



Statewide Passenger Transportation Funding Study Peer State Funding Review



June 2009
Draft V1



Iowa Statewide Passenger Transportation Funding Study

Technical Memo #1 – Peer State Transit Funding Review

Prepared for:



Prepared by:



TABLE OF CONTENTS

INTRODUCTION	4
STATE PASSENGER TRANSPORTATION/ TRANSIT SYSTEM FUNDING – 50 STATE LOOK	5
INTRODUCTION	5
SOURCES OF STATE TRANSIT FUNDING – NATIONAL AND IOWA CONDITIONS	5
GAS TAX	8
GENERAL FUND	8
BOND PROCEEDS	8
MOTOR VEHICLE/RENTAL CAR SALES TAXES	11
REGISTRATION/LICENSE/TITLE FEES	11
GENERAL SALES TAXES	11
INTEREST INCOME	12
OTHER FUNDING SOURCES	13
USES OF FUNDS	15
PASSENGER TRANSPORTATION/TRANSIT FUNDING – IOWA	15
PEER STATE REVIEW	18
SELECTION OF PEER STATES	18
PEER REVIEW	22
IOWA	22
MINNESOTA	23
WISCONSIN	23
NEW MEXICO	25
MISSOURI	26
ILLINOIS	27
KANSAS	27
SOUTH DAKOTA	28
NEBRASKA	28
VERMONT	29
OREGON	30
SUMMARY OF FINDINGS	33

LIST OF FIGURES

FIGURE 1:	2007 TRANSIT FUNDING LEVEL BY POLITICAL SUBDIVISION SOURCE	6
FIGURE 2:	STEVE-LEVEL SOURCES OF PASSENGER TRANSPORTATION/TRANSIT FUNDING - 2007	7
FIGURE 3:	STATE-LEVEL FUNDING SOURCES	7
FIGURE 4:	ELIGIBLE USES FOR STATE TRANSIT FUNDING	16

LIST OF TABLES

TABLE 1:	2007 STATE TRANSIT FUNDING SOURCE - GAS TAX	9
TABLE 2:	2007 STATE TRANSIT FUNDING SOURCES - GENERAL FUND	9
TABLE 3:	2007 STATE TRANSIT FUNDING SOURCE - BOND PROCEEDS	10
TABLE 4:	STATE TRANSIT FUNDING SOURCES - MOTOR VEHICLE/RENTAL CAR SALES TAXES	12
TABLE 5:	STATE TRANSIT FUNDING SOURCES - REGISTRATION/LICENSE/TITLE FEES	12
TABLE 6:	STATE TRANSIT FUNDING SOURCES - GENERAL SALES TAX	13
TABLE 7:	2007 STATE TRANSIT FUNDING SOURCES – INTEREST INCOME	13
TABLE 8:	2007 STATE TRANSIT FUNDING SOURCES - OTHER	14
TABLE 9:	STATE TRANSIT ASSISTANCE (STA) PROGRAM FUNDING (2000 TO 2008)	17
TABLE 10:	STATES RANKED ACCORDING TO POPULATION	20
TABLE 11:	STATES RANKED ACCORDING TO POPULATION DENSITY	20
TABLE 12:	STATES RANKED ACCORDING TO SIZE OF TRANSIT PROGRAM (STATE FUNDING ONLY – 2007)	21
TABLE 13:	STATES RANKED ACCORDING TO PER CAPITA TRANSIT SPENDING (STATE FUNDING ONLY - 2007)	21
TABLE 14:	NCHRP 569 – TRANSIT PEER GROUPS	22
TABLE 15:	IOWA TRANSIT RIDERSHIP AND MILEAGE, 2007	22

Introduction

As the Iowa Department of Transportation (Iowa DOT) undertakes the task of the statewide passenger transportation funding study, a survey and analysis of revenue sources used in other states was performed. The purpose of the other states revenue assessment was to document the types of funding mechanisms being used around the country, gather more detail about what types of expenses are being covered, and explore state transit programs relative to the program in Iowa. Revenue and funding will be a focal point in each step of the Iowa statewide passenger transportation funding study. Through the study, the Iowa DOT is evaluating current and future passenger transportation programs throughout the state with the goal of documenting:

1. Passenger transportation needs and differences in needs geographically around the state.
2. Current funding/revenue sources.
3. Service gaps between needs and current programs.
4. General parameters and costs of addressing the gaps.
5. A range of revenue enhancement ideas for programs to address the gaps,
6. Priorities in program implementation for the short through long-term periods.

Throughout each of the key stages of the funding study revenue alternatives will be evaluated at a progressively more discrete level of detail and this peer state review represents the initial assessment. The peer state funding/revenue review reflects an inventory and evaluation of what other states across the country are doing (successfully and not so successfully) to provide funding for their unique passenger transportation/transit services programs. The purpose of this document (Technical Memorandum #1 – Peer State Revenue Evaluation) is to report the finding a cursory review of range of programs.

The Peer State Review approach has two parts: (1) Documentation of funding levels and general sources for all 50 of the states using information

from a 2009 American Association of State Highway and Transportation Officials (AASHTO) report; and (2) A more detailed examination of revenue programs in states adjacent to Iowa and a select number of “peer” states. Through review of the state programs (45 of the 50 states fund transit to some extent), it is the goal of this document to outline the various types of funding mechanisms employed in passenger transportation/transit and sort through the range of information and organize it in a manner which will allow convenient use in the analysis of alternatives to the current Iowa programs as they are evaluated.

To gain a broader understanding of the benefits achieved as a result of their respective funding programs additional data about passenger transportation/ transit funding and programs has been compiled for eleven “peer” states This document is intended to outline the findings from these data collection exercises and will be augmented during the course of this study.

It should be noted that the focus of this study is on developing a state revenue generation and distribution program, which is not intended to be the sole source of funding for local, regional intra-state and/or inter-state programs. Nor is the intended product of the study a detailed local funding program for communities, counties or regional groups of counties to follow. The study products are intended to document whether local participation is required and an order of magnitude level, but determination as to how local funds would be generated is being left to the individual jurisdictions as the range of options is relatively broad and determining the preferred method is a local decision.

State Passenger Transportation/ Transit System Funding – 50 State Look

Introduction

In 2007, 45 of the 50 states provided financial support to some level of local and/or regional passenger transportation service and combined, the states allocated \$13 billion to a broad range of services. The funding allocated in 2007 was approximately three times the \$3.7 billion combined 1990 expenditure. State level funding in Iowa was approximately \$13.1 million in 2007 and over the 1990 to 2007 period has doubled (\$5.3 million in 1990).

Inventory and assessment of passenger transportation/public transit funding through this 50 state look was initiated at a macro level by quantifying state-by-state cumulative funding for services. The next step was to divide funding by political subdivision within a state (federal, state and local [which comprises cities and counties]). As this initial disaggregation does not relate a complete story and also reveals how differences in state revenue allocation rules can create what looks like systematic inequities in responsibilities between one state and the next, additional investigation of the state and local funding levels was completed. Through this final level of review state funding allocation rules for Iowa relative to select peer states were evaluated, which provided insight into some of the initially observed inequities.

Separating the cumulative passenger transportation/public transit funding pie into political subdivision pieces of overall funding responsibility reveals the following:

- Overall, state level government generally provides a larger portion of total transit funding relative to the Federal government. On average, 2007 state government appropriations account for approximately 24 percent more (\$13.3 billion) than the \$10.7 billion allocated through the Federal Transit Administration.
- In Iowa, however, the federal government allocations have historically been more than the state-level funding. In 2007, federal government

allocation to Iowa totaled nearly \$40 million, which was nearly three times more than the state-level funding.

- Iowa ranked 25th (2007) in overall state funding for transit, with a per capita contribution level of \$4.40 per capita.
- Measured using per capita funding as the metric for comparison, the breadth of the range of state level funding across the country is quite substantial (highest - \$250.00/capita; lowest - \$0.05/capita). To characterize the significance of the range, while state-level funding in Iowa ranks in the middle of the pack, the per capita funding (\$4.40 per person) is less than 50 percent of the average (\$8.05 per capita) for the 45 states that allocate funds to transit.
- From the 2007 data it can be observed that transit is as much a locally led program as it is a federal or a state led program. This statement is based on funding level data which shows 36 percent of transit funding is from local government support. Federal and state funding average 17 percent and 20 percent, respectively. The remaining 27 percent of total funding comes from "Other" sources. The vast majority of these "Other" sources are locally generated grants, donations, farebox revenue, etc. Thus, it can be concluded that transit (and the larger picture of passenger transportation) is locally financed at approximately 2/3 of the total allocation.

Sources of State Transit Funding – National and Iowa Conditions

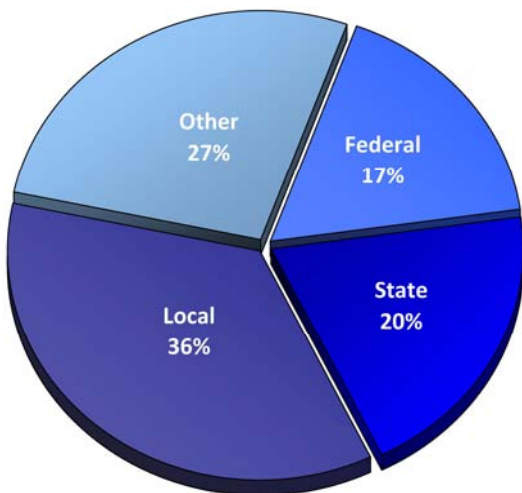
This section details funding sources for passenger transportation programs in the state for Iowa and provides a broad discussion of the range of state-level sources across the United States.

Data used in the analysis was collected as part of the *Survey of State Funding for Public Transportation 2007* issued in December 2008 by the American Association of State Highway and Transportation Officials (AASHTO). In coordination with the U.S. Department of Transportation (USDOT) and the

Bureau of Transportation Statistics (BTS), AASHTO conducts an annual public transportation funding

survey of the 50 state transportation departments and the District of Columbia. For 2007, Louisiana was the only state that did not respond and is thus not included in the analysis. State transportation departments as well as relevant budgets and legislation were consulted to augment data collected in the AASHTO document.

Figure 1: 2007 Transit Funding Level by Political Subdivision Source



\$47.3 Billion allocated to transit capital purchases, operations, maintenance and debt retirement (2007)

Source: National Transit Database

From the information provided in the survey, state-level funding for transit/passenger transportation service can be grouped into seven primary sources:

1. State gas tax receipts.
2. State general fund allocations
3. Bond proceeds that would be repaid through a broad combination of revenue sources, including:
 - Tolls.
 - General fund.
 - Farebox revenue.
 - Gas taxes receipts.
 - Vehicle registration fees.
4. Motor vehicle/rental car sales taxes apportionment.

5. General sales tax receipt apportionment.
6. Vehicle registration/licensing/title fees
7. Interest income on state investments.

Additionally, of the states surveyed, 28 classified a portion of their funding from transit to be from “other” sources, which can include statewide transportation funds, gas taxes, and vehicle fees.

