

**Vermont Public Transit Local Funding
Act 40 (2015)
Section 10(b)**

January 15, 2016

Submitted by:

Vermont Agency of Transportation

For:

House Committee on Transportation

Senate Committee on Transportation



TRANSIT LOCAL FUNDING STUDY

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1.0 EXECUTIVE SUMMARY

In Act 40 of the 2015 session, the Vermont Legislature directed the Vermont Agency of Transportation (VTrans) to study new funding mechanisms for transportation. This document considers new funding mechanisms for transit services, with a particular focus on local funding sources, and is meant to complement the overall funding study.

Vermont has a range of policies in place that are related to transportation and support increased efficiency and investment in public transportation service and infrastructure. These include legislation regarding land use and growth patterns (see VSA 24, Chapter 117), a statewide comprehensive energy plan, a statewide economic development plan, and an Executive Order integrating health considerations into all policies and programs. These policies generally support focused land use development and support transit in an effort to promote economic development while minimizing costs (environmental, emissions, land consumption, health or infrastructure).

Of the \$32 million currently spent annually statewide to operate Vermont's public transit systems, approximately half comes from the Federal Transit Administration (\$16.6 million). The federal role among the rural operations (excluding CCTA) is more prominent, with FTA money accounting for nearly two thirds of the \$21 million rural total. The State of Vermont funds about 20% of transit costs in both the state as a whole (\$6.4 million), and in the rural areas (\$4.1 million). The remaining (local) portion of transit funding, which is the focus of this study is \$5.8 million in Chittenden County and \$3.2 million in the rest of the state.

Over a five-year span, \$1.65 million in new urban local funding and nearly \$900,000 in new rural local funding would have to be obtained cumulatively over and above the current annual funding amounts to maintain existing levels of service. Additional funds would be required to achieve the increase in service to meet the energy plan goal of doubling ridership.

Various changes in the transit landscape are increasing pressure on transit providers to add service, including a growing emphasis on regional commuter connections, expanding demand among an aging population and a young generation more interested in alternatives to driving, and an historic reversal in the trend of vehicle miles of travel.

A literature review, presented in detail in Appendix B, revealed a wide range of potential funding mechanisms. Two summary reports, from the Transit Cooperative Research Program and the Victoria Transport Policy Institute, evaluated the available options and highlighted those that may be more applicable in an environment like Vermont.

At the statewide level, a large series of funding options were identified and their potential revenue yield was calculated. These are evaluated in detail in the broader transportation funding study. This study considers how revenue generation at the state level can be used to support the local share of transit operations. It also looks at regional funding mechanisms and local funding for public transit. Several specific options for local funding are considered.

2.0 INTRODUCTION

2.1 | LEGISLATIVE IMPETUS

In Act 40 of the 2015 session, the Vermont Legislature directed the Vermont Agency of Transportation (VTTrans) to study new funding mechanisms for transportation. In particular, section 10 (b) of the law states:

The Agency, in consultation with the Joint Fiscal Office, also shall identify and evaluate funding sources, other than local property taxes, to support the local share of increasing costs or the expansion of public transportation services statewide.

As will be discussed in more detail below, the cost of operating current services increases every year and the demand for new services is also growing, but municipalities have little capacity to give substantially more money to transit providers from their property tax revenue, which must support education spending and many other local needs. While future spending levels from the federal and state governments are unclear, it is clear that transit providers will need continued funding from local sources and that alternatives to local property taxes offer the best prospects for additional revenue.

2.2 | CONTEXT AS PART OF BROADER STUDY

Paragraph (a) of section 10 directs VTTrans to “identify and evaluate funding sources, other than motor vehicle fuel taxes, that will be sufficient to maintain the State’s transportation system.” That broader study will look holistically at transportation funding in Vermont, considering an exhaustive list of potential funding sources.

This study includes a summary table of the revenue options identified in the broader study and considers ways to dedicate a portion to public transit. As discussed below, funding transit will be considered at the state, regional and local levels.

In addition to the funding mechanisms that are being examined in the broader study, this study will look at options that are more closely tied to public transportation. While many examples across the United States use funding mechanisms with no direct connection to public transit or even transportation to help pay for transit service such as cigarette taxes, utility fees, etc., most of the literature on transit funding emphasizes that voters are more accepting of new fees and taxes when they can see a direct relationship to the transit service funded by the fee or tax.

2.3 | POLICY FRAMEWORK

Vermont has a range of policies in place that are related to transportation and support increased efficiency and investment in public transportation service and infrastructure. These include legislation regarding land use and growth patterns (see VSA 24, Chapter 117), a statewide comprehensive energy plan, a statewide economic development plan, and an Executive Order integrating health considerations into all policies and programs. Details regarding land use and energy policies can be found in Appendix A.

In terms of land use and growth patterns, Vermont statutes encourage consolidated growth in village and urban centers. These development patterns support multiple modes of transportation, reduce infrastructure burdens of growth, and protect farm and forestlands. An effective public transportation system is an integral part of this vision of smart growth and preservation of the unique character of Vermont. As future growth follows the principles laid out above, the demand for transit service will increase, adding to the need for more funding from federal, state and local sources.

The Vermont Public Service Department is currently updating its Comprehensive Energy Plan (CEP). This plan seeks to reduce energy consumption in the state and move toward renewable sources of energy. Chapter 8 of the CEP concerns transportation and contains several policy recommendations and goals that are related to public transit. A primary goal is to reduce total transportation energy use by 20% from 2015 levels by 2025 and doubling public transit ridership 2030 (pgs. 124 & 125). The CEP emphasizes the role land use planning and transit use have in supporting these goals. If Vermont is to reach its ambitious goals of reduced energy consumption, it will have to establish and support a more robust public transportation system to complement future compact development.

The Vermont 2020 Comprehensive Economic Development Strategy (CEDS)¹, published by the Agency of Commerce and Community Development, lists twelve target economic sectors “as showing particular promise over the next five years.” (p 78) To support growth and investment in these sectors, the document identifies a physical infrastructure “Action Area” that includes transportation among seven other infrastructure components. The report includes a strategy recommendation to “[b]uild networked commuter access to major urban hubs and employment centers from outlying towns and residential communities.” (p. 58) Thus, the CEDS report promotes the growth of commuter-oriented public transportation to support economic development and job access.

On October 6, 2015, Governor Peter Shumlin issued an Executive Order creating a Health in All Policies task force and directing nine state agencies and departments to “more fully integrate health considerations into all state programs and policies, and promote better health outcomes through interagency collaboration and partnership.”² The Agency of Transportation was one of the nine specified partners and was empowered to “include health criteria in regulatory, programmatic and budgetary decisions.” Although public transit was not mentioned explicitly in the order, walking and using public transit to accomplish local and regional travel instead of driving can lead to better health outcomes. Future activities and programs undertaken by VTTrans will likely place at least as much, if not more, emphasis on public transit’s role in the state’s transportation network.

¹ <http://accd.vermont.gov/sites/accd/files/VT%202020%20CEDS.pdf>

² http://governor.vermont.gov/sites/governor/files/executive_orders/EO%2007-15%20Health%20in%20All%20Policies%20Task%20Force.pdf

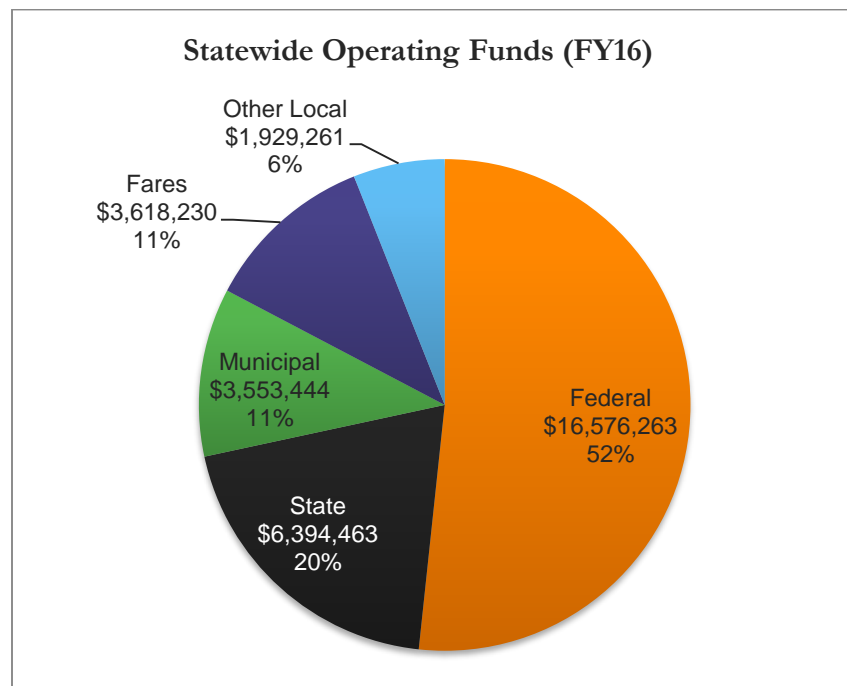
2.4 | EXISTING SOURCES OF TRANSIT FUNDING

The current public transit system in Vermont costs about \$32 million to operate. This annual figure does not include capital expenses such as vehicles, buildings or shelters. Roughly one third of that amount (\$11.3 million) is accounted for by CCTA urban service, based in Chittenden County. The other \$21 million is spread among nine rural operations, with Marble Valley Regional Transit District in Rutland (\$4.8 million) and Green Mountain Transit Agency (the rural component of CCTA) covering Washington, Lamoille, Franklin and Grand Isle counties (\$4.7 million) being the two largest.

