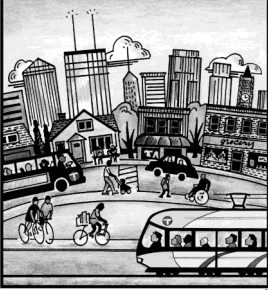


# A Transit for Livable Communities Policy Brief



## Most Regions Fund Transit with Sales Tax

### Transit for Livable Communities

*Improving the quality of life in Minnesota communities by encouraging transit, walking, biking and transit-oriented development.*

Major policy initiatives:

- Secure increased funding for transit, biking and walking.
- Encourage development and zoning that supports walking, biking, and transit.
- Advocate for reform of state transportation funding, road design practices, and local parking policies.

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### A dedicated regional sales tax is the funding mechanism of choice in most regions.

Many of our peer regions have a sales tax of one percent. This funding source is relatively secure, allowing a transit system to plan and grow efficiently and effectively. Only a few states allow state gas tax revenues to be used for public transit.

The Minneapolis-St Paul region has a number of revenue sources for transit. The largest source is the statewide motor vehicle sales tax (MVST), whose extreme volatility is demonstrated in the transit budget shortfalls of the past six years. Transit funding is also provided through state general fund appropriations, a small amount of regional property tax, and fares. The new 1/4 cent regional sales tax for transit provides secure funding and revenue to build a transitway system.

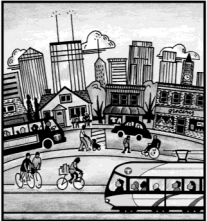


Portland's transit system is mainly funded by a payroll tax, which is the least volatile way to fund transit.

Sales Tax Dedicated to Transit	Major Sources of Revenue (in addition to fares and federal grants)
Atlanta	Sales tax to transit 1% (8% total)
Baltimore	None State transportation trust fund (vehicle tax), state general fund (5% total sales tax)
Boston	Sales tax to transit 1% (5% total)
Cleveland	Sales tax to transit 1% (7.75% total)
Dallas	Sales tax to transit 1% (8.3% total)
Denver	Sales tax to transit 1% (7.6% total)
Detroit	None Appropriations from state and city
Houston	Sales tax to transit 1% (8.25% total)
<b>Minneapolis / St Paul</b>	State general fund, 40% of motor vehicle sales tax, regional and county property taxes (7.40% sales tax in Minneapolis)
Phoenix	Sales tax to transit 0.40% (8.1% total)
Pittsburgh	None State transit fund (various taxes), state and county general funds (7% total sales tax)
Portland OR	None Regional payroll tax 0.66%
St Louis	Sales tax to transit 0.75% (6.1% total)
San Diego	Sales tax to transit 0.42%, state gas tax (7.8% total)
San Francisco	Sales tax to transit 1.05%; state gas tax, parking tax (8.8% total sales tax)
San Jose	Sales tax to transit 0.875%, state gas tax (8.375% total sales tax)
Seattle	Sales tax to transit 1.3% (9.3% total)
Washington DC	None Appropriations from local jurisdictions

Sources listed on reverse side.

### TRANSIT for



Livable Communities  
www.tlcmnnesota.org

#### Additional briefs from TLC:

- *Denver Colorado: the Next Transit Metropolis*
- *Highway Lane Miles in Peer City Regions*
- *How Bad is Twin Cities Traffic Congestion?*
- *More Funding Equals More Riders*
- *Seattle Washington: Dramatically Expanding Transit*
- *Sources of Funding for Transit in Peer City Regions*
- *Subsidies for Roads and Transit*
- *Transit Fares in Peer City Regions*

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**Transit saves public money.** Rail lines and high frequency buss service can encourage compact, mixed-use development. This saves public costs on infrastructure, preserves open and rural land, and improves air quality.

**Transit improves the economy.** “With the generally accepted ratio of an average return of 6:1, [investments in public transit] create millions of American jobs, generate enormous public and private revenue, and make the country more economically and environmentally efficient.”<sup>1</sup>

**Transit saves people money.** “A public transportation rider can achieve an average annual savings of \$8,500 by taking public transit instead of driving, based on March 2009 gas prices and the unreserved parking rate.”<sup>2</sup> “American households [on average] spend 18% of their budget on transportation; the average European Union household, which relies more on public transit, spends just 12%.”<sup>3</sup>

**Transit reduces U.S. dependence on foreign oil and greenhouse gas emissions.** 68% of all oil consumed in the U.S. is consumed for transportation. 33% of greenhouse gas emissions are produced by transportation. Vehicle miles traveled has grown substantially faster than the population. Improving vehicle efficiency alone cannot achieve a reduction in oil consumption or greenhouse gas emissions.<sup>4</sup>