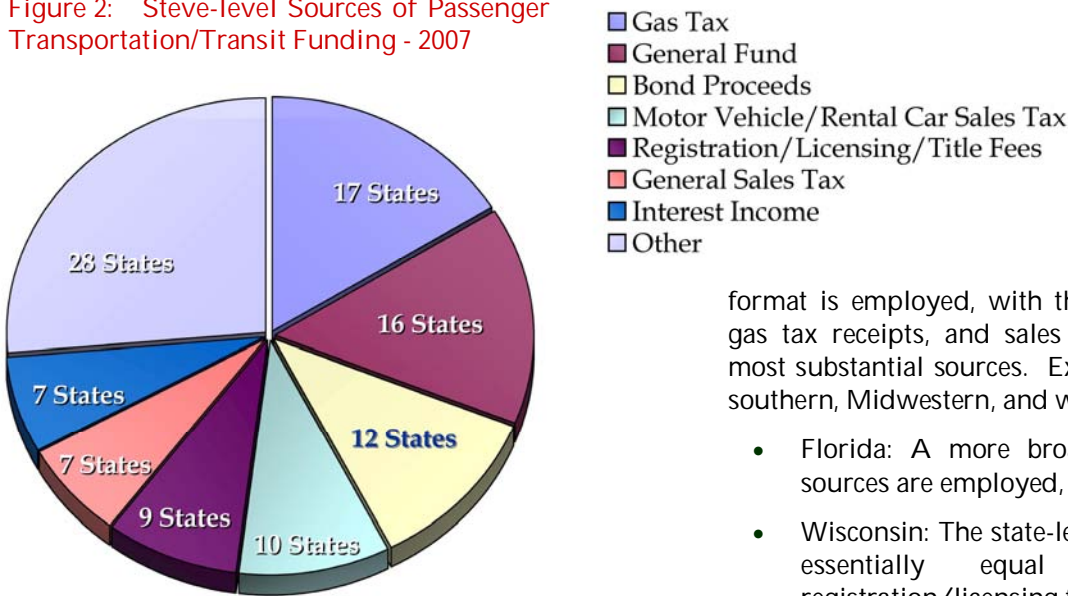
Figure 2 depicts a breakdown of the number of states that utilize each of the seven specific funding streams and the general category of “Other”. After “other,” gas tax proceeds and the general fund represent the most used funding streams, utilized by 17 and 16 states, respectively. The least common sources are interest income and general sales tax, both of which are used by only seven states. The most common resources highlighted in the “other” category included statewide transportation trust fund allocations to transit that may or may not be constitutionally protected, miscellaneous non-specified state revenue/fees/taxes, lottery fund proceeds, documentary stamps (fees for filing documents such as real estate transactions, vehicle licensing, etc.), sales tax on lubricants and motor oils, a tire tax, and a portion of the cigarette tax receipts.

The map in Figure 3 illustrates the general percentage of state-level transit funding provided by the six more specific sources and the combination of sources that make up the category of “Other”.

Major transit funding mechanisms used by other states but not in Iowa are the Gas Tax, Bond Proceeds, General Fund, Vehicle Registration/Title/License Fees. The most diverse mix of funding source is generally found in the northeastern where a state transit program that draws from four to five sources is common. Southern, Midwest and Western states typically rely more heavily on one to three state sources. The state of Iowa falls pretty much in the middle by using two sources to fund transit in the state.

The map in Figure 3 illustrates the general percentage of state-level transit funding provided by the seven more specific sources and the combination of sources that make up the category of “Other”.

Figure 2: State-level Sources of Passenger Transportation/Transit Funding - 2007



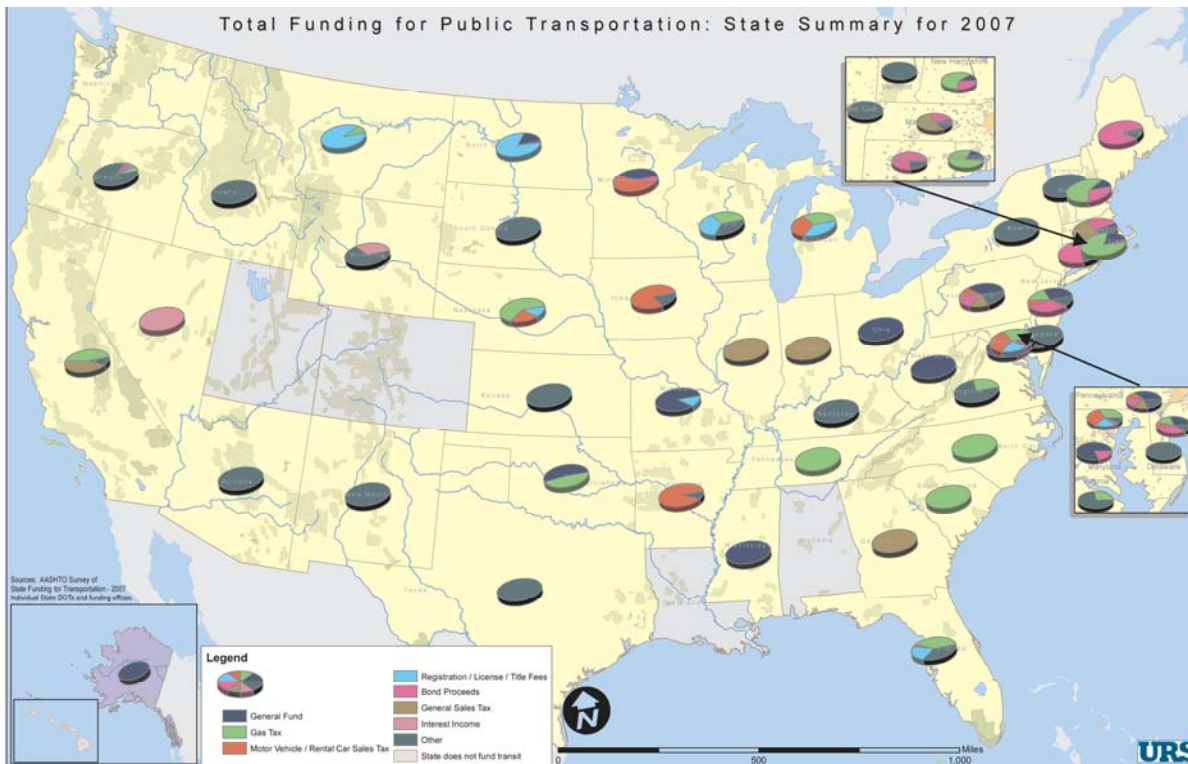
Source: Survey of State Funding for Public Transportation 2007

The most diverse mixture of funding sources is generally found in the northeastern where it is more common for a state transit programs to draw from four to five sources. In southern, Midwestern, and most western states, a more single source funding

format is employed, with the state’s general fund, gas tax receipts, and sales tax revenue being the most substantial sources. Exceptions to the general southern, Midwestern, and western programs are:

- Florida: A more broadly defined range of sources are employed, similar to the northeast.
- Wisconsin: The state-level funding program is essentially equal parts gas tax, registration/licensing fees, and other sources.
- Minnesota: Approximately one-half of the state funding comes from licensing fees and registration taxes, while other half is predominantly from the state general fund. Approximately 10 percent of state-level funding comes from bond proceeds.

Figure 3: State-Level Funding Sources



- Nebraska: Approximately 60 percent of the funding comes from state gas tax revenue and equal shares of the remainder are from motor vehicle taxes and registration/title fees.

Outlined in the following sections are the highlights of use of the broad range of funding sources across the country.

Gas Tax

A gas tax is a fee imposed on the sale of gasoline, ranging from \$0.08 to \$0.41 per gallon of fuel sold. Typically, gas tax proceeds are dedicated to transportation projects, with the majority utilized for highway and bridge projects.

In 2007, 17 states dedicated at least a portion of the gas tax for transit. Table 1 lists these states and provides the amount and percentage of transit funding in the 17 states from the gas tax. Three states, North Carolina, South Carolina, and Tennessee, funded transit exclusively with gas tax revenues. In Rhode Island, New Hampshire, and Nebraska the gas tax comprises the majority of funding. Massachusetts covered the smallest percent of state transit funding from the gas tax, contributing one percent of its total \$1 billion allotment for transit from the gas tax.

General Fund

The general fund, or general revenue fund, is the principle operating fund for state governments. Non-earmarked revenues are deposited into the fund and appropriations are typically made for general state expenditures. In 2007, 15 states and the District of Columbia provided transit funding from their general fund in 2007. Of the 15 state, 13, along with the District of Columbia provide annual appropriations for transit from the general fund: Alaska, Arizona, Massachusetts, Minnesota, Mississippi, Missouri, New Hampshire, New Jersey, New York, Ohio, Oklahoma, Pennsylvania, and West Virginia. In 2007, North Dakota and Rhode Island made one-time appropriations. Over 60 revenue sources were identified as the means of providing general fund revenue across these 16 states using the method and responding to the

survey. The most common revenue sources included sales and use taxes; personal and corporate income taxes; property taxes; grants, refunds, and reimbursements; and rents, royalties, and interest income.

Table 2 identifies the amount allocated to transit in 2007 and the amount and percentage of the funding from transit. Mississippi, Ohio, and West Virginia funded transit exclusively from the General Fund. Four states identified the general fund as the primary source of transit funding: Alaska (99.6%), Missouri (87.9%), District of Columbia (81.1%), and Oklahoma (52.2 %). Arizona contributed the least funding from the general fund, allocating 0.4 percent of overall transit funding from its general fund.

Bond Proceeds

A bond is a certificate of debt that governments and selected public entities can sell in order to raise capital to finance current or future expenditures. The government is contractually obligated to repay the borrowed funds with interest at fixed intervals. Bonds are typically issued to cover capital expenses and can either be full obligation or revenue bonds. Under an obligation bond, the state assumes the full debt and issues either a general obligation bond (backed by the state's general fund) or a special obligation bonds (backed by a specific tax or special fund). States may also issue a revenue bond, which is not a debt of the state but rather is backed by projected revenues from the funded project(s) or other income streams.

In 2007, 10 states and the District of Columbia funded transit activities using bond proceeds: California, Connecticut, District of Columbia, Maine, Maryland, Massachusetts, Minnesota, New Hampshire, New Jersey, Oregon, Pennsylvania, and Rhode Island. Of the 10 states, only three states and the District of Columbia allocated funding for operating expenses: Maryland, New Jersey. Maine and Connecticut were the only two states to fund transit primarily from bond proceeds, allocating 88.8 and 76.1 percent, respectively.

Table 1: 2007 State Transit Funding Source - Gas Tax

State	2007 Transit Funding	Gas Tax Appropriated for Transit (\$)	Gas Tax Appropriated for Transit (Percent)
California	\$3,110,690,806	\$1,431,910,744	46.0%
Florida	\$174,806,597	\$72,472,354	41.5%
Maryland	\$749,371,455	\$242,721,414	32.4%
Massachusetts	\$1,351,917,492	\$11,655,962	0.9%
Michigan	\$200,661,111	\$68,573,596	34.2%
Montana	\$818,385	\$75,000	9.2%
Nebraska	\$2,900,000	\$1,787,000	61.6%
New Hampshire	\$1,530,000	\$944,000	61.7%
New Jersey	\$1,008,129,998	\$167,532,657	16.6%
North Carolina	\$75,866,447	\$75,866,447	100.0%
Oklahoma	\$5,750,000	\$2,748,500	47.8%
Oregon	\$74,092,943	\$3,585,907	4.8%
Rhode Island	\$49,214,195	\$38,812,976	78.9%
South Carolina	\$6,400,000	\$6,400,000	100.0%
Tennessee	\$38,310,000	\$38,310,000	100.0%
Virginia	\$184,417,844	\$49,106,531	26.6%
Wisconsin	\$119,134,447	\$39,711,482	33.3%

Source: Survey of State Funding for Public Transportation, AASHTO, 2007

Table 2: 2007 State Transit Funding Sources - General Fund

State	Transit Funding 2007	General Fund Appropriated for Transit (\$)	General Fund Appropriated for Transit (Percent)
Alaska	\$91,359,200	\$90,959,200	99.6%
Arizona	\$10,142,000	\$42,000	0.4%
DC	\$250,868,928	\$203,449,000	81.1%
Massachusetts	\$1,351,917,492	\$46,623,849	3.4%
Minnesota	\$237,023,000	\$97,563,000	41.2%
Mississippi	\$1,600,000	\$1,600,000	100.0%
Missouri	\$7,018,541	\$6,168,541	87.9%
New Hampshire	\$1,530,000	\$161,000	10.5%
New Jersey	\$1,008,129,998	\$298,200,000	29.6%
New York	\$3,009,046,000	\$106,806,000	3.5%
North Dakota	\$2,900,000	\$500,000	17.2%
Ohio	\$16,450,000	\$16,450,000	100.0%
Oklahoma	\$5,750,000	\$3,001,500	52.2%
Pennsylvania	\$860,963,000	\$320,094,000	37.2%
Rhode Island	\$49,214,195	\$9,255,334	18.8%
West Virginia	\$2,523,342	\$2,523,342	100.0%

Source: Survey of State Funding for Public Transportation, AASHTO, 2007

Table 3: 2007 State Transit Funding Source - Bond Proceeds

State	Transit Funding 2007	Bond Proceeds Appropriated for Transit (\$)	Bond Proceeds Appropriated for Transit (%)
Connecticut	\$876,357,467	\$666,500,000	76.1%
DC	\$250,868,928	\$46,653,715	18.6%
Maine	\$4,502,528	\$4,000,000	88.8%
Maryland	\$749,371,455	\$33,047,281	4.4%
Massachusetts	\$1,351,917,492	\$368,973,113	27.3%
Minnesota	\$237,023,000	\$16,250,000	6.9%
New Hampshire	\$1,530,000	\$425,000	27.8%
New Jersey	\$1,008,129,998	\$349,968,872	34.7%
Oregon	\$74,092,943	\$4,291,562	5.8%
Pennsylvania	\$860,963,000	\$120,870,000	14.0%
Rhode Island	\$49,214,195	\$1,045,095	2.1%

Source: Survey of State Funding for Public Transportation, AASHTO, 2007

Below is a general summary of the types of bonds that the states have issued for transit.