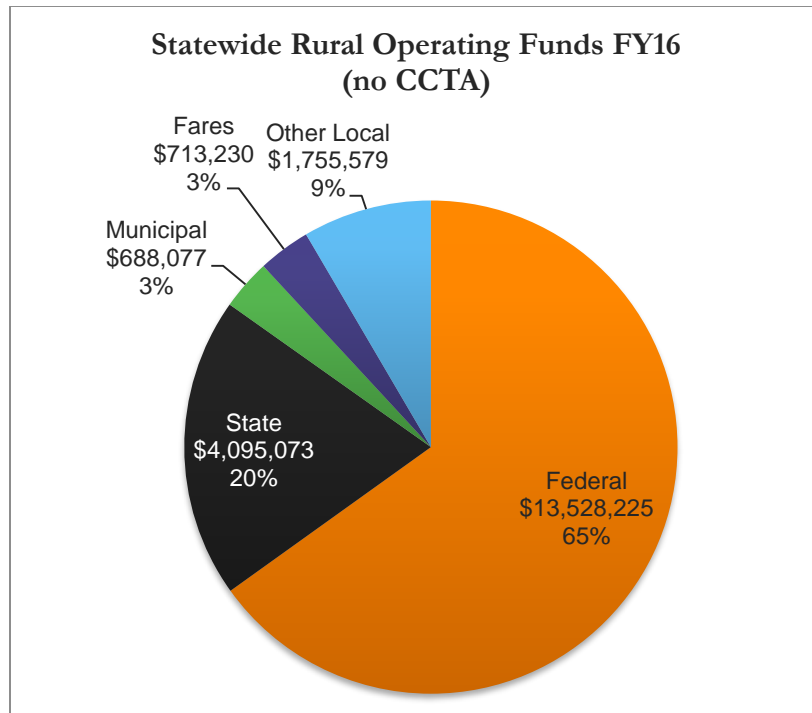
Of the \$32 million, approximately half comes from the Federal Transit Administration (\$16.6 million), though the federal role among the rural operations is more prominent, with FTA money accounting for nearly two thirds of the \$21 million rural total. About 20% of the statewide total comes from the State of Vermont (\$6.4 million) and it represents the same share for the rural properties.

As shown in Figure 1, the remaining (local) portion for the state as a whole is 28% of the total (\$9.1 million). Excluding CCTA, which generates \$2.9 million in municipal dollars through its assessment formula and another \$2.9 million in fare revenue, the rural operators generate a total of \$3.2 million in local money, representing 15% of the total operating budget. Some operators also report in-kind contributions through the Elders and Persons with Disabilities (E&D) program, consisting mainly of time donated by volunteer drivers. The statewide total of that non-cash contribution is about \$400,000, or another 2% of the operating budget.

FIGURE 1: STATEWIDE OPERATING FUNDS (SOURCE: VERMONT AGENCY OF TRANSPORTATION – FY16 GRANT APPLICATIONS)



Note: "Other Local" includes business sponsors, donations from riders, income from ski resorts, cash from E&D partners, private grants, contributions from institutions and foundations, and advertising revenue



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The 2012 Vermont Public Transit Policy Plan sets out a goal for the local transit providers that 20% of the total operating funds should come from non-State and non-FTA sources. On a statewide basis, the providers achieve that goal, but some of the rural operations on their own do not. Those that do tend to have a partnership with a large institution or ski resort.

Overall, about two thirds of Vermont cities and towns contribute at least some amount of money to their local provider. These contributions range from \$50 for some of the smallest towns to up to \$75,000. These contributions are voluntary; some are line items in a town’s budget and some are voted on at Town Meeting. Currently, no public transit agency other than CCTA has the power to assess fees on municipalities.

As a point of reference for the rest of this study, the figures to keep in mind are \$3.2 million in “local” money for the rural transit providers in the state, and \$5.9 million in local money for the one urban provider in Chittenden County. If the state were try to reach the goal in the energy plan of doubling ridership, it is likely that service would need to be increased substantially (absent major policy or exogenous changes such as a steep increase in gasoline prices or statewide parking fees). This service increase would imply substantial growth in the local funds to support the increased service, assuming that federal and state funding would also increase proportionally. To maintain the current service level but handle “normal” increases in cost of up to 5% per year³, roughly \$160,000 in new rural local funding and \$300,000 in new urban local funding would have to be identified each year. Over a five-year

³ Vermont’s transit providers report that increases in costs by 3% to 5% per year are typical. The 5% figure was chosen here to be conservative.

span, nearly \$900,000 in rural local funding and \$1.65 million in urban local funding would have to be obtained cumulatively (taking compounding into account) over and above the current annual funding amounts.

2.5 | CHANGES AND TRENDS IN THE TRANSIT LANDSCAPE

Although the prior section estimated the increase in local funding that would be needed to maintain the existing system, it is unlikely that the transit service in Vermont five years from now, much less ten years from now, will be the same as it is today. Several trends, as discussed below, are changing the landscape for transit in Vermont and elsewhere.

RISE OF REGIONAL SERVICES

Beginning in 2003 with the introduction of the Montpelier-Burlington LINK Express commuter bus route, transit agencies in Vermont have been expanding regional commuter services at a rapid rate. Such services existed prior to 2003 (such as bus routes to Dartmouth-Hitchcock Medical Center from the I-91 corridor), but the “New Starts” program, begun by VTTrans using Congestion Mitigation/Air Quality (CMAQ) funds (flexed from the Federal Highway Program), inaugurated a period of expansion of commuter-oriented services. Since 2003, CCTA has added regional services linking Middlebury, St. Albans, Milton, Hinesburg, and Jeffersonville to Burlington; ACTR and MVRTD have collaborated to operate a commuter route between Rutland and Middlebury; Stagecoach has added commuter service on I-89; and RCT and GMTA have collaborated on commuter service between St. Johnsbury and Montpelier. While gaps remain between important cities and towns in Vermont, there are far more connections available to commuters than there were a dozen years ago.

The CMAQ dollars that allowed the agencies to initiate these commuter services supplied 80% of the funding for three years of operations. The providers, as part of their applications for the funding, had to demonstrate that they could generate the 20% match from local funds (not including fare revenue), and this generally meant municipal dollars (though in some cases, private funds were obtained from institutional partners). The local funds were usually derived from the cities and towns that were served by the new routes. These municipalities saw the benefit of these commuter connections and were willing to appropriate the funds for the local match.

The growth of these regional services begins to expose an inherent tension in the local funding scheme. It is easy to imagine a case where one of the towns served by a regional route decides not to provide any funding. In such a case, the transit provider would need to decide whether to make stops in that community and serve its residents in spite of the lack of support. If it does so, then the surrounding communities that do pay something for the service may feel cheated. If it does not make stops, then the supporters of transit in that community are the ones who would be hurt the most. These concerns suggest that regional services perhaps ought to have a regional funding base, rather than a collection of local funding bases.

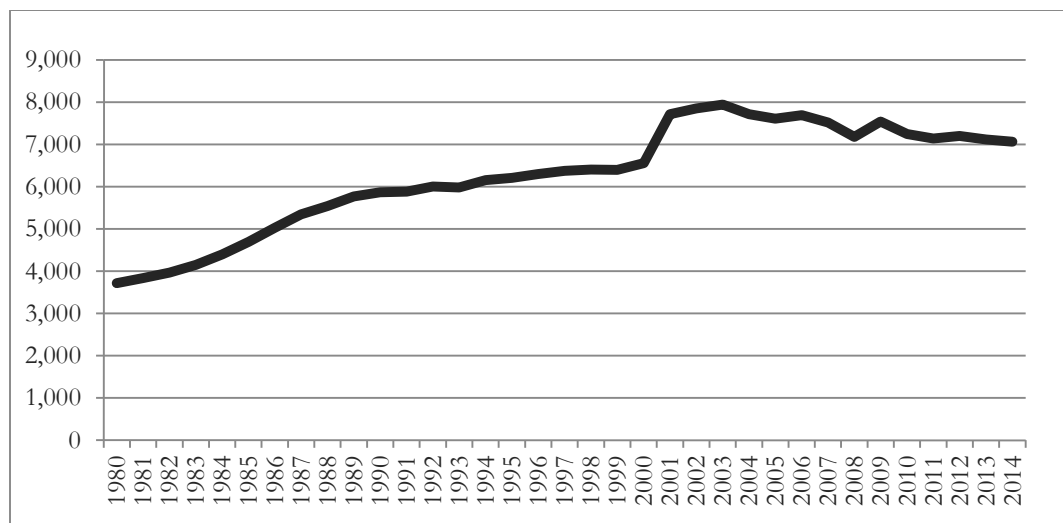
GENERATIONAL CHANGES

Across the nation, public transportation is setting new ridership records practically every year. Two “generational” factors are part of this growth trend: older adults are the fastest growing segment of the population – a trend that will accelerate as the Baby Boom generation enters its 70s; and younger adults in their 20s are choosing to delay or completely forgo buying a car, relying more on public transportation and walking than prior generations. As more seniors “age in place” and more young people choose to live in town centers and use transit, demand for service will continue to grow.

GROWTH IN TRANSIT & DROP IN VEHICLE MILES TRAVELED (VMT)

The growth in transit demand described above is in sharp contrast to a drop in vehicle miles of travel (VMT), which has been dropping since 2003 when the annual total neared 8 billion miles. (See Figure 2.) VMT has occasionally dropped before, in response to recessions or other drops in economic activity, but the past decade has seen the first substantial and sustained drop in VMT during a time of economic growth. The charts in Figure 3 and Figure 4 demonstrate the opposing trends of transit ridership and VMT in Vermont⁴ over the past eight years.

