

Oregon Transportation Forum Subcommittee on Revenue

Transit Operations and Capital Funding

KEY QUESTIONS:

1. How to provide dedicated funding for transit operations for diverse transit providers?
 - a. Larger urban providers - e.g. TriMet and Lane Transit District
 - b. Mid-sized providers – e.g. Salem Keizer Transit (possibly classified up), Rogue Valley Transportation District, City of Corvallis, Bend Transit
 - c. Small and rural providers – e.g. Tillamook, Community Connection of Baker County, Basin Transit, Confederated Tribes on the Umatilla
2. How to provide for capital needs?
3. What Federal funding is being left on the table?
4. How to support intercity transit?

CONCEPTS: Operations Funding

Payroll Tax on Employees – STATEWIDE

- **Concept:** Implement a .1% payroll tax on employees statewide to provide transit statewide.
- **Pros:** Broad-based and low; small increment raises significant funding.
- **Cons:** May generate opposition from non-metro legislators and those without current strong transit presence; not considered as progressive as income tax; possible increased cost of administration.
- **Questions/Comments:**
 - Excluding current payroll tax entities, how much money would a statewide employee-side payroll tax of .1% raise? ~\$25.5m per year
 - What does the distribution look like? Based on population?
 - Who controls distribution?
- **Potential Refinements/Amendments:**
 - Require comparable statewide employer payroll tax.
 - Create mechanism to mitigate regressive tax impact on employees.
 - Create cap on tax liability for certain taxpayers.
 - Allow local governments to opt in to payroll tax regime rather than creating a statewide mandate.

Income Tax Surcharge – STATEWIDE

- **Concept:** Implement a permanent income tax surcharge for to fund transit statewide.
- **Pros:** Broad-based and low tax incidence; small increment raises significant funding; administration already in place; progressive tax, statewide positive impact rather than regional focus.
- **Cons:** May generate opposition from non-metro legislators and those without current strong transit presence.
- **Questions/Comments:**
 - What level? \$60m/\$120M/\$160m?
 - What does the distribution look like? Based on population?
 - Who controls distribution?
 - How much \$ would be raised with a 2.25% surcharge on income statewide?

Payroll Tax on Employees – TriMet/LTD

- **Concept:** Implement a .185% payroll tax on employees in transit districts with a business payroll tax. ~\$80m/year.
- **Pros:** Broad-based and low; mirrors current business payroll; small increment raises significant funding; administration already in place.
- **Cons:** Only for payroll tax entities; everyone pays regardless of income
- **Questions/Comments:**
 - Are there options for mitigating regressive impacts such as exempting low income employees?
 - Should it be capped?
 - Does it require a 3/5 vote?

Income Tax Surcharge – TriMet/LTD

- **Concept:** Implement a permanent income tax surcharge for certain Transit district areas. Rough estimate from TriMet service district: 2.25% surcharge = ~\$70 million
- **Pros:** Collection will be as progressive as current income tax; broad based and low.
- **Cons:** No precedent for a permanent surcharge; collected through the income tax regime with the technicality and difficulties of collection and costs.
- **Questions/Comments:**
 - Who is natural opposition?
 - How does it apply around the state, outside TM service district?
 - Does it require a 3/5 vote?

Incentives for Increased Local Contribution

- **Concept:** Provide incentives for passing local measures
 - E.g. District qualifies for employee payroll tax if locality passes employer payroll tax
 - E.g. District eliminates property tax but gets employer and employee payroll tax
- **Pros:** Incentives may break down barrier to local funding by providing a lower, broader base
- **Cons:** ?
- **Questions/Comments:**
 - Are these incentives enough to make a difference?

Match Federal Funds – Small Transit

- **Concept:** Set up fund to assist transit providers with match for federal grants. Many small transit districts struggle to find matching funds for Federal grants.
- **Pros:** State commitment will be matched, increasing ROI; provides direct, flexible funding to transit providers.
- **Cons:** Will funds equally benefit all transit providers? How much federal funding is left on the table?
- **Questions/Comments:**
 - If this concept is paired with the above Employee Payroll Tax or Income Tax Surcharge concepts for large transit agencies, those agencies could forgo certain paratransit funding and help pay for this fund.
 - This could be a fund where other smaller dedicated funding ideas (see below) could be directed first.
 - Total Federal funding to be matched: ~\$21m
 - How much Federal \$ is left on the table?

Marijuana Tax for Transit

- **Concept:** Add statewide tax to recreational marijuana sales. Distribute to Special Transportation Fund, or above matching fund.
- **Pros:** Possibly state-wide; already a nexus with cigarette taxes; growing resource; possible health and safety angle
- **Cons:** ?
- **Questions/Comments:**
 - Opportunity to get in on front end of new revenue stream.
 - Questions about how to implement and at what level.
 - Is this stable?
 - Could be a source for *statewide* transit funding.

Increase Cig Tax and/or increase share of Lawnmower Fund and ID Cards

- **Concept:** Increase current cigarette tax and/or increase transit's share of lawnmower fund and State ID Cards.
- **Pros:** Transit already receiving funds from these sources; stable; nexus with cigarette taxes
- **Cons:** Cigarette taxes are a declining resource; big tobacco.
- **Questions/Comments:**
 - Could instead be part of tax on non-cigarette nicotine delivery systems?
 - \$.02/pack = ~\$2m/biennium
 - How much \$ is in the lawnmower fund? \$10,844,400, of which 60.7% (\$6,582,989) goes to the Special Transportation Fund.
 - How much generated by State ID card? \$8,070,517, of which 53% (\$4,273,835) goes to the Special Transportation Fund.

Dedicate Lottery to Transit Operations

- **Concept:** Similar to the 1.5% for vets referral the Legislature passed in 2016, the Legislature could refer out a similar concept for dedicating lottery \$ for paratransit operations. 1% = ~\$12/biennium.
- **Pros:** Precedent for dedication; dedicated funding is usable for operations and capital.
- **Cons:** Requires referral; Constitutional change; possible opposition from current lottery beneficiaries, initiatives on the November 2016 ballot already will dilute lottery resources further if they are approved.
- **Questions/Comments:**
 - 5% dedication would provide transit providers ~\$30 million per year.
 - Could be combined with a ConnectOregon proposal.
 - If passed, could remove transit from ConnectOregon (new revenue would make up for lost CO opportunities)

CONCEPTS: Capital Funding

Bus Electrification/Bus Replacement

- **Concept:** Direct a portion of the Volkswagen settlement towards assisting transit agencies with transitioning from diesel to electricity and helping smaller transit agencies replace old, pre-2007 buses that have not been retrofitted.
- **Pros:** TriMet and Lane Transit District area heading towards bus electrification. An investment now would advance this process significantly. For smaller transit agencies, removing polluting pre-2007 buses off the road would both alleviate capital costs while also dramatically lowering emissions.
- **Cons:** ?

CONCEPTS: Other

Statutory Changes

- **Concept:** Are there statutory changes that could make raising local funds easier or more likely?
 - For example: Allow transit district boards to implement employer payroll tax by board vote – ORS 267.302

Accountability Measures

- What are they? ODOT will develop 1-pager on current measures