California – In 2006, California voters approved Proposition 1B, which allowed the state to sell \$19.9 billion in general obligation (GO) bonds to fund transportation projects. The money is allocated over multiple years and transit receives roughly 20 percent (\$4 billion) of this funding. The state will make principal and interest payments from the General Fund over a period of about 30 years.

Connecticut - Public Act 05-04 authorized funding above and beyond Connecticut’s historic annual bond funding level for transit-related capital improvements. In addition to a \$34 million bond authorization for CDOT’s core program, an additional \$625.65 million in bond authorizations was issued to procure 342 new M-8 rail cars, new transit vehicles, and the construction of a new rail equipment maintenance facility in New Haven. The special tax obligation bonds are backed by revenues deposited into the State Transportation Fund (STF) and revenues include taxes and fees on motor vehicle fuel; used vehicle sales; licenses, permits, and fees; a fixed share of tax on oil companies' gross earnings; expressway revenues, tolls, and other transportation related revenues.

District of Columbia – The District of Columbia issues general obligation bonds for transit as part of its capital planning budget.

Maine – Maine issues general fund bonds for transit backed by non-earmarked revenues. The largest sources include the Individual Income Tax, Sales and Use Tax, Cigarette Tax and Corporate Income Tax. These four major taxes account for more than 90 percent of General Fund revenue.

Maryland – For transit, the state of Maryland can issue Consolidated Transportation Bonds, which are fixed rate bonds with maturities of up to 15 years backed by the Transportation Trust Fund (TTF). The TTF is a single account that supports operating and capital expenditures of the Maryland Department of Transportation. Maryland can also issue special transportation project revenue bonds.

Massachusetts – Massachusetts can issue Special Obligation Bonds backed by the Highway fund and Special Obligation Revenue Bonds backed by the Infrastructure fund (a subfund of the Highway Fund).

Minnesota - Minnesota State Transportation Bonds are issued by the state and repaid from the state’s transportation bond account. Funds in the account include accrued interest and money from the general fund; money from various highway accounts that cannot be deposited in the state transportation bond account, including the highway user tax distribution fund, motor vehicle

tax, fuel tax, motor vehicle sales tax, and highway bond proceeds.

New Hampshire – New Hampshire issues capital budget bonds as a match for transit capital grants.

New Jersey - NJ Transportation Trust Fund Authority (TTFA) is an independent state government agency whose sole purpose is to finance annual capital program of NJ Department of Transportation and NJ Transit. Authorized to issue its own bonds, the TTFA does not pledge faith and credit of the State for repayment of bonds. The state legislature appropriates specific revenue amounts (gas tax, petroleum products gross receipts tax, sales tax from vehicle purchases, good driver vehicle registration surcharge, heavy truck registration fees, and tolls) to the TTFA each year. The contract between the authority and state treasurer is that if money is appropriated to the authority for debt service, it will not be transferred to some other state purpose. Bonds issued by the TTFA are considered "state contract debt."

Oregon – Oregon issues special obligation bonds backed by lottery revenue and also issues bonds backed by the Transportation Infrastructure fund program. This statewide revolving loan fund provides direct loans for eligible transit capital projects. Loans may be funded from available Oregon Transportation Infrastructure bank resources or through the sale of revenue bonds by the Infrastructure fund.

Pennsylvania – Pennsylvania can issue State Transportation Assistance Program bonds, which are general obligation bonds issued for public transportation and aviation that must be authorized in current Capital budget.

Rhode Island – Rhode Island can issue General Obligation bonds that are used as a match source for federal transportation funding. The debt service is paid through the gas tax. Appropriations are made to RI Department of Transportation and the RI Department of Administration.

Motor Vehicle/Rental Car Sales Taxes

Motor vehicle and rental car sales taxes are taxes imposed on the sale or rental of motor vehicles. Ten states utilize motor vehicle/rental car sales taxes to fund transit: Arkansas, Florida, Iowa, Maryland,

Michigan, Minnesota, Nebraska, New Jersey, Pennsylvania, and Washington.

Table 4 provides the dollar amount and percentage of state transit funding appropriated from motor vehicle/rental car sales taxes. Iowa is the only state to fund transit exclusively from motor vehicle/rental car sales. Arkansas allocated 91.8 percent of its \$10.8 million state transit funding from motor vehicle/rental car sales tax. Minnesota is the only other state to provide the majority of transit funding from the motor vehicle/rental car sales tax (52 percent or \$123.2 million). Florida contributed the least from this tax, contributing 2.5 percent of its \$174.8 transit allotment.

Registration/License/Title Fees

Registration, License, and Title fees are assessed on registering a vehicle, obtaining a vehicle license, and securing a certificate of title. Nine states utilize registration/license/title fee revenue to fund transit: Florida, Maryland, Michigan, Missouri, Montana, Nebraska, North Dakota, Oregon, and Wisconsin. None of these states use these fees as the sole funding source for transit. For Montana and Nebraska, however, registration/license, and title fees constitute the majority of state transit funds, 90.8 and 81 percent respectively. The other states secure less than 40 percent of transit funding from these fees.

Table 5 provides the dollar amount and percentage of state transit funding appropriated from registration/license/title fee revenue.

General Sales Taxes

A sales tax is a tax levied on the sale of certain goods and services and, in the US, ranges from 4 percent to 7.25 percent. Of the 45 states that have a general sales tax in place, only seven used sales tax to fund transit in 2007. Georgia, Illinois, and Indiana generated transit funding exclusively from general sales tax revenue. Massachusetts derived a majority of state transit funds from general sales tax revenue while California contributed 45.4 percent and Pennsylvania 18.5 percent.

Table 4: State Transit Funding Sources - Motor Vehicle/Rental Car Sales Taxes

State	Transit Funding 2007	Motor Vehicle / Rental Car Sales Tax Appropriated for Transit (\$)	Motor Vehicle / Rental Car Sales Tax Appropriated for Transit (Percent)
Arkansas	\$4,251,656	\$3,901,656	91.8%
Florida	\$174,806,597	\$4,392,264	2.5%
Iowa	\$13,141,000	\$10,841,000	82.5%
Maryland	\$749,371,455	\$226,010,431	30.2%
Michigan	\$200,661,111	\$58,272,134	29.0%
Minnesota	\$237,023,000	\$123,210,000	52.0%
Nebraska	\$2,900,000	\$754,000	26.0%
New Jersey	\$1,008,129,998	\$69,371,700	6.9%
Pennsylvania	\$860,963,000	\$88,035,000	10.2%
Washington*	\$42,438,767	X	N/A

*Washington identified the motor vehicle/rental car sales tax as a funding source but did not provide the amount of transit funding contributed from the motor vehicle/rental car sales tax

Source: Survey of State Funding for Public Transportation, AASHTO, 2007

Table 5: State Transit Funding Sources - Registration/License/Title Fees

State	Transit Funding 2007	General Sales Tax Appropriated for Transit (\$)	General Sales Tax Appropriated for Transit (Percent)
Florida	\$174,806,597	\$32,941,979	18.8%
Maryland	\$749,371,455	\$184,645,126	24.6%
Michigan	\$200,661,111	\$73,279,271	36.5%
Missouri	\$7,018,541	\$850,000	12.1%
Montana	\$818,385	\$743,385	90.8%
Nebraska	\$2,900,000	\$355,000	12.2%
North Dakota	\$2,900,000	\$2,350,000	81.0%
Oregon	\$74,092,943	\$1,821,271	2.5%
Wisconsin	\$119,134,447	\$39,711,482	33.3%

Source: Survey of State Funding for Public Transportation, AASHTO, 2007

Table 6 provides the dollar amount and percentage of state transit funding appropriated from general sales taxes.

Interest Income

This type of funding is generated from interest received for a wide variety of sources that may include deposits to state general funds, debt service reserves, and other interest-bearing resources that states may hold. Seven states provided transit funding from interest income in 2007

Table 7 identifies the dollar amount allocated to transit in 2007 and presents the dollar amount and percentage of the funding from transit. Nevada funded transit exclusively from interest income. Other states listed, including Maryland, Michigan, Nebraska, New Jersey, and Oregon fund transit sparingly using interest income. Wyoming funded 35% of their transit program in 2007 using interest income dedicated from the Transportation Trust Fund.

Table 6: State Transit Funding Sources - General Sales Tax

State	Transit Funding 2007	General Sales Tax Appropriated for Transit (\$)	General Sales Tax Appropriated for Transit (Percent)
California	\$3,110,690,806	\$1,413,205,062	45.4%
Georgia	\$6,024,552	\$6,024,552	100.0%
Illinois	\$498,900,000	\$498,900,000	100.0%
Indiana	\$42,694,683	\$42,694,683	100.0%
Massachusetts	\$1,351,917,492	\$733,963,311	54.3%
Pennsylvania	\$860,963,000	\$159,019,000	18.5%
Washington*	\$42,438,767	X	N/A

*Washington identified the general sales tax as a funding source but did not provide the amount of transit funding contributed from the motor vehicle/rental car sales tax.

Source: Survey of State Funding for Public Transportation, AASHTO, 2007

Table 7: 2007 State Transit Funding Sources – Interest Income

State	Transit Funding 2007	Interest Income Appropriated for Transit (\$)	Interest Income Appropriated for Transit (Percent)
Maryland	\$749,371,455	\$3,222,296	0.4%
Michigan	\$200,661,111	\$36,071	0.02%
Nebraska	\$2,900,000	\$4,000	0.1%
Nevada	\$125,403	\$125,403	100.0%
New Jersey	\$1,008,129,998	\$14,592,768	1.4%
Oregon	\$74,092,943	\$1,396,599	1.9%
Wyoming	\$2,294,200	\$794,200	34.6%

Source: Survey of State Funding for Public Transportation, AASHTO, 2007

Other Funding Sources

Many states identified unique funding sources for public transit in addition to the more popular resources previously mentioned. Creative solutions have been developed in a number of states that address the funding needs of transit service providers. Twenty-eight states provided transit funding from other resources in 2007. The most common resources highlighted in the “other” category included statewide transportation trust funds (19 states), fuel taxes (11 states), general fund contributions (11 states), and vehicle use taxes (12 states). Non-traditional funding streams include property sales and assessments, a documentary stamp tax, lottery proceeds, corporate

fees, sales tax on lubricants and motor oils, a tire tax, and a cigarette tax.

Table 8 identifies the dollar amount allocated to transit in 2007 and presents the dollar amount and percentage of the funding from transit.

Other non-traditional funding mechanisms for transit include:

- In the state of Maryland, in order to retain legislated funding, Maryland Transit Administration (MTA) is required by statute to recover 35 percent of expenses through the farebox. This is a reduction from

previous years where MTA was required to recover 40 percent from the farebox.

- In California, there is a truck weight fee – levied on commercial vehicles – that represents compensation for the wear and tear on state roadways. There is no indication immediately available that describes how the fee was developed. A combination of the weight fee and a fuel users tax accounted for \$265 million in transit funding in 2007.
- Massachusetts municipalities pay annual assessments for the operating expenses of the

MBTA. These assessments are formula-based and can be supplemented by state infrastructure funds for MBTA capital assistance.

- New York State has a petroleum business tax that is levied on transmission, transportation, and petroleum-related businesses. 2007 tax amounts were approximately \$200 million, dedicated to operating costs for both downstate and upstate systems (urban and rural).