FIGURE 2: VEHICLE MILES TRAVELED IN VERMONT, 1980-2014 (IN MILLIONS) (SOURCE: VERMONT AGENCY OF TRANSPORTATION)



⁴ The small drop in ridership from 2013 to 2014 was due to the 18-day drivers’ strike at CCTA in March-April 2014

FIGURE 3: PUBLIC TRANSIT RIDERSHIP IN VERMONT, 2007-2014 (SOURCE: VERMONT AGENCY OF TRANSPORTATION)

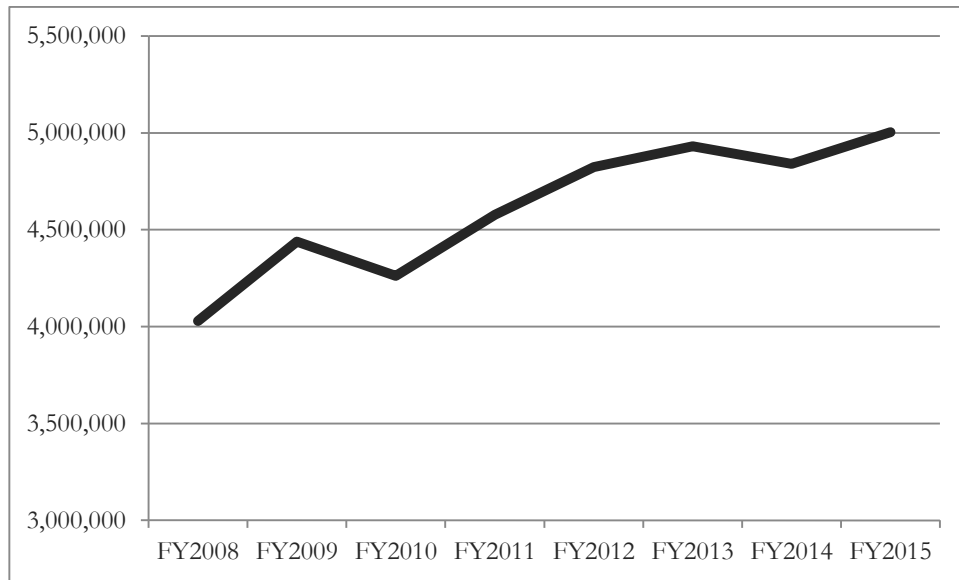
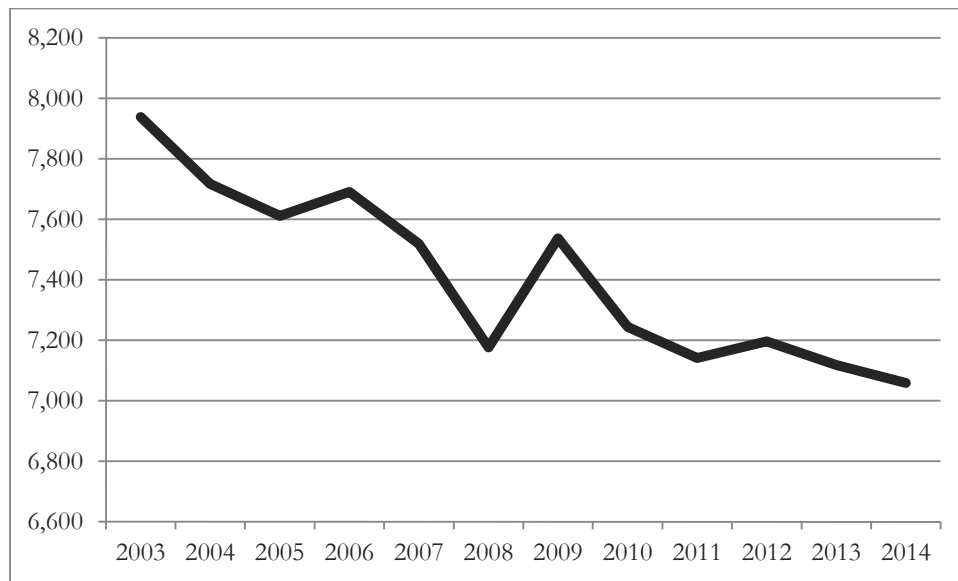


FIGURE 4: VEHICLE MILES TRAVELED IN VERMONT, 2003-2014 (IN MILLIONS) (SOURCE: VERMONT AGENCY OF TRANSPORTATION)



2.6 | OVERVIEW

The remainder of this report presents the results of the literature search regarding local funding for public transportation and an analysis of potential funding sources for transportation in Vermont and for transit in particular.

3.0 LITERATURE REVIEW

One of the primary goals of this study was to investigate whether states, regions, or localities in other parts of the country had developed innovative ways to fund public transportation. Using online tools and reference documents, the study team found nine recent articles, guides or reports with regional or national information on local or state funding for transit, as well as two summary documents. A series of studies of alternative funding for transit in Chittenden County have been conducted and those are discussed after the national studies. Additional detail on all of these studies is available in Appendix B.

3.1 | SUMMARY OF STUDIES FROM AROUND NORTH AMERICA

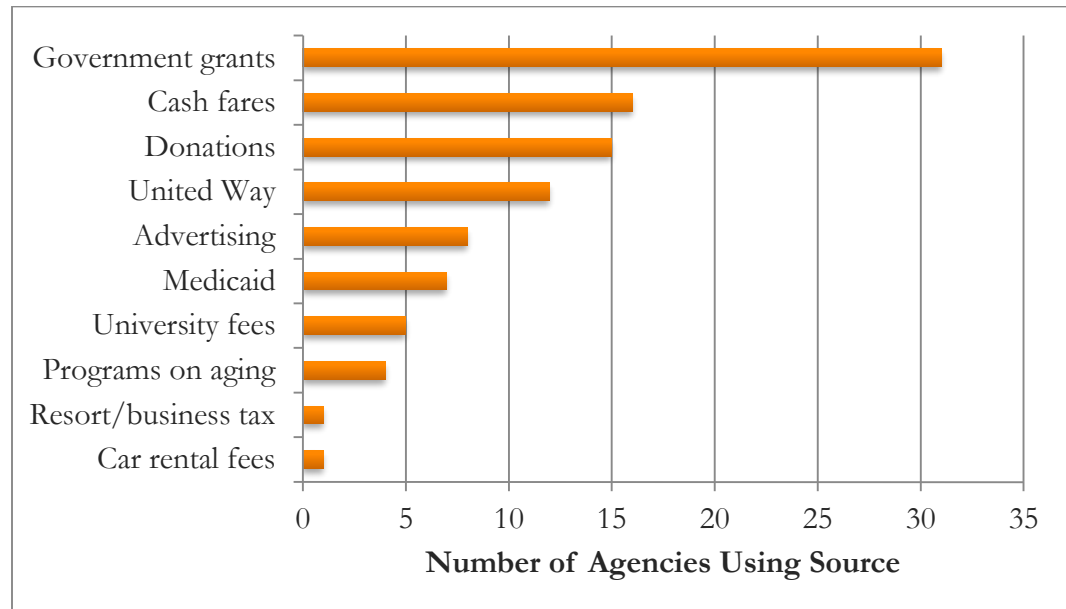
The articles, guides, and reports published over the past six years on the topic of local financing for public transit have covered a wide range of potential funding sources. It should be noted that many of these documents are concerned with funding major infrastructure improvements rather than ongoing operations, but they nonetheless contain relevant information. Some funding sources are directly tied to transit (fares, advertising) or to transportation (gas taxes; license, registration, or title fees; tire taxes; toll roads or congestion pricing; weight mile truck fees; weight-based vehicle sales tax; vehicle battery tax; rental car tax; parking tax; emissions fees). Others are more broad, applying universally (income tax, sales tax, lottery revenue, cigarette tax, payroll tax, corporate income) or to land use development (development impact fees, storm water fees, real estate transfer fees, hotel/motel tax, utility fees, property tax

According to a survey referred to in Transit Cooperative Research Program (TCRP) Report 129, the most commonly cited sources of revenue used by small urban and rural transit systems include contracted revenue from public, nonprofit, or private agencies; property tax revenue; and local sales tax revenue. The frequency of use of these sources is shown below in Figure 5. Nearly one third rely on “other” forms of revenue; these are listed in Figure 6.

FIGURE 5: FUNDING SOURCES FOR SMALL URBAN AND RURAL TRANSIT PROPERTIES



FIGURE 6: OTHER FUNDING SOURCES



The TCRP study and a more recent summary document from the Victoria Transport Policy Institute entitled *Local Funding Options for Public Transportation* includes dozens of examples of local funding sources used by agencies in North America. Appendix B includes summary tables drawn from each of these reports, listing all of the funding sources evaluated and ratings for each of the sources according to the criteria.

The VTPI report concludes with a summary of its analysis, noting that fuel tax increases and parking pricing “are particularly appropriate because they also encourage fuel conservation and more efficient transport, in addition to raising revenues,” but warns that they should be implemented gradually to avoid excessive, regressive burdens on society. Options that rate highest in acceptability (impact fees, station rents, and advertising) tend to generate only modest revenue. Three new options are recommended for consideration: parking levies, employee levies, and vehicle levies. Impact fees can be part of the solution, as long as they are implemented in such a way as not to discourage transit oriented development.

3.2 | PRIOR EFFORTS IN CHITTENDEN COUNTY

The Chittenden County Regional Planning Commission (CCRPC) and its partners have studied alternative funding sources for CCTA for many years. Six separate documents have been published since 1998 that have considered this subject, analyzed the options available, and made recommendations.

