A QUICK LOOK AT TRANSIT FINANCE IN SMALL URBAN AREAS

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SOURCING THE NON-FEDERAL SHARE FOR TRANSIT OPERATING BUDGETS

- Passenger Fares
- Advertising, Business Sponsorships, etc.
- Third-party Grants, Contracts, Service Agreements
- Local or State Government Revenues
  - Dedicated Taxes
  - General Revenues
COMMENTS ON TAXES AND TRANSIT

• Sales Taxes, Fuel Taxes, Other Excise Taxes
• Taxing Other People: Lodging, Rental Cars, Gaming, etc.
• Income Taxes
• Property Taxes
• Comment 1: Is the tax dedicated to transit, or not?
• Comment 2: Different strategies sometimes are better for financing major capital projects
WHAT ABOUT ECONOMIC DOWNTURNS?

• Taxes on consumption and discretionary activities are the first to decline; examples include sales taxes, fuel taxes, lodging and travel-related taxes, other taxes on business activities

• If downturns persist, income tax collections start their own downturn, as do taxes on major activities (such as taxes on real estate transactions, sales of automobiles and durable goods, other transfer taxes)

• When property tax collections decline, it could “simply” be on account of defaults. That’s bad, but significant declines in assessed valuations are even worse.
CAN TRANSIT FINANCE BE RECESSION-PROOF?

Not really, but here are strategies to pursue:

• Diversify your funding streams
• Elasticize your operating model
• Solidify the business case for transit that makes sense in your community, and commit your local leaders – public and private - to its support
• When your local economy goes down, demonstrate – prudently – how transit will help your community rebound
GREAT! LET’S DISCUSS

• Some CTAA observations and experiences
• Your observations and experiences
• Next steps: How can we help one another? What can CTAA do to help you?

To follow up:
Chris Zeilinger, Assistant Director, CTAA
zeilinger@ctaa.org; 202-250-4108