Table 8: 2007 State Transit Funding Sources - Other

State	Transit Funding 2007	Other Sources for Transit (\$)	Other Sources for Transit (Percent)
Alaska	\$91,359,200	\$400,000	0.4%
Arizona	\$10,142,000	\$10,100,000	99.6%
Arkansas	\$4,251,656	\$350,000	8.2%
California	\$3,110,690,806	\$265,075,000	8.5%
Connecticut	\$876,357,467	\$209,857,467	23.9%
Delaware	\$72,962,500	\$72,962,500	100.0%
DC	\$250,868,928	\$766,213	0.3%
Florida	\$174,806,597	\$65,000,000	37.2%
Idaho	\$312,000	\$312,000	100.0%
Kansas	\$6,000,000	\$6,000,000	100.0%
Kentucky	\$3,709,262	\$3,709,262	100.0%
Maine	\$4,502,528	\$502,528	11.2%
Maryland	\$749,371,455	\$59,724,907	8.0%
Massachusetts	\$1,351,917,492	\$190,701,257	14.1%
Michigan	\$200,661,111	\$500,041	0.2%
New Jersey	\$1,008,129,998	\$108,464,001	10.8%
New Mexico	\$56,478,000	\$56,478,000	100.0%
New York	\$3,009,046,000	\$2,902,240,000	96.5%
North Dakota	\$2,900,000	\$50,000	1.7%
Oregon	\$74,092,943	\$62,997,604	85.0%
Pennsylvania	\$860,963,000	\$172,945,000	20.1%
Rhode Island	\$49,214,195	\$100,790	0.2%
South Dakota	\$750,000	\$750,000	100.0%
Texas	\$28,741,067	\$28,741,067	100.0%
Vermont	\$6,166,576	\$6,166,576	100.0%
Virginia	\$184,417,844	\$135,311,313	73.4%
Wisconsin	\$119,134,447	\$39,711,482	33.3%
Wyoming	\$2,294,200	\$1,500,000	65.4%

Source: Survey of State Funding for Public Transportation, AASHTO, 2007

- North Carolina employs “green initiatives” to partially fund transit. There was \$10 million in discretionary funds set aside for Transportation Demand Management and regional planning, resulting in the reduction of 417 tons of NOx in 2006 through the TDM program alone.
- Ohio’s Transportation Review Advisory Council (TRAC) funding is directed through the highway fund. The TRAC is appointed by the Governor and General Assembly, and this group is tasked to annually fund major new construction projects. The source of funds for this undertaking is the federal highway fund.
- Oregon has a variety of funding mechanisms for transit. From the cigarette tax, 89.65 percent is allocated to the General Fund. Of that amount, 3.45 percent per pack goes to elderly & disabled transit programs. The State also has a DMV ID card fee and a percentage of the gas tax, both of which are also dedicated to elderly & disabled transit.
- In New Jersey, elderly and disabled program administration and capital costs are funded through a casino revenue fund – the proceeds were approximately \$35 million in 2007.
- In Pennsylvania, \$160.8 million in lottery funds are dedicated to a free transit program for seniors and a shared ride program for seniors.
 - Free transit program – 100 percent reimbursed for fixed route service in off-peak hours
 - Shared ride program – 85 percent reimbursed for on-demand services
- Wisconsin employs transportation employment & mobility program grants that emphasize services linking job seekers with jobs as well as alternatives to driving alone. These grants are available for projects that include mass transit, bike, pedestrian, planning, TMA formation, private-sector pilot projects, and others.

Uses of Funds

While Federal transit funding is used primarily for capital expenses, state transit funding is focused on operating assistance. In 2007 alone, approximately 64 percent (\$8.5 billion) of total state expenditures on transit was designated for operating assistance only, 28 percent (\$3.7 billion) for capital purposes, two

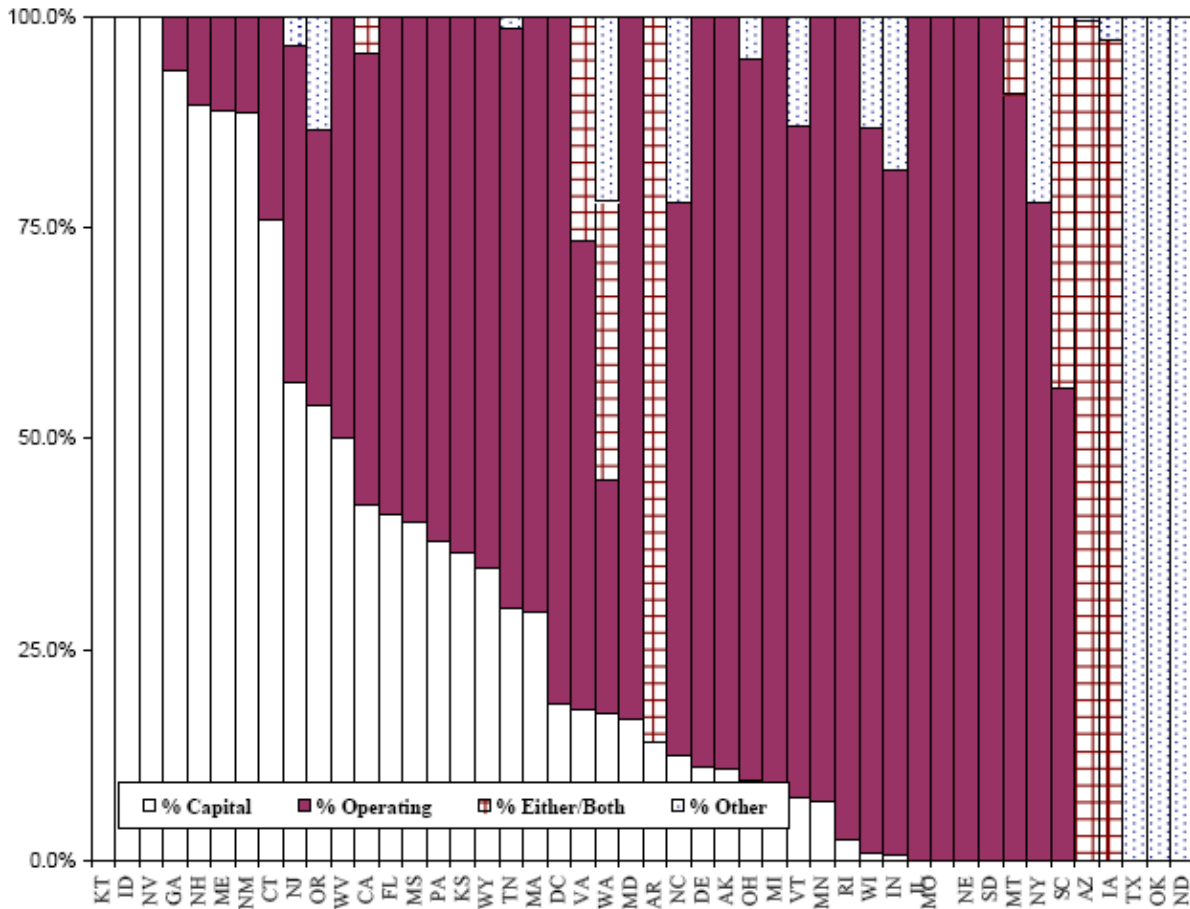
percent (\$222 million) for capital or operating, and six percent (\$795 million) for other purposes. Other purposes included debt service; planning and marketing; training; and administrative and maintenance costs. Figure 4 depicts the uses for state transit funding. Iowa, along with Arizona and Arkansas, are the only states that allow the majority of state funds to be spent on either capital or operating, depending on the discretion of the grantee.

Passenger Transportation/Transit Funding – Iowa

Passenger transportation services across the state are publicly funded through programs at each of the jurisdictional levels within the state. At the Federal level transit assistance funds through the Federal Transit Administration (FTA) are allocated to the state and then suballocated to lower jurisdictions and authorities for capital purchasing and operations and maintenance. All the of the traditional FTA grant programs are accessed within at least the metro areas of the state, if not in all of the counties and communities. Additionally, a portion of the annual funding allocations through the following Federal Highway Administration (FHWA) flexible programs is allocated to transit systems:

- Surface Transportation Program (STP): The Iowa DOT suballocates approximately 60 percent of the STP funds to lower jurisdictions in what is essentially a block grant program in which local officials have discretion to allocate dollars. Determination as to how the funds are allocated at the local level (city and county) is established by the individual jurisdictions or the MPO in metro areas. Projects and/or programs that are eligible for funding include highway/roadway projects, transit projects/programs and non-motorized system projects. There is not a pre-established minimum suballocation table for the funds.
- Congestion Mitigation/Air Quality (CMAQ): The state has established the Iowa Clean Air Attainment program (ICAAP) as a statewide discretionary program for funding

Figure 4: Eligible Uses for State Transit Funding¹



Source: Survey of State Funding for Public Transportation, AASHTO, 2007

¹ Survey of State Funding for Public Transportation 2007, American Association of State Highway and Transportation Officials (AASHTO), December 2008. The abbreviation KT, which appears in the report, is intended to represent Kentucky (KY).

roadway/highway projects, transit programs/projects and non-motorized projects that are focused on reducing congestion and improving air quality conditions by reducing pollution emissions levels. CMAQ funds are also incorporated into the ITS program in support of efforts to reduce congestion. As transit programs also have ITS elements, providers can apply for project funding through the ITS program.

While both programs can be very broadly defined as block-grant programs, a key difference is that projects selected for CMAQ funding must, or are allowed to, compete statewide for funding; whereas competition between projects/programs for the STP funding dollars is within a more localized area. While at the local level the number of projects in competition with each other is smaller than at the state level, the opportunity to completely fund a larger project that may be perceived by some as requiring more than the area’s “fair share” with STP dollars is more limited because of the initial suballocation step.

State-level transportation funding for passenger transportation service and capital purchases over time in Iowa has come through several different avenues including directly from the General Fund (practice ended in 2006), very briefly from the Petroleum Overcharge (1987 and 1988), and the Road Use Tax Fund (RUTF), which is today’s primary source.

State Transit Assistance (STA) Program

At present, a level consistent with four percent of the RUTF is allocated to MPOs and RPAs through the State Transit Assistance program to fund passenger transportation services in the regions. The four percent allocation level is based in several historical changes in state-level funding sources. When the state applied a use-tax to the sale of vehicles and vehicle accessories, four percent (1/20th of the first four cents of a five cent tax) of the tax revenue was allocated to transit. Recently, the use-tax concept, which allowed for some discretionary use of proceeds for transit, was converted to a vehicle registration fee concept. Under the registration fee concept all funds collected were constitutionally required be used for highway projects. Thus, the largest provider stream for state-level transit program funding was no longer available. In 2007, the State Legislature passed a bill establishing that non-

constitutionally allocated transportation funding sources be tapped for transit program funding to a level consistent with 1/20th of the first four cents of motor vehicle and accessories sales. While a funding level was established and to date the program has found sources of revenue, no specific source of the funds was identified in the legislation. Thus, a dependable stream of funding has not been identified.

State Transportation Assistance formula funds are distributed as essentially block grants that do not require a local match and can be used as the local match to leverage projects/programs that also have federal or other (non Iowa DOT) funding support. Funding can be used for either to support operations or capital purchase or capital building projects. The funding allocation formula is based on population of an MPO or RPA area relative to the state as a whole. Projects that use the STA as a source of financing/funding are selected at the local level. Thus, the individual project section is very grassroots.

The 2008 allocation to the STA program was approximately \$11.1 million. To provide a basis for estimating future levels, funding levels from 2000 through 2008 were documented. As shown in Table 9, since 2000 the STA has grown and declined on a yearly basis and is funded today at a level approximately 5.8 percent higher than in 2000. Thus, from a real income perspective the fund has been losing buying power over the decade.

Table 9: State Transit Assistance (STA) Program Funding (2000 to 2008)

State Fiscal Year	STA Funding (Dollars)	Change from Previous Year
2001	\$10,478,000	
2002	\$11,829,000	12.9%
2003	\$9,868,000	-16.6%
2004	\$8,484,000	-14.0%
2005	\$10,141,000	19.5%
2006	\$10,843,000	6.9%
2007	\$10,841,000	0.0%
2008	\$11,081,000	2.2%

Source: Iowa DOT

Public Transit Infrastructure Grant Program

The state-level Public Transit Infrastructure Grant (PTIG) program provides assistance to localities for new construction, reconstruction/major renovation and relocation of facilities associated with provision of passenger transportation service. As the list of eligible items demonstrates, the PTIG program is a capital program. Thus, transit service operating and maintenance costs are not eligible for the state program. Listed below are some of the project concepts that are eligible for PTIG funding:

- Transit administration facilities.
- Servicing, maintenance and/or storage facilities for transit vehicles.
- Vehicle fueling facilities.
- Passenger waiting facilities

Essentially all elements of the capital facilities project are eligible for funding, including design, land acquisition, site grading, and building construction.