Funding studies in Chittenden County have focused on a subset of those outlined above including gas tax increase, local/regional sales tax, auto/truck rental fees, vehicle registration fee, driver license fee, student transportation fees, vehicle excise tax, advertising revenue. These studies have varied in their recommendations. All have recommended increasing the gas tax; all of the funding options are supported by at least one study. Detailed information about the Chittenden County studies is provided in Appendix B.

4.0 POTENTIAL FUNDING SOURCES & APPROACHES

The purpose of this study is to identify funding sources that can support the “local share” of transit costs. This, of course, does not restrict the study to money generated at the municipal level. Future funds for the local share of transit costs could be collected at the state level, at the regional level or the local level. If it is collected at the state level, it would likely be channeled to localities or districts through some formula or allocation plan.

The three geographic scopes (statewide, regional, local) are used in this report to organize the potential funding sources under consideration. All of those listed in the statewide section are drawn from the broader study of transportation funding mentioned in section 2.2 above.

4.1 | STATEWIDE LEVEL

Most tax and fee revenue collected in Vermont is currently collected at the state level. This includes the 6% sales tax, motor fuel taxes, registration fees and license fees, among others. Statewide collection of the tax eliminates most of the equity concerns that might be associated with local or regional taxes or fees.

Before proceeding to consider new transportation revenue sources at the state level, it is worth considering the option of replacing all current municipal contributions to transit (which come almost exclusively from property tax revenue) with funds collected by the State. In the past, VTTrans has encouraged the transit providers to establish strong relationships with cities and towns both for the sake of generating local funds for transit as well as increasing local pride and participation in transit service. The success of transit services, especially in more rural areas, depends on community leaders having a stake in the provision of service, which encourages more people to use the service and feel that it is important for the community. If the State were to replace all municipal funding with another revenue source, it would be a relief to municipal budgets, but may degrade to some extent the connection that communities feel to their transit provider.

As part of the broad transportation funding study under Act 40, a wide array of funding options have been considered, many of which were also mentioned in the literature review above. Figure 7 outlines the funding options evaluated as part of the overall Transportation Revenue study, along with their potential for revenue generation.

FIGURE 7: STATE-LEVEL TRANSPORTATION FUNDING OPTIONS

Revenue Option	Existing	Revenue Potential
Vehicle Inspection Fees	\$5 per inspection	\$723,269 for every \$1 increase
Vehicle Rental Tax	9% (6% for transportation)	\$318,737 for every 1% increase
DMV Registration Fees	\$70	\$723,000 for each \$1 across the board increase
Heavy Vehicle Registration Fees	\$1,441-\$4,375	\$5,072 for every \$1 increase
Light-Duty Diesel-Gasoline Registration Fee Parity	\$70 (gas), \$27 (diesel)	\$378,701 for parity

Vanity Plate fees	\$45	\$12,414 for every \$1 increase
Safety Violation Fees	variable	\$39,496 for every 1% increase
Purchase & Use Fees	6% (2% to Education Fund, 4% to T-Fund)	\$16.2 million for 1% increase (from 6% to 7%, assuming all of the increase is dedicated to the transportation fund)
Reduction in P&U Allocation to Ed. Fund	\$32.4 million	\$324,000 for every 1% reduction
Reduction in Allocation to Dept. of Public Safety	\$22.7 million	\$227,000 for every 1% reduction
Vehicle Lease Fee	None	\$38,050 for every \$1 charged
Ad Valorem Fees	None	\$66.9 million above current registration fees
Auto Parts Allocation to T-Fund	None	\$4.85 million if allocated
Auto insurance Allocation to T-Fund	None	\$2.5 million for every 1% allocated
Bicycle Registration Fees	None	\$24,800 for each \$1 charged
Electric Vehicle Fees	None	\$1,046 for each \$1 charged
VMT Fees	None	\$63.5 million for every 1 cent above revenue neutral figure
General Fund Allocation to T-Fund	None	\$13.7 million for every 1% allocated
Personal Income Tax Allocation to T-Fund	None	\$7 million for every 1% allocated
Corporate Tax Allocation to T-Fund	None	\$1.2 million for every 1% allocated
Sales Tax Allocation to T-Fund	None	\$2.3 million for every 1% allocated

TRANSIT-SPECIFIC CONTEXT

Increased local funding for public transit is most likely to be successfully achieved as part of a broader transportation funding initiative, rather than as a dedicated tax or fee to support transit. It must be recognized that only a very small percentage of Vermont residents are regular users of public transportation; most Vermonters see transit as something that is important for certain segments of the population, but barely relevant to their personal experience. On the other hand, transportation in general affects almost all Vermonters on a daily basis, from the fixing of potholes, to improved pedestrian and bicycle facilities, to intercity connections via rail, bus, and air.

Voters are generally supportive of funding for improved transportation. Transit can win at the ballot box when a major infrastructure project, such as a new transit center, comes up for a vote. There are numerous examples in the literature of cities, counties, or states approving new sales taxes or other fees to pay for major investments. It is less common for voters or legislatures to approve new funding sources for ongoing transit operations, although support is more likely if there is a direct connection to new or improved service.

During the development of a broad transportation funding initiative, it would be appropriate to “set aside” a portion of the revenue to meet the local funding needs discussed above. To maintain the existing service level, the rural transit providers collectively must generate about \$160,000 in new revenue each year, and CCTA must generate about \$300,000. At a minimum, a new revenue stream to support local transportation must have a set aside for public transit in that range, and it should be designed to generate increasing amounts of revenue each year in order to maintain pace with growing costs.

A funding stream intended to support higher levels of service would require a commensurately greater set aside for public transit. For example, an additional \$500,000 statewide could serve as means to provide new local match for new regional services funded by the CMAQ program. The federal CMAQ funds are already distributed through a competitive grant program administered by VTrans. The new local funds could be distributed in a similar way, or could be distributed via formula, thereby giving the option to the local provider whether to use the increased local funding as match for a new regional service, or to allow for improvements in other types of service, such as rural demand response.

One new potential revenue source at the state level with particular relevance to public transportation is a carbon tax. In its 2016 session, the Vermont legislature is considering a bill (H. 412) to establish a carbon pollution tax. The current draft of the bill contains language that states that some of the revenue generated by the carbon tax could be used for “sustainable transportation resources” including public transportation. This tax, if established, could be a large source of new revenue for public transit in Vermont.

4.2 | REGIONAL LEVEL

The Vermont legislature could choose to establish regional assessment districts with the power to impose taxes or fees on the residents within a region. These districts could be designed to match or approximate the service areas of the current transit providers, or they could be larger geographically so that some of the districts covered two or more providers.

Given the growth in regional services over the past dozen years, there is a rationale for establishing regional funding mechanisms. Regional commuter routes help people in more rural communities to reach jobs in the more developed economic centers. It makes sense that these broad benefits should be funded broadly in a regional assessment district. It is also the case that some regions may have more political will to impose new taxes or fees in support of transportation, as well as a greater ability to pay. If a consensus develops in such a region to move ahead with transportation investments, it would not make sense to hold it back because the rest of the state did not share that political will.

There are some technical and equity-related obstacles to regional assessment districts. Determining the district boundary lines would be a challenge because there is very likely no way to set the boundaries so that no transit route crosses from one district to another. For example, it would make sense to define a northwestern district that covers all of the



CCTA/GMTA service area, including Chittenden, Washington, Lamoille, Franklin and Grand Isle counties. Even with this large area, though, two important commuter routes operate between Chittenden County and Addison County (CCTA's Middlebury LINK Express and the Route 116 Commuter) and another commuter route operates between Washington County and Caledonia County (the GMTA/RCT US 2 Commuter). Expanding the northwest region to include Addison County could be possible, but then most of Orange and part of Windsor County should also be included because Stagecoach is now administered by Addison County Transit Resources. But that would bring up other boundary crossings, and so on.

The equity-related challenge with districts is that it would create "border issues" for towns at the edges of the districts. For example, there may be two similar towns on either side of the border with equivalent access to transit service operated within the district. The town inside the district would be subject to whatever tax or fee the district imposed on its residents (for example, a 1% local option sales tax), but the town outside the district would not be. This raises equity concerns and could lead to impacts on local businesses in towns within the district. Of course, any tax or fee at the state level also creates border issues with neighboring states, but such issues have existed for many decades with existing taxes and fees, and most people are accepting of this situation.

A separate analysis of potential funding sources at the regional level was not conducted for this study. Many of the sources listed above in Figure 7 could also be applied at the regional level. As shown in Figure 13 in Appendix B, new regional revenue sources for Chittenden County and the surrounding counties served by GMTA have been considered in prior studies. These sources include vehicle registration fees, license fees, local option sales tax, and a payroll tax, among others.

TRANSIT-SPECIFIC CONTEXT

If the Vermont legislature chooses to establish regional assessment districts, it could do so for transportation in general or for public transit in specific. If the former, then it would make sense to create a set-aside percentage for transit as was mentioned in the prior section. If the latter, then it would likely be conjoined to the establishment of regional transit authorities that were contiguous to the assessment districts.⁵ In this case, the funding source would act as a dedicated funding stream for the authority, suggesting that the regional authorities would have the power to assess fees on the member municipalities (as only CCTA does now), or that the new dedicated funding source could replace existing municipal contributions.