Dallas light rail. Photo by Dr Jon Bell

**Note:** The list includes all regions whose 2005 population was between 1.73 million and 3.27 million.

**Sources, front cover:** **Atlanta:** Phone call with Mayor’s office, 10/3/07, Comprehensive Annual Financial Report FY2005, [www.itsmarta.com/about/annualreport/fy05ar.pdf#financial](http://www.itsmarta.com/about/annualreport/fy05ar.pdf#financial), accessed 2/10/06. **Baltimore:** call to MTA Maryland office, 3/6/02; 2004 CAFR on web site. **Boston:** call to MBTA (Lydia Riviera) 5/15/07. **Cleveland:** call to GCRTA (Chad Self), 5/15/07. **Dallas:** Phone call with Dept of Finance, 10/3/07, 2004 CAFR ([www.dart.org/debtdocuments/DARTFinancials2004.pdf](http://www.dart.org/debtdocuments/DARTFinancials2004.pdf), accessed 1/27/06), and Texas Comptroller ([www.window.state.tx.us/taxinfo/local/city.html](http://www.window.state.tx.us/taxinfo/local/city.html), accessed 2/7/06), call to DART (Morgan Lyons) 5/15/07. **Denver:** call to RTD office (Greg Yates), 2/1/06; documents provided by Denver’s Treasury office (Alice Hayes). **Detroit:** call to DDOT (Erica Alexander), 1/30/06. **Houston:** City of Houston, Website, 10/3/07, call to METRO (Mike Carn) 1/31/06, Texas tax rate information ([www.window.state.tx.us/taxinfo/local/city.html](http://www.window.state.tx.us/taxinfo/local/city.html), accessed 2/1/06). **Minneapolis-St Paul:** [www.metrocouncil.org](http://www.metrocouncil.org) and materials from 2007 legislative hearings. **Phoenix:** City of Phoenix website, 10/3/07, call to Valley Metro (Sharon Broderius), 1/31/06. **Pittsburgh:** Phone call with Scott Kunka, City of Pittsburgh, 10/3/07, Operating and Capital Improvement Budget 2004, [www.portauthority.org/grow/images/FY2004.pdf](http://www.portauthority.org/grow/images/FY2004.pdf) accessed 2/8/06. **Portland:** TriMet fact sheet, [www.trimet.org/news/pdf/factsheet.pdf](http://www.trimet.org/news/pdf/factsheet.pdf), 2/8/06. **St. Louis:** call to MetroLink (Kathy Klevorn), 5/15/07.



**Transit provides access.** An estimated 30% of the population cannot or chooses not to drive a car. For a large portion of the community, transit provides the means to live a full, healthy, and fulfilling life. It provides access to jobs, shopping, medical appointments, church, recreation, and other destinations.

**San Diego:** Call to S.D. MTS (Rob Schupp) 5/15/07. **San Francisco:** California website, 10/3/07, MTC Guide to Bay Area Transportation Funding, [www.mtc.ca.gov/library/funding\\_guide/moving\\_costs.pdf](http://www.mtc.ca.gov/library/funding_guide/moving_costs.pdf), accessed 2/7/06. Parking tax info from San Francisco Controller, [www.sfgov.org/site/uploadedfiles/controller/budget\\_information/taxrev/Park\\_0405.pdf](http://www.sfgov.org/site/uploadedfiles/controller/budget_information/taxrev/Park_0405.pdf) accessed 2/13/06. **San Jose:** California website, 10/3/07, California website, 10/3/07, VTA, [www.vta.org/inside/boards/packets/2006/02\\_feb/VTA\\_Scenario\\_Board\\_Memo.pdf](http://www.vta.org/inside/boards/packets/2006/02_feb/VTA_Scenario_Board_Memo.pdf) accessed 2/9/06. [www.lightrainow.org/news/n\\_lrt\\_2008-11c.htm](http://www.lightrainow.org/news/n_lrt_2008-11c.htm). Accessed 1/7/09. **Seattle:** Call to Metro of King County (Jill Krecklow) 5/15/07. [www.lightrainow.org/news/n\\_lrt\\_2008-11c.htm](http://www.lightrainow.org/news/n_lrt_2008-11c.htm). [www.masstransitnow.org/the-plan](http://www.masstransitnow.org/the-plan). Accessed 1/7/09. **Washington DC:** D.C office of Tax and Revenue, 10/3/07 call to MATA (Rick Harcomb).

#### Footnotes:

- <sup>1</sup> American Public Transportation Association (APTA). “Changing the Way America Moves: Creating a More Robust Economy, a Smaller Carbon Footprint, And Energy Independence”. January 2009. Based on 2007 FHWA data and “Public Transportation and the Nation’s Economy: A Quantitative Analysis of Public Transportation’s Economic Impact. Cambridge Systematics, Inc, 1999.
- <sup>2</sup> APTA, “Transit News”, March 6 2009.
- <sup>3</sup> APTA, “Changing.”
- <sup>4</sup> Ibid.