Reconstruction and/or renovation of existing facilities are also eligible for funding within this program and eligible facilities include administration areas and maintenance shops.

PTIG program cost sharing is divided as 80 percent state funds with a 20 percent local match requirement.

The PTIG program has been funded each of the last three years, but there is yet to be a dedicated, or even year-to-year consistent source for funding. In the first year the program funding for grants was obtained from payments to the state as part of the tobacco company settlement. The second year funding was obtained through the state's portion of gaming revenues. Funds for FY 2009 were has been assumed to be from future tobacco settlement payments to the state, however, no final schedule has been determined. Over the three-year period the average annual program funding has been approximately \$2.2 million.

Overall State Level Funding Picture

As outlined in the preceding sections, passenger transportation/transit funding from the state-level comes through two programs, the State Transit Assistance (STA) program, the Public Transit

Infrastructure Program (PTIG). The total funding for FY 2008 was approximately \$13.3 million, with the vast majority of funding (\$11.1 million) coming through the STA program.

Peer State Review

Selection of Peer States

Four primary objectives guided the selection of peer states for Iowa:

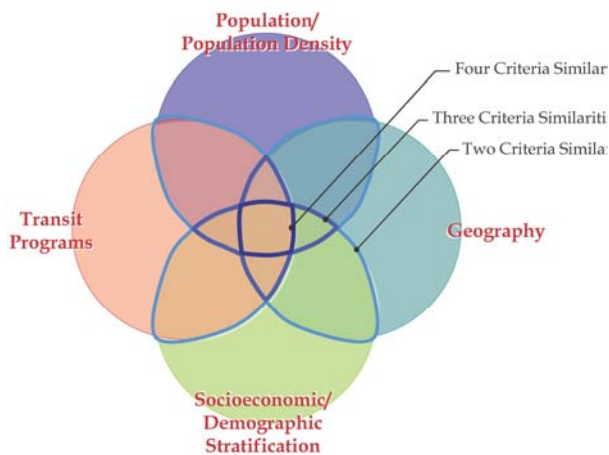
1. Identify states with similar socioeconomic make ups that spend more on transit (total or per capita) than Iowa.
2. Select of mix of states geographically with a good representation of Midwest states.
3. Find outlier programs to supplement information, especially programs designed to enhance energy independence and service to seniors.
4. Define the benefits achieved by transit investments in other states.

States were assessed across four categories: population, population density, size of the transit program, and per capita spending. These factors are important considerations in identifying states that may have similar transit use characteristics or potential and would have similar ability to generate funding/revenue (generally a function of population). Additionally, these factors indicate how aggressive each state is in terms of funding transit (program size and per capita spending). In the peer review task extra caution has been taken to not simply equate a higher per capita transit spending rate as a measure of superior state support for transit or a better transit product. More spending may simply be a symptom of less efficiency, lower cost-effectiveness and/or an entirely different type of service (Example; LRT and commuter rail O/M costs are typically considerably higher than standard bus O/M costs). Thus, while spending per capita is a measure of differences/similarities between states, it is not the only measure.

One of the goals associated with sifting through

data for each of the states is to narrow the broad field from all 50 states to those states that are similar to Iowa in the general categories consistent with transit/passenger transportation activity. Narrowing the field by removing states that likely have vastly different order of magnitude needs or have geographic/demographic conditions that support services which are inconsistent with the primary needs in Iowa (example: ferries and water taxis), will provide for a more efficient assessment of funding programs that may have applicability in the state.

Through the sifting process, using the identified criteria, the potential for an enhanced reliability of data found can be attached to increasing the number of criteria matches observed. A state with a similar population, population density, geographic location, and per capita investment into transit would be the strongest peer comparison to Iowa. Please note, however, that this “four criteria” match is more of a theoretical concept than an observable reality.



Findings across each of the four categories are provided in the following sections.

Population: Iowa, considered to be predominantly a rural state, has considerably higher per capita funding among states with similar populations. Iowa’s per capita spending is much higher than all of these states except for Connecticut, which operates a statewide transit system, and Oregon, where the State is heavily involved in the development of major transit systems in Portland. Table 10 lists the states that compare closest to Iowa in population and the general public transit system investment statistics for each of the listed states.

Population Density: An examination of the states ranked by population density yielded three states from the population comparison analysis and five new states. For the most part, however, a similar result was observed when the per capita state-level funding allocation was reviewed, in that funding support in Iowa is greater than in similar population density states. Minnesota, while having a similar statewide population density as Iowa, provides a substantially greater transit subsidy than does Iowa. A big reason for the difference is that Minneapolis-St. Paul Metropolitan area with its broad, multimodal transit program (which includes carpool, vanpool, bus and light rail transit programs) results in skewing the overall statewide average support. Similarly, while Oregon from a statewide perspective has a very similar population density, the extensive multimodal services system in the Portland metro area skews the average per capita expenditure. Of particular interest are the findings for the state of Maine. Maine’s program is similar to Iowa’s in terms of per capita funding and the population densities are at least in a similar ballpark and while the total expenditure on Maine programs is approximately one-half of statewide support in Iowa, the population is also about half the size. The ratios and relationships between the Iowa figures and the Maine information is worth noting as the other parameters are reviewed. Table 11 documents the population density and transit funding summaries for states with consistent population densities as Iowa.

The rankings by total state funding for transit programs and per capita state-level funding further illustrate the disparity among state transit programs. Iowa ranks 27th and 28th respectively among all states in these categories, but there is a significant change in program size and per capita funding moving in either direction in rankings. Iowa allocates less per capita than its geographic neighbors to the north and east (Minnesota, Wisconsin and Illinois), but more than its peers to the west and south (South Dakota Nebraska, Kansas, and Missouri). The states to the north and east tend to have higher population densities and a greater number of larger metropolitan areas.

Table 10: States Ranked According to Population

State	Population (2007 Estimate)	FY 2007 Transit Program Funding	Transit Investment Per Capita	Population Density (Persons per Square Mile)
Kentucky	4,241,474	\$3,709,000	\$0.87	106.8
Oregon	3,747,455	\$74,093,000	\$19.77	39.0
Oklahoma	3,617,316	\$5,750,000	\$1.59	52.7
Connecticut	3,502,309	\$876,357,000	\$250.22	722.9
Iowa	2,988,046	\$13,141,000	\$4.40	53.5
Mississippi	2,918,785	\$1,600,000	\$0.55	62.2
Arkansas	2,834,797	\$4,252,000	\$1.50	54.4
Kansas	2,775,997	\$6,000,000	\$2.16	33.9
Utah	2,645,330	\$0	--	32.2

Source: Survey of State Funding for Public Transportation, AASHTO, 2007

Table 11: States Ranked According to Population Density

State	Population (2007 Estimate)	FY 2007 Transit Program Funding	Transit Investment Per Capita	Population Density (Persons per Square Mile)
Minnesota	5,197,621	\$237,023,000	\$45.60	65.3
Mississippi	2,918,785	\$1,600,000	\$0.55	62.2
Arizona	6,338,755	\$10,142,000	\$1.60	55.8
Arkansas	2,834,797	\$4,251,656	\$1.50	54.4
Iowa	2,988,046	\$13,141,000	\$4.40	53.5
Oklahoma	3,617,316	\$5,750,000	\$1.59	52.7
Colorado	4,301,261	\$0	--	46.9
Maine	1,317,207	\$4,502,528	\$3.42	42.7
Oregon	3,747,455	\$74,092,943	\$19.77	39.0

Source: Survey of State Funding for Public Transportation, AASHTO, 2007

Arizona spends a similar amount overall and has a comparable population density, but the population there is more than twice that of Iowa resulting in a much lower per capita funding level. Ohio’s program ranks just ahead of Iowa in terms of overall program funding, but relative to the states’ population per capita funding is not as robust as that of Iowa. The per capita funding ranking also indicates the significant gap among state transit programs around Iowa. Programs in North Dakota and Wyoming are higher than Iowa in per capita funding, but much smaller in overall funding of the program and then there is a significant jump to the programs in Tennessee and Washington.

Per Capita Funding and Size of Transit Program: Iowa was found to be quite unique in terms of the absolute dollar amount of state funding for its transit funding program. States like Kentucky, Oklahoma, Mississippi, Arkansas and Kansas could be considered very similar in character to Iowa, yet their transit programs are considerably smaller. Utah does not contribute to transit at all.

The following tables list the states that rank closest to Iowa in terms of the size of the transit program and per capita spending.

Table 12: States Ranked According to Size of Transit Program (State Funding Only – 2007)

State	Population (2007 Estimate)	FY 2007 Transit Program Funding	Transit Investment Per Capita	Population Density (Persons per Square Mile)
Washington	6,468,424	\$42,438,767	\$6.56	97.2
Tennessee	6,156,719	\$38,310,000	\$6.22	149.4
Texas	23,904,380	\$28,741,067	\$1.20	91.3
Ohio	11,466,917	\$16,450,000	\$1.43	280.0
Iowa	2,988,046	\$13,141,000	\$4.40	53.5
Arizona	6,338,755	\$10,142,000	\$1.60	55.8
Missouri	5,878,415	\$7,018,541	\$1.19	85.3
South Carolina	4,407,709	\$6,400,000	\$1.45	146.4
Vermont	621,254	\$6,166,576	\$9.93	67.2

Source: Survey of State Funding for Public Transportation, AASHTO, 2007

Table 13: States Ranked According to Per Capita Transit Spending (State Funding Only - 2007)

State	Population (2007 Estimate)	FY 2007 Transit Program Funding	Transit Investment Per Capita	Population Density (Persons per Square Mile)
Washington	6,468,424	\$42,438,767	\$6.56	97.2
Tennessee	6,156,719	\$38,310,000	\$6.22	149.4
North Dakota	639,715	\$2,900,000	\$4.53	9.3
Wyoming	522,830	\$2,294,200	\$4.39	5.4
Iowa	2,988,046	\$13,141,000	\$4.40	53.5
Maine	1,317,207	\$4,502,528	\$3.42	42.7
Kansas	2,775,997	\$6,000,000	\$2.16	33.9
Nebraska	1,774,571	\$2,900,000	\$1.63	23.1
Arizona	6,338,755	\$10,142,000	\$1.60	55.8

Source: Survey of State Funding for Public Transportation, AASHTO, 2007

The exercise of using data from the AASHTO annual survey of state funding to determine peer states for Iowa revealed a significant disparity among transit programs nationwide. In addition, Iowa there is a large gap between Iowa and the nearest ranking states, both in terms of program size and per capita spending. A National Cooperative Highway Research Program (NCHRP 569) guide published in 2004 was used to supplement the information in the AASHTO report. The NCHRP had similar results when trying to define peer groups among states. The report describes five potential selection themes: Geographic; Population Demographics; Urban/Rural Character; Income Levels; and Transit Service Levels.

Table 14 shows how the report defines peers for Iowa based on these categories. As the data shows, there is some difficulty in determining peers for Iowa in terms of their transit programs. Many of the states with similar demographics and character are not investing in transit at the level of Iowa.

Therefore, the peer cities selected as a part of this analysis were the seven states immediately adjacent to Iowa and three states that appear to have several characteristics in common with Iowa but have higher investments in transit

Table 14: NCHRP 569 – Transit Peer Groups

Geographic Location	Statewide Population (2007)	Urban/Rural (Based on Population Density)	Per Capita Income (2007)	Transit
Iowa Grouped With Midwest	Iowa Grouped With Medium	Iowa Grouped With Rural	Iowa Grouped With Middle	Iowa Grouped With Low
Minnesota Illinois Ohio Wisconsin Michigan Missouri Indiana	Arkansas Connecticut Kansas Kentucky Mississippi Nebraska Nevada New Mexico Oklahoma Oregon Utah West Virginia	New Mexico Maine Alaska Kansas Arkansas Vermont West Virginia Oregon Mississippi	California Georgia Indiana Kansas New York Oregon Pennsylvania	Alaska Arkansas Kansas Montana Oklahoma Delaware Idaho N. Carolina S. Carolina

Source: NCHRP Report 569, Transportation Research Board.