While it was suggested above that it is normally easier to gain taxpayer acceptance of new taxes/fees when they see a direct connection between the fee and the service (implying that transportation-related taxes and fees are most appropriate), such a broad restructuring of transit governance and funding could allow for more distantly-related taxes or fees to be on

⁵ Whether these authorities would act as an umbrella over the existing non-profit providers or supplant them is outside the scope of this study.

the table, since voters may view this effort as a one-time major change in the transit landscape. Voters and the municipal governments may be more accepting of a new regional transit funding scheme if it replaced the current reliance on property taxes.

4.3 | LOCAL LEVEL

Local spending for transportation consists of roadway maintenance and construction as well as support for bicycle and pedestrian facilities and contributions to public transit. Some of the funding for these expenses is derived from property taxes, while State grant programs provide other funding. Municipalities have relatively few options available for raising revenue, as the State retains most of the power to impose taxes and fees.

Local funding inevitably raises equity issues because the benefits of transportation are not equally distributed and there is a wide variation in the ability of municipalities to pay for service due to the size of the local tax base and the relative wealth of the landowners in town. Vermont has grappled with these equity issues in the context of education funding for many years, opting for a system that to some degree gathers funds at the state level and redistributes them to municipalities to mitigate some of the wealth disparities. The legislature could adopt a similar approach to transportation funding.

TRANSIT-SPECIFIC CONTEXT

Current local funding of public transit in Vermont was discussed in section 2.4, above. Some cities and towns include a line item in their regular budget for their contribution to the local transit provider. In other municipalities, the transit provider is required to make a petition every year for funding, necessitating the collection of signatures to make it onto the town meeting ballot. While this very labor-intensive process helps to raise awareness of transit services in the community, it is not a cost-effective use of staff time. The various transit providers around the state take different approaches to this process depending on the availability of other local funding sources (such as ski resorts or large institutions) as well as historical relationships with municipalities.

The emphasis on local fundraising also depends on the type of services offered by the provider. In some regions, there may be a focus on local transportation for seniors and people with disabilities, while in others, commuter connections may be seen as the most important need. Voters may be more sympathetic to the needs of seniors living in the local independent living complex for shopping and medical trips than to commuters traveling to a more distant job center, especially if that commuter route also serves a bunch of other towns. On the other hand, transit providers have been successful in gaining local funds from communities for new commuter routes when a sense of shared commitment can be generated.

The Vermont legislature could change the amount of money available for public transit from municipalities in several ways. It could mandate contributions (either through the regional assessment districts described above or in a more direct manner), create incentives for

greater contributions, or enable new or encourage expansion of existing local revenue sources.

Make contributions mandatory

Municipal contributions to transit, outside of CCTA member communities, are currently voluntary. The State could decide to mandate local contributions and create a formula to determine how much those contributions would be. Presumably, there would be some threshold of service provided above which the contribution would become mandatory, and then it could vary with the amount of service offered.

While this scheme could potentially generate more revenue for the transit providers, it could engender resentment from municipal officials, and potentially damage, at least in the short term, the cooperative relationship that now exists between towns and local transit agencies. Such a scheme may need to be associated with a new revenue stream for municipalities, or perhaps with an overhaul of education funding, which is the largest current burden on property tax revenue. This latter concept is beyond the scope of the present study.

Incentives

Another way to generate more local funding for public transit would be to set up an incentive program to encourage municipalities to contribute to public transit. In the context of this study, such a program assumes that a new funding stream would be available since the increased local funding is intended to be from a source other than local property taxes. Additional money would be needed to provide the incentive.

One potential way to structure this program would be to use the State Aid for Town Highways Program as the means to direct new money to municipalities. Current statute allows cities and towns to use these funds, which are distributed by formula, “as the non-federal share of public transit assistance.” (19 V.S.A. Section 306(a)(5))

As an example, the State, using some new source of funds, could offer municipalities up to \$1,000 per roadway mile in new funding through the State Aid program.⁶ As an incentive to increase support for public transit, the State could offer the town the full \$1,000 per mile if the town agrees to allot 40% of that funding (\$400 per mile) to public transit, leaving \$600 per mile for roadway improvements. If the town does not agree to allot the 40% to public transit, then it would receive only \$400 per mile total for the roadway improvements, and the rest of the money would be redistributed to other towns. Under this scheme, the public transit provider would be the beneficiary of a substantial new source of funds, and the roads in the towns would also benefit from improved maintenance.

This incentive program does not depend on the new funds coming from any particular source of revenue. In general, this sort of incentive program may be an easier way to generate funds for public transit rather than developing a new source of revenue that is dedicated solely to public transit.

⁶ The funding formula is actually more complex than this and provides funding at different rates depending on the mileage in different classes of road. This example is simplified.

New and expanded local revenue sources

Through legislative action, municipalities could be empowered to collect other types of taxes or fees. These taxes or fees could apply to transportation funding in general or to transit in specific. For the purpose of this section of the study, it will be assumed that any new municipal revenue is dedicated to public transit. This section also includes two revenue options that would accrue directly to transit providers: fare revenue and unlimited access programs.

Vehicle registration fee

In New Hampshire, cities and towns collect vehicle registration fees and are permitted to add \$5 to each fee to be kept by the town and used for transportation purposes, including funding public transit. There is an effort underway in New Hampshire to raise the limit to \$10 for each registration. While registration fees in Vermont are collected at the state level, it would be possible to allow municipalities to impose a surcharge on the state fee that would be collected by the State and distributed back to the municipality.

Mortgage recording tax

New York State has a tax on mortgages that is imposed when the mortgage is recorded. The regular tax rate is 75 cents per \$100 of the value of the mortgage, but most counties have opted to impose an additional 25 cents per \$100 to help fund public transportation. In Tompkins County, for example, which includes the city of Ithaca and Cornell University (considered to be a peer region to Chittenden County), the 0.25% mortgage recording tax generates about \$850,000 in revenue annually for TCAT, the local transit authority.

Since mortgages are recorded at the municipal level in Vermont, it would be possible to create a new mortgage recording tax in Vermont that would be set and collected by municipal governments. Municipalities could be given the option of setting this tax high enough to help offset some of the property tax revenue, though a portion of the revenue would need to be dedicated to public transit.

Development contributions

A widely discussed means of generating revenue for public transportation is a fee on new development. The rationale behind the fee is that new development increases demand for public services, including transportation, and thus that the developer, who is reaping the benefits of increased value of the land that has been developed, should help pay to satisfy that demand.

Many of the documents reviewed in the literature search listed impact fees as a potential means of funding for transit. In general, it was not considered to have a high revenue yield, and it was noted that it was typically imposed as a one-time charge, rather than as ongoing payments (as would be more appropriate to support transit operations). Impact fees are most common and effective in areas with rapid growth, such as Florida and California. A wealth of information about impact fees is available at <http://impactfees.com/index.php>.

Vermont law currently allows municipalities to impose impact fees in Title 24 Chapter 131, but restricts them to be used to pay for “capital projects” and it states that the fee “shall not include costs attributable to the operation, administration or maintenance of a capital project.” (§5203(b)). Given the slow pace of development in Vermont, and the current language in the statute, for impact fees to be relevant to local transit funding, a new approach would be necessary.

An ongoing issue for Vermont’s transit providers related to development is the not-infrequent occurrence of new housing or facilities oriented toward transit-dependent populations being located outside of the current service area of the local systems. While the local providers are making strong efforts to participate in local land use decisions with municipalities and regional agencies and to bring concerns about the costs of serving these new developments to the table, there is no mechanism to encourage the developers to build in currently-served locations.⁷ When new senior housing or a new medical facility is built a mile, or worse, several miles from existing transit service, the provider will face substantial new costs to serve the demand associated with that housing or facility.

To address this land use and related operating cost issue, a new impact fee could be established. The fee would be imposed on developers of housing or commercial/medical/retail facilities that generate trips by seniors or people with disabilities when the building is not located within a quarter mile of an existing transit route. The fee could increase with distance from an existing route and be set at a level so that the increased operational costs faced by the transit provider would be mostly covered by the revenue. Unlike the current impact fee statute, this new type of impact fee would include operational costs and would be an ongoing fee rather than a one-time payment.

If this new type of fee were established and effectively imposed, it may generate little or no revenue, as developers may choose to locate within the current service area of the providers. This result would still be a major benefit to the providers, since they could serve the new demand at little or no new cost.

Fare revenue

The portion of local funding for transit that is most directly tied to the benefits which transit offers is revenue from passenger fares. As shown in Figure 1, fare revenue accounts for about 3% of the operating budget of the rural transit providers in the state (excluding CCTA). Many of the providers operate some of their services fare free, and some providers (Rural Community Transportation, MOOver, and Advance Transit) charge no fares on any of their routes.

While riders receive the greatest direct benefits from public transit, they are often among the least able to pay more for the service. Certainly some of the commuter routes in Vermont carry riders who could afford higher fares, but these riders also have other transportation

⁷ Public transit providers have been working with State and regional officials to broaden the criteria in Act 250 to formally include public transit as a remedy to impacts on development, and otherwise incorporate public transit more explicitly into the land use decision and impacts governed by Act 250.

options available to them (i.e., driving) and some of them would choose to stop using transit if the price rose too much. The less affluent riders who make up the majority of riders on local services would use the bus less if fares rose substantially. Since most of those riders do not have the option of driving, they would just end up not making the trips they are currently making, or else have to forego other expenditures to be able to afford higher fares for necessary trips.

Because fares make up a relatively small part of the budget, they would have to rise significantly to be able to make a noticeable difference in the local funding stream. Fares have been kept low to encourage ridership growth and to minimize negative impacts on the low-income people who rely on public transit for all of their mobility.

