015, rising to $1.03 billion in 2025. At the time the study was published, $273.5 million was needed to address system backlog and bring Ohio's transit fleet to a state of good repair.[1]

The executive budget provides annual public transit funding of $7.3 million from the General Revenue Fund (GRF) and $33 million from federal highway funds in 2018 and 2019. The Transit Needs Study recommended the state provide $120 million a year in 2015, a sum that rises to $185 million a year by 2025.[2] This is lower than nearby states: Minnesota funds public transit at $340 million a year; Michigan, at $200 million, and Pennsylvania, $846 million.[3]

Funding for public transit in both the proposed operating budget and the ODOT budget falls short of the Transit Needs Study recommendations. In fact, the public transit system as a whole falls further behind during this biennium. The loss stems from changes in tax policy: the proposed removal of the Medicaid Managed Care Organization (MCO) services from the sales tax base. Because transit agencies piggyback to the sales tax, they lose revenues. MCO tax revenues in the sales tax base rose with the Medicaid expansion. Transit agencies with a local sales tax benefitted. The Ohio Office of

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[1] Ohio Department of Transportation (ODOT) Transit Needs Study and Findings Snapshot at http://www.dot.state.oh.us/divisions/planning/transit/transitneedsstudy/Pages/StudyHome.asp
[2] ODOT Transit Needs Study (Findings Snapshot).
[3] ODOT Transit Needs Study, PowerPoint for Steering Committee Meeting #3, Starts at slide 75, see http://www.dot.state.oh.us/Divisions/Planning/Transit/TransitNeedsStudy/Documents/SteeringCommitteeMeeting3.pdf

Budget and Management found the MCO share of transit agency sales tax collections averaged $38.6 million a year in 2015 and 2016.

State tax policy proposed in the operating budget would take the MCO tax out of the sales tax base, which would eliminate these revenues to local government – transit agencies and counties. While the governor's budget provides funding in 2018 to mitigate this loss, by 2019, transitional aid vanishes for most local governments affected by loss of MCO tax revenues.

For example, the eight public transit agencies that levy a sales tax would get $34.5 million in 'transitional aid' 2018 -- $4.1 million dollars less than they averaged, as a group, in 2015 and 2016. They would get nothing in 2019.[4] The other 53 public transit agencies across the state are also endangered by the revenue loss to counties, which contribute to public transit operations, particularly in rural places. According to OBM's tables, 48 of Ohio's 88 counties see less in the transitional payments than they got, on average, in 2015 and 2016, and all transitional aid vanishes in 2019.

Over the course of the 2-year biennium, the changes to the MCO tax result in a direct loss of $4.1 million to public transit agencies in 2018 and $38.6 million in 2019 – a reduction of more than $40 million across the system. This is offset, in part, by the additional $10 million a year ODOT adds to the public transit budget from use of flexible highway funds. Yet in the end, public transit resources are reduced by more than $20 million by the end of the biennium. This does not include the cuts to counties, which will hurt public transit in rural areas and smaller cities and towns.

These losses follow years of diminished GRF support for public transit, from more than $40 million in 2000 to $7.3 million in this budget proposal.

Needs for public transit and transit alternatives are high. The Transit Needs Study found that almost half of all public transit riders in Ohio had no car. Inadequate transit limits workers' ability to take better jobs. Lack of reliable transit beyond conventional 9 to 5 work hours makes it particularly hard for service and manufacturing workers. Weak transit particularly hurts Ohioans with disabilities. Older Ohioans, who may have stopped driving, need options. And the young people we say we want to attract repeatedly voice a preference for transit, bike paths, and walkable neighborhoods.[5]

Other states devote more federal funds to transit. The Transit Needs Study recommends Ohio use $50 million a year in flexible federal highway dollars to provide for the capital needs of transit agencies. An additional $25 million in GRF funding could allow rural transit agencies and those in smaller cities and towns to apply for federal capital dollars to restore and expand their fleets and services. And a sustainable source of revenue to replace the MCO sales tax dollars – or retention of managed care services within the sales tax base - is needed. This could bring Ohio close to the ODOT study's recommended state investment of $120 million a year for public transit.

Thank you for your time and consideration of this important matter, and we look forward to working with you during the budget process. I would be happy to answer any questions you might have.

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[4] Ohio Office of Budget and Management, Proposed transitional aid to counties and transit authorities in response to the termination of sales tax on Medicaid Health Insuring Corporations (MHICs) http://obm.ohio.gov/Budget/operating/doc/fy-18-19/SchoolFunding/MHIC_Transition_Aid_Table.pdf

[5] ODOT's Transit Needs Study