Peer Review

The states selected as peers for Iowa were: Minnesota, Wisconsin, New Mexico, Missouri, Illinois, and Kansas. A brief outline of each state transit program is provided below.

Iowa

The State of Iowa uses proceeds from non-constitutionally directed portions of the state transportation revenue streams and other non-transportation sector streams to provide funding for local transit system in the state. The State Transit Assistance (STA) program is a formula-based funding program local system can access for both capital and operating. The Passenger Transportation

Infrastructure Grant (PTIG) program is a statewide competitively assessed funding program directed at infrastructure funding assistance. In 2007, the total funding was \$13.1 million. STA funds are distributed to each of the 35 providers by a formula based on revenue miles of service for individual systems, with an approximate 50/50 split for urban and rural assistance. Funds can be used for capital or operating purposes. Transit in the state is provided by:

- 12 large urban systems
- 7 small urban systems
- 16 regional transit providers with demand response and/or subscription service

Table 15: Iowa Transit Ridership and Mileage, 2007

System Type	Number of Systems	Annual Ridership	Percent of Total Ridership	Annual Revenue Miles	Percent of Total Annual Revenue Miles
Large Urban	12	18,706,211	79.0%	11,246,676	43.7%
Small Urban	7	1,542,069	6.5%	1,763,450	6.9%
Regional (rural)	16	3,443,196	14.5%	12,717,339	49.4%
Total	35	23,691,476	100.0%	25,727,465	100.0%

Source: Iowa DOT and National Transit Database

Even though vehicle miles across the state of Iowa are roughly 50 percent urban and 50 percent rural, Iowa's transit system primarily serves trips in large and small urban areas. In 2007, more than 85 percent of all public transportation trips in Iowa were on these urban systems.

Minnesota

Minnesota has a number of metropolitan areas located outside of the Minneapolis-St. Paul metropolitan area that compare favorably in population and density with Iowa cities. The State has also been highly involved in the development of mass transit and has a wealth of information on the associated benefits of their transit investments. In Minnesota, public transit service is provided in 80 of the 87 counties. There are 89 public transit providers throughout the state. Of the 89 transit agencies, 24 provide service within the Twin Cities metropolitan area, 63 systems in Greater Minnesota, and one light rail route (Hiawatha). A commuter rail route (Northstar) is under construction and is scheduled for opening in late 2009. During FY 2007, there were 99.3 million combined passenger trips on these systems, of which 88.9 million (90%) of the trips occurred within the Twin Cities metropolitan area.

In 2007, the State contributed \$384 million to transit. More than 80 percent of the funding for Minnesota was used to operate transit services in the Twin Cities metropolitan area, including Metro buses (\$220 million), Metro paratransit service (\$31 million), suburban transit providers (\$30 million), and the Hiawatha LRT line (\$22 million).

State public transit assistance is provided by the General Fund and is separately distributed to the seven-county Twin Cities metropolitan area and the remaining areas of the states, collectively referred to as "Greater Minnesota." The Minnesota DOT receives and distributes funding for Greater Minnesota, and the Metropolitan Council MPO is responsible for the Twin Cities metropolitan area. In fiscal year 2007, all of Minnesota's transit funding non-dedicated. In addition to state assistance from the general fund, transportation was publicly supported by Motor Vehicle Sales Tax (MVST) revenue. A percentage of the funds was then deposited in the Greater Minnesota transit fund and the Metropolitan area transit fund. In 2006, voters approved an amendment

to the Minnesota Constitution requiring all MVST revenue to be apportioned for transportation purposes by FY 2012. In 2008, only 63.8 percent of MVST funds were being used for transportation with the remainder going into the state's general fund. This percentage will increase incrementally each year by 10 percent until 100 percent of the MVST funds are earmarked for transportation, 40 percent of which will be contributed to transit. This change in revenue sources was precipitated by legislation in 2001 that prohibited the use of property taxes for transit and decreases in the revenue generated by vehicle registration taxes.

While transit funds in Iowa are flexible between capital and operating, transit funding in Minnesota is legislated for operating uses. In FY 2007, \$220.8 million (93.1 percent) of the \$384 million was allocated for transit operations statewide. Minnesota's operating assistance which is distributed based on legislation appropriates each transit system a fixed-share of funding based on a formula that sets a maximum local share of total operating costs derived from several revenue sources, including farebox receipts, auxiliary revenues, and local tax levels. The remainder of the operating cost is paid from state and federal sources.

The State of Minnesota can, however, provide limited matching funds for capital projects through bond proceeds or funding mechanisms set up by legislation. During FY 2007, the Commissioner of Transportation was authorized under Minnesota Statutes to spend up to \$5 million through June 2008 in federal Surface Transportation Program (STP) funds for capital assistance to public transit systems.

While it is not linked to state funding, as part of the annual report released by MnDOT annually on public transit, agencies submit key system statistics on costs and utilization. In addition they report goals obtained during the previous year, present objectives for the upcoming year, and also highlight long-term goals over the next five years.

Wisconsin

The State of Wisconsin has 78 public transportation systems including 19 urban bus systems, five commuter routes, 43 shared-ride taxi systems, ten county or regional systems, and a streetcar in

Kenosha. Wisconsin is unique in terms of its shared-ride taxi services in small urban areas. In 2006 there were more than 73 million rides on Wisconsin transit services.

In FY 2007, the State contributed \$119.1 million, or \$21.27 per capita, to transit. State funding for transportation projects is provided by the Wisconsin Transportation Fund, which is comprised of Federal funds (26%), state funds (59%), and other funds. A variety of sources comprise state transit funding, including gas tax receipts, vehicle registration/license fees, and other state fees. The majority of funding is used to subsidize operating costs. In 2007 alone, 86.2 percent (\$102.6 million) of the total state transit contribution subsidized operating expenses. On average, state funding covers about 35 percent of operating costs for public transit systems statewide and about 40 percent of operating costs for specialized elderly and disabled systems. Most of Wisconsin's state transit funding program is formula-based; in 2007, 96.6 percent of state funds appropriated for transit were allocated by formula, 1.1 percent was discretionary, and the remaining 2.4 percent was a direct contribution to Amtrak.

Two statutory programs provide state transit funding assistance. The first, the State Urban Mass Transit Operating Assistance Program (85.20 program), is subsidizes operating costs for local public agencies in large or small urbanized areas that have populations of 2,500 or more. Funding in the 85.20 program is formula-based; state systems are divided into four funding tiers based on the size of the service area, with all transit operators within a tier receiving the same percentage of operating costs covered with state and federal funds. Each tier has a separate appropriation in the state budget. A description of the tiers is provided below:

- Tier A1 includes areas with populations over 1 million and annual operating budgets exceeding \$158 million. Operating assistance for 2008 was projected at 53.2 percent of total expenses. Milwaukee County Transit System is the only Tier A1 system in the State.
- Tier A2 encompasses urban systems with populations over 200,000 and annual operating budgets exceeding \$48 million. Operating assistance for 2008 was projected at 45.8 percent

of total expenses. Madison Metro Transit System is the only Tier A2 system in the State.

- Tier B is comprised of urbanized areas with populations over 50,000 and annual operating budgets less than \$20 million. Operating assistance for 2008 was projected at 57.3 percent of total expenses. There are currently 23 Tier B systems, including three county-wide systems, across the State.
- Tier C is made up of areas with populations between 2,500 and 50,000 and annual operating budgets that do not exceed \$2 million. Operating assistance for 2008 was projected at 64.7% of expenses. The tier includes 37 small transit systems and shared-ride taxi services.

Eligible applicants must apply annually and meet several requirements which include providing at least 2/3 of the service within an urban area and not excluding service to a subset of the population, such as the elderly, disabled, or school children. State law requires funds be distributed so that federal Section 5307 and state 85.20 funds cover an equal share of operating costs for transit systems within a tier. In 2007, the average federal and state share was 58 percent. The State allocated \$102 million.

The second program (85.21) provides elderly and disabled transportation assistance to counties and non-profit organization providers. There are two components to this program: County Aid to either directly provide or subsidize transportation services to the elderly and disabled, and Capital Assistance to pay a portion of the cost of purchasing vehicles. County Aid funding is formula-based and is proportional to the elderly and disabled population of the county. The minimum allocation is 0.5 percent of the total annual appropriation or the amount contributed to the county in 1992. Counties that apply must provide a 20 percent local match. Many of the rural areas typically leverage their 5311 funds as local share. Eligible activities include directly providing transportation services; purchasing services from a public or private organization; fare reimbursement for elderly or disabled passengers; volunteer drivers or escorts reimbursement; planning for future elderly and disabled transportation needs; coordinating transportation services; in-service training; or procuring capital equipment. In 2007, the State appropriated \$12.4 million under this program.

The state has emphasized funding elderly and disabled transit since the late 1970s. The program originated because there was no other way to really fund the programs and has continued to have strong political support. While the state has not conducted formal studies to assess the benefits of the program, the success of the program is demonstrated through the high number of trips funded through the Elderly/Disabled Aids programs. During 2007, the Wisconsin s85.21 program funded about 3.3 million one-way trips. The number of trips by purpose (rounded) were 652,000 medical, 785,000 employment, 265,000 nutrition, 90,000 education, 258,000 social, 312,000 personal business and 938,000 other.

There is currently no state program for capital assistance to general public transportation and local projects rely heavily on federal discretionary funding. However, the second program for elderly and disabled transportation services is a capital assistance program to supplement federal funding for projects that benefit this population. Instead of matching federal dollars to offset local match, the state capital assistance for these projects are included within the 80 percent Federal contribution. Combined, the federal and state funds administered cannot exceed 80 percent of the project cost. The program is discretionary with a biennial application cycle. Eligible applicants are private non-profit organizations or local public bodies if the private non-profit organization is not readily available. Funding sources of the program include the gas tax, vehicle registration/licensing/title fees, and miscellaneous fees and revenues. The total amount distributed in 2007 was \$2.9 million; approximately, \$921,000 was used to acquire vehicles.

In addition, to the aforementioned programs, the State supports the Transportation Employment and Mobility Program, which emphasizes transportation services that link low-income individuals with jobs and encourage innovative alternatives to driving alone as well as the Intercity Rail between Milwaukee and Chicago. In 2007, the State contributed \$336,000 to this program.

Wisconsin transit systems are required to undergo management performance reviews every five years and annual cost-effectiveness reviews. The management performance reviews are required for

fixed-route systems and includes peer group comparisons and analysis of functional areas. These are conducted by external sources that also recommend strategies for improvement. In addition, all systems are statutorily mandated to complete an annual cost-effectiveness review that compares the system to peers and identifies outliers for further analysis. Performance measures include operating ratio, expense per revenue hour, cost per passenger, passenger per revenue hour, passengers per capita, and revenue hours per capita. Funding is not contingent upon evaluation results.

New Mexico

The State of New Mexico has four urban transit systems and 26 rural transit providers. Total passenger trip miles on transit in 2007 were 12.9 million, with 76 percent (9.8 million) of trips occurring in the City of Albuquerque.

New Mexico is unique relative to Iowa and the other peer states reviewed. First, the State operates (through a turn-key contract) two systems: the New Mexico Rail Runner Express and New Mexico Park-and-Ride Bus Service which serve Albuquerque and Santa Fe. Secondly, individual urban and rural programs do not receive assistance from the state. State transit funding in 2007 was exclusively appropriated to the services in the urbanized area of the state from both non-dedicated and dedicated funding sources.