Employer participation in unlimited access programs

An unlimited access program (UAP) is a partnership between a business or institution and a transit agency that allows all affiliates of the partner (such as students, faculty and staff of a university, or employees of a business) to use the agency's services at no out-of-pocket cost. In return, the business or institution contributes directly to the transit provider, with a flat annual fee or a payment tied to the actual usage (normally at a discounted rate compared to the full fare). These programs provide a reliable stream of income to the transit provider and establish a significant incentive for the employees and other affiliates to ride the system.

CCTA and MVRTD are two examples of agencies in Vermont that offer UAPs. CCTA's partnership with the University of Vermont and Fletcher Allen Health Care, among other institutions, generates significant ridership on CCTA buses and significant revenue for CCTA's budget. In Rutland, MVRTD has partnerships with four local colleges and the Rutland Regional Medical Center. In both systems, a rider only has to show an ID badge from a participating institution to board the bus.

There is nothing preventing UAPs from being employed by all of the transit providers in Vermont (other than the fact that some of the providers do not charge any fares, thus undermining the main benefit of the UAP). Where they do not exist now, it may just be a matter of no one proposing such a partnership. In some cases, it may be that the responsible official at an institution or business does not see or believe that there is a potential benefit in participating in a UAP. While additional efforts from the transit providers "selling" the concept may be effective, the State could also have a role in promoting these programs.

The legislature could create either a mandate or an incentive for employers and institutions to join UAPs. Obviously there would need to be certain conditions met for the mandate to be effective (such as an existing bus route that serves the workplace). One could view a mandate as similar to a new tax on businesses/institutions, but one that is conjoined to a benefit for employees and affiliates (that is, free rides). An incentive could take the form of a tax credit (applicable to for-profit establishments) or some other form of payment for non-profits.

Local option taxes

As of October 2015, 13 Vermont municipalities have a 1% local option sales tax and 15 municipalities have a 1% local option meals, alcoholic beverages and rooms tax. (12 of the 13 sales tax towns are also the towns with the meals, beverages and rooms tax.) There is an established process for municipalities to create local option taxes; Colchester is the most recent example.

These local taxes must be approved by local voters, and there can be strong opposition to these taxes, especially when the local business community is opposed to them, for the fear of driving customers away to surrounding towns. Colchester was able to gain the passage of the new tax in 2015 by building a strong case for it based on analysis of the potential impacts of the tax, by promising reductions in property taxes to mitigate the impact on residents, and also due to the fact that Burlington, South Burlington, and Williston had already established local option sales taxes.

More cities and towns could establish local option taxes to support public transit (or any other local need), but each case will be a battle requiring substantial resources from the town government. The City of Montpelier has tried to establish a local option tax several times over the past decade, but has failed to garner enough support to get it passed. As of the writing of this report, numerous towns have taken up debate on local option taxes, including the Town of Berlin and the City of Barre.

4.4 | ANALYSIS

The broader transportation funding study discussed in section 2.2 contains a full evaluation of all of the funding options listed in Figure 7. That evaluation is not replicated here. Rather, this section uses the same evaluation criteria to consider means of increasing local funding for transit, following the same geographic framework that was set forth above.

The ten criteria in the transportation funding study were organized under four headings as shown below:

- **Revenue Stream Considerations**
 - Revenue Potential - the extent to which the option generates significant revenue. Revenue estimates are order of magnitude and do not account for price elasticity or other complex economic feedback effects. For example, a simple calculation indicates that a ten-dollar increase in vanity plates would generate \$275,000 in revenue. However, increasing the cost of may result in less sales which would reduce the actual revenue generated to less than \$275,000 million.
 - Sustainability - the extent to which the option self-adjusts or can be adjusted easily from year to year in order to provide a stable, reliable source of revenue.

- Flexibility - the extent to which the mechanism is appropriate for a wide range of investments (and different transportation modes) and can be redirected to meet changing needs.
- **Implementation and Administration Considerations**
 - Appropriateness for State Use - the appropriateness of statewide implementation, including consideration of the impact on local governments (i.e. introducing certain fees).
 - Ease/Cost of Implementation, Administration and Enforcement - the ease and cost to implement, administer, and enforce relative to the revenue-raising potential.
- **Economic Efficiency and Impact Considerations**
 - Promotion of Efficient Use and Investment - the extent to which the mechanism provides incentives for efficient use of the system by influencing travel choices and behavior.
 - Consistency with State Goals and Policies – the extent to which the mechanism is consistent with State Goals and Policies.
- **Equity Considerations**
 - User and Beneficiary Equity - the extent to which the mechanism can be structured to charge those who directly use or otherwise benefit from the funded investment.
 - Equity Across Income Groups - the extent to which the mechanism limits costs for those who face the most difficulty in paying.
 - Geographic Equity - the extent to which the cost allocation and impact of the mechanism can be structured to match the geographic distribution of the benefit.

Figure 8 below presents a summary of the analysis of funding options discussed above. The numerous statewide options from Figure 7 are encapsulated in the option of creating a set-aside for transit from whatever general transportation funding source is selected from the broader study. Two regional funding options are listed, followed by six local funding options. A plus sign (+) indicates a positive rating according to the criterion; a zero (0) indicates a neutral rating, and a minus sign (-) indicates a negative rating. Brief explanations of each rating are provided in the cells of the table.

FIGURE 8: EVALUATION OF TRANSIT FUNDING OPTIONS

Revenue Option	Revenue Stream Considerations	Implementation and Administration Considerations	Economic Efficiency and Impact Considerations	Equity Considerations
Set-aside for transit from new statewide revenue	+ Can be set at sufficient and sustainable level	+ Adds little admin burden to overall revenue collection	+ Promotes State goals of more transit usage	- Set aside could be seen by some as taking away funding from other transport priorities + Addresses geographic & regional service equity issues associated with wealth & ability to pay
Carbon pricing policies	Note – this subject is discussed in the overall Section 10 Transportation Funding Study. It is included here for conversation purposes because funding of public transportation systems is a likely and suitable use for the revenues generated by such policies as they seek to address and mitigate the transportation systems’ contribution to greenhouse gases.			
Member assessments from new regional transit authorities	0 Can be set at sufficient and sustainable level, but reduces tax capacity at local and state levels	0 Assessment formulas can be difficult to set up, but once in place adds little administrative burden	+ Promotes State goals of more transit usage while not having a direct impact on other services	0 Some towns would feel burden from new assessment but fairness should increase if assessments are set properly
Dedicated regional sales or payroll tax	0 Variable - depends on source chosen and rate	- Likely would entail new administrative resources unless collected by the State	0 Could have border impacts and be detrimental to some local economies	0 Could promote better equity within a region but inequities between regions
Local vehicle registration fees	+ If set high enough can provide stable and reliable source	0 Would need to establish mechanism to track fees by town and distribute funds	+ Would have little impact; small disincentive to owning a car	0 if fee is optional by town, it could result in inequities

Revenue Option	Revenue Stream Considerations	Implementation and Administration Considerations	Economic Efficiency and Impact Considerations	Equity Considerations
Local mortgage recording tax	+ Potentially large source of revenue and relatively stable	- Would require new admin procedures and resources	0 Promotes transit use but a slight drag on the housing market	0 Homebuyers may perceive little connection between mortgages and public transit
Local development contributions	- Likely generates little revenue	0 Could be collected as part of permitting process, but no ready-made mechanism	+ Promotes transit and land use goals if structured properly	+ Logical connection between activity and transit use
Fare revenue	- Would have to be a large increase to general sufficient revenue	0 No new burden in regions that already have fares but substantial burden for fare-free providers	- Discourages transit use, contrary to State goals	0 Main beneficiaries of transit would pay more, but these are among the least able to pay
Employer UAP	- Generates little revenue and may be infeasible in fare-free areas	0 Requires agreements be set up between providers and employers	+ Encourages transit use	+ Beneficiaries of transit service would pay for it
Local Option Sales Tax	0 Generates sufficient revenue to maintain and potentially expand service	+ Adds little admin burden to overall revenue collection	0 Promotes transit service and use, but adds expense to local purchases of goods & services	+ Beneficiaries (municipalities with service) of transit service would pay for it

5.0 CONCLUSION

Transit use in Vermont is increasing, and this trend aligns with larger policy goals. To achieve those goals, additional funding will be required. As part of a broader study, a number of options have been evaluated for funding the needs of the statewide transportation system and many of these would support transit funding as well. Regional and local funding options are also possible. Each of these approaches have inherent strengths and weaknesses, though state-level solutions may offer answers to many of the challenges faced in the delivery of public transit services. These include issues of strength and sustainability of funding, equity in delivery of public transit services, and support for statewide economic development, land-use, and environmental goals and objectives.

APPENDIX A: POLICY FRAMEWORK

SMART GROWTH/LAND USE

In VSA 24, Chapter 117, Vermont codifies its specific goals regarding land use:

(1) To plan development so as to maintain the historic settlement pattern of compact village and urban centers separated by rural countryside.

(A) Intensive residential development should be encouraged primarily in areas related to community centers, and strip development along highways should be discouraged.

(B) Economic growth should be encouraged in locally designated growth areas, employed to revitalize existing village and urban centers, or both, and should be encouraged in growth centers designated under chapter 76A of this title.

(C) Public investments, including the construction or expansion of infrastructure, should reinforce the general character and planned growth patterns of the area.

(D) Development should be undertaken in accordance with smart growth principles as defined in subdivision 2791(13) of this title.

Among the smart growth principles referred to in paragraph (D), the following are the most relevant to public transportation:

(C) Enables choice in modes of transportation.

(F) Balances growth with the availability of economic and efficient public utilities and services.

(I) Reflects a settlement pattern that, at full build-out, is not characterized by:

(i) scattered development located outside compact urban and village centers that is excessively land consumptive;

(ii) development that limits transportation options, especially for pedestrians;

(iii) the fragmentation of farmland and forestland;

(iv) development that is not serviced by municipal infrastructure or that requires the extension of municipal infrastructure across undeveloped lands in a manner that would extend service to lands located outside compact village and urban centers;

(v) linear development along well-traveled roads and highways that lacks depth, as measured from the highway.

ENERGY

The Vermont Public Service Department is currently updating its Comprehensive Energy Plan (CEP). This plan seeks to reduce energy consumption in the state and move toward renewable sources of energy. Chapter 8 of the CEP concerns transportation and contains several policy recommendations and goals that are related to public transit. A primary goal is as follows:

Reduce total transportation energy use by 20% from 2015 levels by 2025 – to be accomplished through transportation system energy efficiency and land use and development that reduces daily trips, home-based work and telecommuting, shifting to transit, passenger rail, ridesharing, vanpooling, car sharing, biking, walking and other transportation options that are less energy intensive than single occupancy automobiles, and increased energy efficiency through improved vehicle technology. (p. 124)

The plan includes a specific goal to “increase public transit ridership by 110% to 8.7 million trips annually” (p. 125) by the year 2030.

The CEP also recognizes the importance of land use planning with regard to energy consumption and supports the smart growth principles listed above:

Planning the state’s energy future thus depends on local and regional planning entities planning for development that takes place within a compact, mixed use and thus sustainable land use pattern... Higher density alone is not the answer. Studies have revealed that the biggest determinants in whether or not people decide to walk or bike instead of using an automobile can be categorized as: design, density, destination accessibility, diversity of uses, access to transit and free parking availability. (p. 126)

Finally, the plan reinforces the role that transit and other alternative modes have in reducing energy use and accomplishing the State’s strategic vision:

Transit, passenger rail, walking, biking, car sharing, ridesharing - that are less energy intensive than single occupancy vehicles are a state priority. This priority is reflected in VTTrans’ strategic vision for: *safe and efficient multi-modal transportation system that promotes Vermont quality of life and economic well-being*. The support has shown results by increasing transit and passenger rail ridership and use of Go Vermont’s rideshare services. (pp. 132-133)

APPENDIX B: SUPPORTING DOCUMENTATION FROM THE LITERATURE REVIEW

SUMMARY OF STUDIES FROM AROUND THE US

In this section, the nine recent studies are presented in summary form. Many of these are concerned with funding major infrastructure improvements rather than ongoing operations, but they nonetheless contain relevant information.

WHY AND HOW TO FUND PUBLIC TRANSPORTATION

Arizona PIRG, March 2009

In the oldest of the recent national studies, a report prepared by the Arizona Public Interest Research Group highlights a range of potential sources:

- Sales taxes
- Gas taxes
- Rental car tax
- License, registration or title fee
- Tire tax
- Weight-based vehicle sales taxes
- Vehicle battery tax
- Weight mile truck fee
- Toll roads
- Development impact fees
- Storm water fees
- Real estate transfer tax
- Parking tax

OREGON NON-ROADWAY TRANSPORTATION FUNDING OPTIONS

Economic & Planning Systems, Inc., May 2012

The report identifies a universe of 60 potential funding options and narrows them to 16 recommended measures, though none of the “top priority” options provides substantial funding for transit operations. The ones that could potentially be used for transit are the following:

- Expanded Lottery revenue
- Expanded cigarette tax
- Reallocation of senior medical tax deductions
- Hotel/motel tax
- Redirect transportation-related revenues from general fund to transit
- Expanded utility franchise fee
- Urban Growth Boundary expansion windfall tax – capture portion of increase in property values

- Other four options are financing or debt-related (general obligation bonds, Oregon growth account, SIB, TIFIA)

Note that Oregon has no state sales tax and cannot use the motor fuels tax for transit, and thus has to piece together revenue from a variety of sources.

STATEWIDE REGIONALIZATION STUDY

North Carolina DOT, May 2012

Some 61% of transit funding in North Carolina is local. Service is currently fragmented and the State is considering consolidation options. The report discusses regional funding, noting that it does not necessarily increase funding levels if current local funding is just combined.

MATCHING FUNDS RESOURCE GUIDE

Texas Department of Transportation, 2012-2013

The guide includes a typology of local transit revenue sources and then provides detailed examples of these types from local and rural operators in Texas and other states. The types covered include:

- Transit-generated revenues (fares and advertising)
- Non-DOT Federal funds
- General government revenue and taxes (sales, property, income, etc.)
- Motor fuel and vehicle-related taxes and fees
- User or market-based sources (congestion pricing, emissions fees)
- Business activities (payroll taxes, corporate income)
- Personal activities (sin taxes)
- Revenue streams from transit projects (impact fees)
- Financing mechanisms (GARVEE, SIB, TIFIA)

THINKING OUTSIDE THE FAREBOX

Transportation for America, 2013

Part III of Chapter 2 discusses local revenue sources, highlighting six typical types:

- Property tax
- Income tax
- Sales tax
- License fees
- User fees
- Business activity

The evaluation framework considers revenue yield, reliability, equity, and political feasibility. The report goes on to discuss value capture, including tax-increment financing, special assessment districts, and development contributions. The various options discussed in the report are summarized in Figure 9.



FIGURE 9: REVENUE SOURCE EVALUATION (SOURCE: THINKING OUTSIDE THE FAREBOX, 2013)

Revenue Sources	Amount	Reliability	Equity	Political Feasibility
Tax Increment	Variable depending on the size of the tax increment district boundary around the transit facility	Land values tend to be stable over time providing predictable revenues	Tax increment revenues tie project benefits (increased land values) to funding the transit project	High—tax increment is not a new tax or a tax increase
Special Assessment District	Variable depending on the size of the district and the tax rate applied to properties	Land values tend to be stable over time providing predictable revenues	Ties project funding to taxes levied on surrounding landowners who are direct beneficiaries	Moderate—these are new taxes and land owners need to understand the connection between a new project and the benefits it will bring
Development Contributions	Specific amount negotiated between project sponsor and developer	Typically a one-time contribution	Ties project funding to real estate development that will benefit directly from the new transit facility	High—provided the contribution is viewed as reasonable in relation to the benefit to the developer
Sales Tax	Sales taxes are broad-based and generate robust revenue	Sales taxes are a little less stable than property taxes but still provide a great deal of predictability	Sales taxes are regressive—although this may be addressed by exempting certain items such as food	High—sales taxes are typically politically successful when the projects they fund brings regional benefits
Tolls	Robust	Toll revenues are steady—especially for established highways with predictable travel demand	Regressive like all other flat user fees—not a concern for transit dependent residents	Low—increasing or using toll revenues to support other projects is often contentious
Vehicle Registration Tax	Moderate	Vehicle ownership rates are stable	Regressive like all other flat taxes—not a concern for transit dependent residents	Moderate—vehicle owners are sensitive to registration fees
Parking Fees	Variable depending on total number of spaces and travel demand	Peak period travel demand is mostly stable, though riders are sensitive to price changes	Regressive—not a concern for transit dependent residents	High—parking fees are a common and accepted source of project revenues
Fuel Tax	Robust	Driving rates are historically steady (subject to increasing fuel efficiency standards and recent changes in driving patterns)	Regressive—not a concern for transit dependent residents	Moderate—high fuel prices make new taxes difficult and not all local governments have the authority to impose a fuel tax
Land Sales	Variable depending on the local market and the size of the parcels	Land sales provide one-time revenues	Few equity concerns	Moderate to high—depends if resulting development conforms to community desires or development affects community character and existing commerce

HOW TO FUND BETTER REGIONAL MASS TRANSIT

Cincinnati Enquirer editorial, 3/16/14

This editorial discusses federal, state and local funds in the context of building a new light rail system in Cincinnati. In terms of local funds, the article notes the following:

- Support for Greater Cincinnati's Metro bus system comes from the city of Cincinnati's earnings tax, and those funds lag behind many comparable cities.
- Suggests county-wide or region-wide sales tax
- Suggests allowing municipalities to increase their earnings tax to support transit
- Suggests creating special improvement district or tax increment financing
- Ends up recommending menu of options

SURVEY OF STATE FUNDING FOR PUBLIC TRANSPORTATION

American Association of State Highway and Transportation Officials, 2014

AASHTO publishes an annual summary of state and federal public transportation funding for each of the 50 states, including a 5-year trend. It shows which types of funding mechanisms are used by each state and what the funds are eligible for.

ON TRACK: HOW STATES FUND AND SUPPORT PUBLIC TRANSPORTATION

National Conference of State Legislatures, June 2015

This organization performed a survey of 49 states and the District of Columbia. The report summarizes state funding mechanisms for public transit and provides a series of case studies for special initiatives. There are 23 states that mandate that motor fuel taxes be spent exclusively on roads. The report highlights the following mechanisms:

- Motor fuels tax
- Dedicated specific fees
- State transportation fund
- General fund
- Other (escheat funds from persons without heirs, mortgage recording taxes, toll revenues, parking meter revenues)
- Value capture
- Public-Private Partnerships
- Infrastructure banks

CAPITAL IDEAS: WINNING STATE FUNDING FOR TRANSPORTATION

Transportation for America, 2015

This document showcases successful efforts to increase transportation funding in six states (including Vermont). It highlights seven factors for success:

- Winning support by addressing local priorities



- Establishing transparency and accountability
- Bridging the rural-urban divide
- Leadership from the top
- Building a broad coalition
- Creating new revenue mechanisms
- Developing effective messaging and the right messengers

The Vermont case was the passage of the gasoline tax increase in 2013 which allowed the state to generate enough local match for federal highway funds and begin to close the gap between transportation investment needs and available funds.