In 2007, the State allocated \$56.5 million to transit, resulting in a per capita funding figure of \$28.67. More than 90 percent of this funding was utilized for capital and operating costs for the Rail Runner Express commuter rail service. Put into revenue service in July 2006, the entire commuter rail project was funded through state and local sources. Funding for the first three years of service was covered largely by Congestion Management and Air Quality funds along with ticket revenues and state and local sources. Federal funding is scheduled to end in 2009 as annual operating costs are expected to reach \$20 million. Continued funding for operations is anticipated to stem from bond revenue, State Legislature appropriations, and two regional transit gross-receipts tax increases. Voters in the Rio Metro and North Central Regional Transportation Districts (RTDs) approved a one-eighth percent (roughly 12 cents on

every \$100 spent) increase in the gross-receipts tax in 2008. The tax is expected to generate approximately \$27 million per year. Half of the money raised in the Rio Metro RTD and Santa Fe County in the North Central RTD will be to support the Rail Runner Express. In Rio Metro, the other half will fund surface transit projects within the three-county district. Funding from the new tax is expected to be allocated to the Rail Runner beginning July 2009.

Excluding funding for the new commuter rail service, New Mexico appropriated \$3.5 million in non-dedicated funds to transit in 2007. A total of \$2.7 million was provided to the New Mexico Park and Ride Bus Service to subsidize operating expense and the remaining \$750,000 supported planning efforts for RTDs throughout the State. In 2004, the legislative session passed a RTD bill that will allow funds from the State Road Fund to establish the transit districts but did not identify the amount of funding to be provided. The legislation does allow RTDs to implement taxes through referendum to fund transportation projects, including transit.

Rural systems are funded through federal (administered by the state) and local funding sources only.

Missouri

In Missouri, all urban and nonurban areas have transit service and operating assistance for both urban and rural transportation agencies is subsidized by the state. In total, there are seven urban transit providers, two regional providers, nine county wide systems, 19 municipal/town or community organization services, and two university providers. The total number of passenger trips in FY 2007 was 72,784,771.

In 2007, the State contributed \$7.01 million, or \$1.19 per capita, to transit. The Missouri State Constitution prohibits state gas tax revenue from being used for anything except roads. Instead, general revenue funds, which include state sales and income taxes, and the Transportation Fund are used for transit. The Missouri Legislature established the Transportation Fund for the purposes of constructing, planning, maintaining, developing, and/or operating public transportation facilities or projects as part of the state

or any local transportation program. This program is supported by one percent of sales tax revenue. The State allocates transit funding to two state transit aid programs: Transit Operating Assistance Program and the Missouri Elderly and Handicapped Transportation Assistance Program (MEHTAP). The State Transit Operating Assistance Program is a state funded program for public transit that dates back to 1996. The State Transit Operating Assistance Program is not a statutory program, but rather is appropriated from year-to-year basis by the Missouri legislature. The historic purpose of this program has been to fund transit operating assistance and the state has diligently administered the program without legislation. In 2003, the Missouri Legislature reduced state aid from \$8,367,977 to \$3,765,589 and earmarked \$1.5 million for rural and small urban transit recipients. Over the next three years funding allocations remained the same. In 2007, the state increased funding for the program by an additional \$500,000 of which \$250,000 was legislated to rural systems and \$250,000 to Springfield, Missouri. Springfield received a funding allocation because the city began losing access to Section 5307 operating assistance as a result of its 2000 Census population exceeding 200,000. The rural system funding is allocated by service area populations and the \$250,000 is added directly to Springfield's allocation. Currently, Springfield is no longer receiving earmarked funds and there are no transit agency specific earmarks in the State Transit Operating Assistance Program for FY 2009. There are currently seven public urban transit providers and 27 rural transit providers receiving state operating assistance.

State Transit Operating Assistance can be utilized as local match for Section 5311 and Section 5307 funded operating projects. The state program is not formula-based; rather money is distributed based on historical allotments. The rural portion of state transit assistance is allocated to rural transit agencies based on service area population relative to the entire Missouri rural population. State transit aid has remained relatively constant from year to year; urban transit agencies receive the same amount as the prior year if the total state transit funding remained the same for the next year. State funds accounted for one percent of operating expenses for large urban systems and four percent for small urban and rural systems.

MEHTAP is a non-earmarked, statutory program that dates back to the 1980s. Funds are used to offset the cost of providing service to the elderly and persons with disabilities. Currently, the program appropriates operating funds for 179 nonprofit organizations based on a formula. MEHTAP considers trip purpose as a factor in funding allocations. In 2007, \$2.8 million was allocated, which offset 9 percent of the total cost of trips provided.

MoDOT does not evaluate the performance of operators/agencies that receive funding. MoDOT collects ridership data and vehicle mileage reports on public transit services. This information is collected each year by the Department based on statewide performance measures for ridership, average days per week rural transit service is available, and number of intercity bus stops in Missouri. The data serves as an indicator for success and helps the Department determine if transit service improvements are necessary. But the Department neither evaluates the transit agency's performance nor allocates state transit assistance based on the data.

Illinois

Illinois was included as a peer state because of its geographic location in the Midwest and mixture of both urban and rural public transportation services. Public transportation in Illinois is provided by 52 transit agencies throughout the State. In comparison to Iowa, Illinois has more transportation providers and three times more ridership. Similar to Iowa, the highest percentages of passenger trips occur in large urban areas. In Chicago, the third largest populated city in America, three (3) transit agencies provide public transportation services in the metropolitan region, which accounted for 574.1 million (90.5%) of the State's 567.7 million passenger trips during FY 2007.

In FY 2007, the State expended \$489.9 million (\$38.82 per capita) on transit. Public transportation funding for Illinois comes exclusively from sales tax revenue in the General Fund and legislation restricts use to operating expenses. Transit funding in the State is primarily allocated based on historic need and in the case of the rural program, is also partially based on population. Public transportation agencies in Illinois receive a fixed percentage of sales tax collected in

their respective regions. State public transportation funding is allocated to the three (3) following regions in Illinois:

- Regional Transportation Authority (RTA). Consists of the six-county northeastern Illinois region, in which the RTA oversees three of Illinois' largest public transportation systems. These systems are the Chicago Transit Authority (CTA), Metra commuter railroad, and Pace suburban bus system. The primary source of funding for the RTA derives from sales tax, and the secondary source is the Public Transportation Fund, which is annually appropriated by the Illinois General Assembly in an amount equal to 25 percent of the total sales tax revenues.
- Metro (formerly known as the Bi-State Development Agency). Metro provides transit service to 26 communities in the Metro-East St. Louis area. The agency is allocated 80% of the sales tax collected in the prospective community's region.
- Downstate Illinois. Downstate Illinois consists of the 44 transit providers and 10 urban transit systems that provide service outside the Chicago metropolitan region and southwest Illinois. In an effort to improve public transportation services in downstate Illinois, about \$78M in state assistance was provided to downstate providers (including E. St. Louis) in operating expense in FY 2007.

The State also provides partial reduced fare reimbursement for discounts provided to students, elderly, and disabled riders. The reduced fare reimbursement is subject to annual appropriations by the Illinois General Assembly; with an estimated \$36.3 million anticipated in 2007 RTA budget. In addition to these allotments, agencies receiving operating assistance must meet minimum farebox recovery ratios. In northeast Illinois, state operating aid cannot provide more than 50 percent of the operating budget. Downstate, the funds cannot provide more than 55 percent of the operations budget.

Kansas

The State of Kansas is a Midwestern state that is predominately served by rural transit. Approximately 180 small transit operators provide a fragmented patchwork of mostly demand-response transit service

spread over the rural areas of the State. In the more densely populated urban areas of the State, two (2) large transit operators offer scheduled bus service along fixed routes. The largest urban transit providers, Wichita Transit, and Kansas City Transportation Authority, accounted for 71.6 percent of the passenger trips in the State during FY 2007. There were 10 million passenger trips across the State in FY 2007.

In 2007, Kansas contributed \$6 million (\$2.16 per capita) towards public transportation funding as compared to \$10.8 million in Iowa. The State has programmed \$6 million per fiscal year through FY 2009. Contributions come exclusively from the Comprehensive Transportation Program (CTP), which is divided between rural (41%) and urban (59%) transit agencies. Under the CTP, the State provides \$3.5 million per year for urban transit and \$2.5 million per year for rural transit.

In contrast to Iowa, Kansas's funding process is exclusively discretionary. Selection in Kansas begins with needs requests compiled by various transit agencies. Requests are screened by 15 coordinated transit districts (CTDs) that evaluate the requests in light of district wide needs. The recommendations made by the CTDs are then forwarded to the state DOT transit division, which then notifies the final fund recipients. These funds can be utilized for both operating and capital needs, and, similar to other states, the majority is provided for operating expenses. Of the \$6 million in transit funds, 63.5 percent and 36.5 percent were allocated to operating and capital expenses respectively in FY 2007.

South Dakota

Approximately 70 percent of South Dakota is served by some form of transit. A total of 52 organizations provide service, ranging in size from daily fixed-route/fixed-schedule services to demand response services offered by senior citizen centers in rural small towns. There are only two urban systems, Rapid City and Sioux Falls, which carried a combined 1,258,831 passenger trips in 2007. Rural Public Transportation and Specialized Transportation organizations, however, had 42 percent more trips, totaling 1,792,264.

South Dakota transit is primarily funded through federal sources. Total state transit funding in FY 2007 was \$750,000, compared to the \$11.9 million provided from federal sources. As rural regions have higher ridership and more transit services, state funding is concentrated in these areas. In 2007, 89 percent (\$630,000) of total state funding was appropriated to rural transit operators, while 11% (\$75,000) was distributed to urban systems. The state funding equates to \$0.94 per capita, significantly lower than other peer states reviewed. State monies are allocated from the South Dakota Public and Specialized Transportation Assistance Fund and are used as matching dollars for Federal grant programs. Although all funds distributed in 2007 were utilized for operating expenses, funding is flexible. The distribution methodology is discretionary or formula-based and is contingent upon the Federal funding program matched. The following criteria are used to allocate state dollars:

- Discretionary Transit Capital (Section 5309) Grantee– Awarded state percentage grant to be used as part of total capital purchase;
- Urban Transit (Section 5307) Grantees – Awarded based on the grantee's share of the total urban population (347,768) within South Dakota; and
- Rural Transit (Section 5311) Grantees – Awarded based on three criteria: (1) annual transit vehicle miles driven by each grantee; (2) annual number of passenger trips provided by each grantee; and (3) the annual amount of local revenues and local funds expended by grantee.

Though not required on a fixed cycle, recipients of state matching grants may be requested in writing to submit copies of federally mandated transit performance and fiscal reports for departmental review, information collection, and reimbursement purposes. Beyond the criteria used to appropriate state assistance, there are no evaluation measures in place that directly affect state funding.

Nebraska

Nebraska was included as a peer system because it is a Midwestern state with a mix of urban and rural transit systems. There are total of six urban systems operating in the cities of Bellevue, Omaha, Papillion, Ralston, Lincoln, and South Sioux City. Nebraska has

a significant number of rural transit providers. There are sixty-one rural transit systems spread across the State and service operates in 74 of Nebraska’s 93 counties. In 2007, the total number of passenger miles was 6,127,893. Total FY 2007 state transit funding was \$2.9 million or \$1.63 per capita. The state budget nearly doubled from 2006 to 2007.

Total state transit funding in Nebraska was \$2.9 million for FY 2007 or \$1.63 per capita. Funding sources include the Gas Tax (61 percent), Motor Vehicle/Rental Car Sales Tax (26 percent), Title Fees/Registration/License (12.2 percent), and interest income (one percent). Out of the total \$2.9 million, \$2.8 million was allocated to the Transit Operations program and \$100,000 for the Intercity Bus program. One hundred percent of the \$2.9 million received in FY 07 was non-dedicated funding.

By statute, the State limits transit funding to operating expenses only. State operating support is provided on a deficit basis, limited to a cap determined by a formula. State funds are distributed to both rural and urban transit systems, although there are only two major urban systems in the state (Omaha and Lincoln). The bulk of state funds are used as matching dollars for Federal funds that are allocated for operating expenses.

Nebraska does not evaluate the performance of recipients of state transit aid.

Vermont

Vermont is a predominately rural state with similar geographic features to Iowa. The state has a total of 12 transit agencies including one regional authority, one transit district, one town and nine private nonprofit corporations that provide local and public transportation. The agencies operate a variety of services including fixed route, commuter express routes, deviated fixed route and demand response service. In FY 2007, the total number of passenger trips in the urban area was 2,001,400. The bulk of these trips were located in Chittendon County. The total number of passenger trips in the rural areas of Vermont was 3,520,300.

In FY 2007, the State contributed \$6,167,000, or \$9.93 per capita, to transit. State funds are available to

recipients that have populations between 50,000 and 200,000 and Section 5311 non-urbanized recipients. There is currently only one urban recipient (Burlington) and eleven rural recipients. One of the rural recipients is also funded by the State of New Hampshire. Vermont funds its transit program through the Transportation Fund, one percent of which is dedicated funds. Transportation Fund is used to support local transit operations as well as match operating, capital, and Job Access and Reverse Commute programs.

The State legislates how transit funds are spent. By statute, Vermont has a funding formula for all operating grants. Roughly, 79 percent of transit funds are for operating projects and 21 percent are for capital projects. The State appropriates capital funds on a discretionary basis and typically provides half of the 20 percent local match required for agencies to receive federal dollars. A breakdown of funding uses for capital and operating are as follows: \$455,000 or 7.4 percent for capital projects; \$4,911,600 or 79.6 percent for operating expenses; and \$800,000 as local match for planning efforts and administrative salaries.

Vermont does evaluate the performance of operators that receive funding and service is reviewed on a route by route basis. Depending on the type of route, they are evaluated based a productivity criterion and a cost effectiveness criterion as outlined in the following table (from Vermont Agency of Transportation – Public Transportation Policy Plan – Feb 2007).

Class	Productivity Measure	Cost Measure
Urban	Passengers/Mile	Cost/Passenger
Small Town	Passengers/Hour	Cost/Passenger
Rural	Passengers/Hour	Cost/Passenger
Commuter	Passengers/Trip	Cost/Passenger
Demand Response	Passengers/Hour	Cost/Passenger
Volunteer	Passengers/Trip	Admin Cost/Trip
Tourism	Passengers/Hour	Cost/Passenger

The State calculates average metrics for each type of route based on national data and allows their systems to operate at half of the productivity measures and no more than twice the cost measures. Any routes that do not meet these thresholds for two consecutive years, VTTrans will work with agency to increase ridership

though marketing efforts, or route alignment. If the route continues to perform below standard, the funding is discontinued and used to fund other unmet transit needs in Vermont.

Oregon

Oregon is a predominately rural state with urbanized areas located in Portland, Salem, Eugene, Corvallis (Willamette Valley Corridor), Medford (southern Oregon) and Bend (central Oregon). There are three major urban transit systems that provide service in the cities of Eugene, Portland, and Salem. There are over sixty transportation agencies that serve the rural areas of the State. Transit service in the rural areas is primarily demand response and is used heavily by seniors and people with disabilities. In FY 2007, there were a total of 113.6 million passenger trips in the urban areas and 6.7 million trips in the rural areas. People with special transportation needs such as seniors and the elderly took 3.7 million van or volunteer trips.

State transit funds allocated by the State of Oregon are generally used for operating expenses and to match federal grants. In FY 2007, the state allocated \$74.1 million or \$20 per capita. This was a significant increase over the \$36 million expended in FY 2006, primarily due to a one-time capital expenditure of \$35 million for a commuter rail project in the Portland region. Excluding this expense, state transit support in 2007 was \$10.60 per capita. Funding sources were the gas tax (4.8 percent), bond proceeds (5.8percent), interest income (1.9 percent), and other sources (87.5 percent) such as miscellaneous taxes and lottery proceeds.

Oregon has several financing mechanisms for transit. The majority of state funding is, however, allocated to special programs, including elderly and disabled, passenger rail, and new fixed-guideway projects. Oregon legislates how transit funds are spent. Additionally, legislature prohibits the use of vehicle and fuel taxes to fund transit. State dollars can be distributed to local service providers in two ways:

- (1) Through a formula based primarily on service-area population.
- (2) Through a biennial discretionary grant solicitation that combines multiple sources of

federal and state funding.

The largest program for transit funding assistance is the Elderly and Disabled Special Transportation Fund (STF), a legislated program administered by the ODOT Public Transit Division to support transportation services for the elderly and persons with disabilities. This program originated in collaboration with social services and transit out of an assessment of senior needs done in the early 1980s. Having a transportation choice for Oregon older adults and individuals with disabilities has been consistently supported politically and in planning surveys conducted over a number of years. Oregon has a history of support for community based living, and human services agencies prioritize maintaining clients in their home environment for as long as possible. Public transportation is recognized as a critical element for success in maintaining independence. The STF is comprised of cigarette tax revenue and Transportation Operating Funds provided by ODOT. A total of 3.45 percent of the 89.65 percent cigarette tax revenue General Fund allotment is distributed to the STF. In FY 2007-2009, approximately \$19 million was deposited into the fund. There are currently 42 entities eligible for funding. Collectively designated as STF agencies, the entities include 33 transit districts or counties and nine federally-recognized Indian Tribes. Funds may be used to provide transit-related services such as operations, capital equipment, planning, and travel training.

The STF is distributed through two accounts, the STF Formula Program and the STF Discretionary Grant Account. After administrative costs, 75 percent of the budget is allocated to the STF Formula Account and 25 percent is provided to the Discretionary Account. The STF Formula Program is not a grant program. Rather, all 42 designated STF entities are entitled to a percentage of the STF Formula Account based on the population of the area compared to the state population. The Oregon Transportation Commission sets a minimum allocation annually and for the FY 2007-2009 budget that amount was \$38,000 for the year. The STF agency receives the greater of the population-based allocation or the minimum allocation. For STF Agencies with less than \$38,000 in their population-based share of the STF, additional funds from the Discretionary Account are added to the population-based share up to \$38,000. Remaining

funds are transferred to a discretionary account. Individual STF Agencies may submit an application for up to \$2,000 of the amount in this fund to defray administrative expenses.

Funds remaining after payment of the minimum allocation and additional administrative allotment are combined with the 25 percent share of the total STF budget to fund the STF Discretionary Account. The Oregon Transportation Commission determines how the discretionary funds are spent. The dollars are distributed through a competitive grant application to projects defined by the Commission as having statewide importance for elderly and disabled transportation. Eligible recipients are the STF Agencies. Projects funded by the grant account are governed by an agreement between ODOT and the STF Agency that includes defined performance and financial expectations. Through the STF funding accounts, the geographical distribution of funding has generally been equal as it is based on population distribution, however, the lowest population counties and tribes do get disproportionately higher amounts because of the base set aside. The base set aside is predicated on the idea of allowing all areas to establish programs.

While Oregon has a fairly robust program for Elderly and Disabled Services, the State provides limited support for general public transit. The state has legislation that offers a local payroll tax to transit districts from state employees' payroll in their districts. Administered by the Department of Administrative Services, this funding is allocated to transit districts for transit operations and capital expenditures. The "in-lieu-of" payroll tax is based on state employment within the transit service district. Eligible entities receive 0.6 percent of state wages paid locally, but subsidy cannot exceed the amount the district receives from its own taxes.

Oregon does, however, provide a variety of capital financing mechanisms that can be used by both specialized and non-specialized transit providers. The state has legislation that allows for contribution of FHWA STP funds to transit for Special Transportation Program purposes. These funds are distributed as part of the state's Capital Program, which administers Federal discretionary capital grants. The STP funds are typically combined with 5310 funds but are on

occasion flexed to 5311. The most common project is to replace transit vehicles that have met or exceeded the useful life vehicle condition standards established by the division. The division also provides funding for vehicle purchases to expand public transportation services in Oregon as well as capitalized preventive maintenance. Grants are also provided to assist in purchase and construction of a variety of facilities and capital equipment to support the provision of public transportation service in Oregon. For larger, urban providers, the funding helps to relieve some of the cost of complementary paratransit in vehicle purchase, preventive maintenance and contracted service. The program has \$4 million each biennium to replace urban fixed route vehicles.

A more recent fund, Connect Oregon, is a lottery bond based initiative to fund multimodal (air, rail, marine and ports, and transit) transportation. The fund leverages investments in the highway network and the ongoing Statewide Transportation Improvement Program. Criteria considered for funding included reduced transportation costs for businesses, economic benefit to the state, jobs retained or created, linkage between modes of transportation and geographic areas, the contribution toward the project by the applicant and whether the project was ready to construct. The legislation established five regions across Oregon counties and required that at least 15 percent of the proceeds be allocated to each of the five regions. The first \$100 million authorization in 2005 funded 39 projects including several transit facilities, a Pioneer Parkway Bus Rapid Transit Project, and the Portland Streetcar Lowell Extension Project. The second \$100 million authorization in 2007 funded 30 projects, including transit facilities and the Port Westward Railroad System Wye (rail improvement to allow locomotives to turn around at the port to return to Portland metro area).

Additional support for capital projects across the state are legislated on an as-needed basis. Special transit projects funded by the state in 2007 through legislation included:

- TriMet Urban Light Rail Program: A discretionary allocation of lottery profits for debt service and bond repayment for the Portland West Side Light Rail
- Oregon Passenger Rail Program: A discretionary allotment for operation, equipment, and track

improvements for Oregon High Speed Rail Program through ODOT Rail Division. Also included match for Amtrak Thruway bus connection to rail. The \$4.7 million dollar contribution was funded by the gas tax and general property and income tax revenue.

- Commuter Rail Program: A one-time contribution of \$35 million for developing a suburban commuter link with high tech industrial areas external to the Portland Metro Area for track improvement and trains.
- Oregon Streetcar Fund: Created in 2007 to finance grants for municipalities to purchase rail-based streetcars. Streetcars must be purchased from an Oregon-owned and Oregon-based manufacturer. The projects can potentially generate up to 300 permanent new manufacturing jobs. Beginning in first quarter of 2009, roughly \$20 million dollars of lottery backed revenue will be made available.

Because almost all of the participants in Oregon's STF and rural program receive coordinated state and federal resources, there is little difference in standards for administration or monitoring for entities. All report similarly and are reviewed similarly. Oregon does not have separate agencies for different programs. Most entities combine various funds to sustain and improve services. The exception is client-only non-profits who do not get operations funds. Each provider submits a quarterly report of their activity but there is no separate state evaluation process in place.

Summary of Findings

The objective of reviewing the survey of state funding and undertaking a peer review of similar systems was to determine how other states fund their transit program and provide an assessment of how Iowa compares to its closest peers. Major findings include:

- Iowa is unique compared to its peers in terms of transit funding and size of its transit program.
 - Compared to its closest peers in terms of population size and density, Iowa generally spends more per capita than its peers.
 - States fund transit from seven primary sources: gas tax, general funds, bond proceeds, motor vehicle/ rental car sales taxes, general sales taxes, registration/license/title fees, and interest income. Several miscellaneous categories that include transportation trust funds, fuel taxes, general fund contributions, vehicle use taxes, property sales and assessments, a documentary stamp tax, lottery proceeds, corporate fees, sales tax on lubricants and motor oils, a tire tax, and a cigarette tax, are collectively identified as "other."
 - Major transit funding mechanisms used by other states but not in Iowa are the Gas Tax, Bond Proceeds, General Fund, Vehicle Registration/ Title/License Fees.
 - Many other states have established a "trust fund" that is used to fund transit. The efficiency and potential funding capacity of each of these funding types should be explored in more detail depending on their applicability and assessed needs in Iowa.
 - Looking at the Midwestern states, Iowa allocates fewer dollars per capita than its peers with major metropolitan areas (MN, WI, IL) but more than its peers with similar sized metro areas (SD, NE, KS, MO). Missouri being the possible exception.
 - Typically, Iowa peer states invest the majority of their funding in the largest metropolitan areas. In the cases of Minnesota, Wisconsin, and Illinois, statewide expenditures on transit per capita are more closely aligned with Iowa when the metropolitan allocation is excluded from the calculation. For Iowa, this could potentially give some indication on how the state should allocate funding to the Des Moines region, relative to other regions of the state.
- Most of Iowa's peer states dedicate the bulk of their funding (80%-100%) to providing operating assistance for urban or rural systems. In WI, MN, and IL, these funds provide 50 to 60 percent of the operating cost of systems in the State. Iowa does not dedicate its funding for operating or capital (funds may be used for either).
 - Two of the peer states, Oregon and New Mexico have programs in place that address similar issues of concern in Iowa –transportation for elderly populations and energy conservation. As the Iowa Passenger Transportation Funding Study continues, more research on the senior transportation based program in Oregon and the commuter based program in New Mexico will be conducted to gain more insight into the reasons behind their programs and the benefits achieved.