LOCAL AND REGIONAL FUNDING MECHANISMS FOR PUBLIC TRANSPORTATION – REPORT 129

Transit Cooperative Research Program, Transportation Research Board, 2009

In a comprehensive review of local funding mechanisms for public transportation, this report groups them into five broad categories:

- Traditional tax- and fee-based transit funding sources
- Common business, activity, and related funding sources
- Revenue streams from projects
- New user or market-based funding sources
- Financing mechanisms

The report looks at a total of 39 individual funding sources. It offers examples of cities and regions that use each of these sources, grouped into major metro areas, large metro areas, small urban areas, and rural areas (Table 3.2 in the report). It provides a recent history of ballot initiatives for public transportation, mostly related to funding major capital projects.

Using survey data from another TCRP project, the report lists the types of revenues used by small urban and rural transit systems:

- 53 percent use contract revenue from public or nonprofit agencies,
- 18 percent use contract revenues from private agencies or organizations,
- 10 percent use property tax revenues,
- 9 percent use local sales tax revenues,
- Only five systems use parking or other vehicle fees and only one system uses employer taxes, and
- 32 percent use “other” forms of revenue.

Of the transit systems indicating they have “other” sources, examples cited included the following:

- 31 systems indicated that they receive grants from local, county, and state programs;
- 15 cited donations/fund-raisers, including 12 that cited United Way contributions;
- 16 cited cash fares;
- 12 cited United Way contributions;

- 8 cited advertising revenues;
- 7 cited Medicaid funding;
- 5 cited university fees;
- 4 cited programs on aging;
- 1 cited car rental fees; and
- 1 cited resort/business taxes and local property tax millage.

The report goes on to evaluate the various sources according to six criteria and then offer guidance as to the advantages or disadvantages of each. The criteria are the following:

- Revenue yield
- Cost efficiency
- Equity
- Economic efficiency
- Political and popular acceptability
- Technical feasibility

Table 4.3 in the report rates each of the funding mechanisms as high, medium, or low according to these six criteria. This table is reproduced in Figure 10.

The report concludes by offering guidance on how to enact new funding mechanisms. It offers the following steps:

- Develop a consensus on the scope of current and future transit needs and on the importance of actions to address them
- Develop a specific plan and program of investments for which additional funding is needed and demonstrate the benefits that are expected from the proposed investments.
- Identify clearly established roles, responsibilities, and procedures for executing the funding and investment strategy and implementing the proposed improvements.
- Describe the funding sources in detail and provide the rationales for their use.
- Design and carry out a public education and advocacy plan and campaign.
- Develop sustained leadership and demonstrable, sustained support.
- Lay out a clear and reasonable timetable.

LOCAL FUNDING OPTIONS FOR PUBLIC TRANSPORTATION

Victoria Transport Policy Institute, August 2015

Uses eight evaluation criteria to rate a wide range of funding options:

- Potential revenue
- Predictability and Stability
- Equity analysis (horizontal and vertical equity, latter being progressive or regressive)
- Travel impacts
- Strategic development objectives
- Public acceptability
- Ease of implementation

- Legal status

A total of 18 transit funding options were evaluated in this framework. The results of the analysis are summarized in a table from the report Figure 11. Detailed ratings of each of the options is shown in Figure 12.

The report concludes that fuel tax increases and parking pricing “are particularly appropriate because they also encourage fuel conservation and more efficient transport, in addition to raising revenues,” but warns that they should be implemented gradually to avoid excessive, regressive burdens on society. Options that rate highest in acceptability (impact fees, station rents, and advertising) tend to generate only modest revenue. Three new options are recommended for consideration: parking levies, employee levies, and vehicle levies. Impact fees can be part of the solution, as long as they are implemented in such a way as not to discourage transit oriented development.

FIGURE 10: FUNDING EVALUATION USING SIX CRITERIA (SOURCE: TCRP REPORT 129)

Source	Revenue Yield	Cost-Efficiency	Equity	Economic Efficiency	Political, Popular Acceptance	Technical Feasibility
	<i>Adequacy, Stability</i>	<i>Administrative, Compliance Cost Evasion</i>				
Traditional Revenue Sources						
General Revenues	H	H	L	M	M	H
Sales Taxes	H	H	L	M	M	H
Property Taxes	H	H	L	M	M	H
Contract/ Purchase-of- Service Revenue	L	L	L	L	H	H
Lease Revenue	L	L	L	L	H	H
Vehicle Fees	H	H	M	M	L	H
Advertising Revenues	L	L	L	L	H	H
Concession Revenues	L	L	L	L	H	H
Common Business, Activity, and Related Sources						
Employer/ Payroll Taxes	H	H	M	H	L	H
Car Rental Fees	M	H	L	M	M	H
Vehicle Lease Fees	M	H	L	M	M	H
Parking Fees	M	H	L	M	L	H
Realty Transfer Taxes/Mortgage Recording Fees	M	H	L	L	M	H
Corporate Franchise Taxes						
Oil	H	H	M	M	M	H
Long lines taxes	M	H	L	M	M	H
Room/ Occupancy Taxes	L	M	L	L	H	H
Business License Fees	L	M	M	M	L	M
Utility Taxes/Fees	M	H	L	L	L	H
Income Taxes	H	H	H	L	L	H
Donations	L	L	L	L	H	H
Revenue Streams from Projects						
Joint Development	L	L	L	L	H	H
Value Capture	L	L	L	L	M	H
Beneficiary Charges	L	L	M	L	M	H
Special Assessment Districts	L	L	M	L	M	H

Source	Revenue Yield	Cost-Efficiency	Equity	Economic Efficiency	Political, Popular Acceptance	Technical Feasibility
	<i>Adequacy, Stability</i>	<i>Administrative, Compliance Cost Evasion</i>				
Community Facility Districts/TDDs	L	L	L	L	M	H
Impact Fees	M	M	M	M	M	H
Tax Increment Financing	M	L	L	L	M	H
ROW Leases	L	H	L	L	H	H
Airport Passenger Facility Charges	M	H	L	L	M	H
“User” or “Market- Based” Sources						
Tolling	V	H	L	M	L	H
Congestion Pricing	V	M	L	H	L	H
Emission Fees	V	V	L	H	L	L
VMT fees	V	V	L	H	L	M
Financing Mechanisms						
GO Bonds	H ^a	H	L	L	H	H
PABs	H ^a	H	L	L	L	H
Tax Credit Bonds	M ^a	H	L	L	L	H
GANs	H ^a	H	L	L	M	H
GARVEEs	H ^a	H	L	L	M	H
RANs	H ^a	H	L	L	M	H
COPs	M ^a	H	L	L	M	H
SIB Loans	H ^a	H	L	L	M	H
Other, Less-Frequently Used Taxes and Fees						
Motor Fuel Taxes	H	H	M	M	L	H
“Sin Taxes” (Cigarettes, alcohol, and gambling)	M	H	L	L	M	H
Battery Taxes	L	L	L	L	L	M
Road Utility Fees (Access charges)	M	M	L	L	L	M
Airport Passenger Facility Charges	M	M	L	L	M	H

FIGURE 11: TRANSIT FUNDING OPTIONS (SOURCE: VTPI STUDY)

Table 6 Potential Public Transport Funding Options

Name	Description	Advantages	Disadvantages
Fare increases	Increase fares or change fare structure to increase revenues	Widely applied. Is a user fee (considered equitable).	Discourage transit use. Is regressive.
Discounted bulk passes	Discounted passes sold to groups based on their ridership	Increases revenue and transit ridership	Increases transit service costs and so may provide little net revenue
Property taxes	Increase local property taxes	Widely applied. Distributes burden widely.	Supports no other objectives. Is considered regressive.
Sales taxes	A special local sales tax	Distributes burden widely.	Supports no other objectives. Regressive.
Fuel taxes	An additional fuel tax in the region	Widely applied. Reduces vehicle traffic and fuel use	Is considered regressive.
Vehicle fees	An additional fee for vehicles registered in the region	Applied in some jurisdictions. Charges motorists for costs.	Does not affect vehicle use.
Utility levy	A levy to all utility accounts in the region	Easy to apply. Distributes burden widely.	Is small, regressive and support no other objectives.
Employee levy	A levy on each employee within a designated area or jurisdiction	Charges for commuters.	Requires collection system. May encourage sprawl if only in city centers.
Road tolls	Tolls on some roads or bridges	Reduces traffic congestion.	Costly to implement. Can encourage sprawl if only applied in city centers.
Vehicle-Km tax	A distance-based fee on vehicles registered in the region	Reduces vehicle traffic.	Costly to implement.
Parking taxes	Special tax on commercial parking transactions	Is applied in other cities.	Discourages parking pricing and downtown development.
Parking levy	A special property tax on parking spaces throughout the region	Large potential. Distributes burden widely. Encourages compact development.	Costly to implement. Opposed by suburban property owners.
Expanded parking pricing	Increase when and where public parking facilities (such as on-street parking spaces) are priced	Moderate to large potential. Distributes burden widely. Reduces driving.	
Development or transport impact fees	A fee on new development to help finance infrastructure, including transit improvements	Charges beneficiaries.	Limited potential.
Land value capture	Special taxes on property that benefit from the transit service	Large potential. Charges beneficiaries.	May be costly to implement. May discourage transit-oriented development.
Station rents	Collect revenues from public-private development at stations	Charges beneficiaries.	Limited potential.
Station air rights	Sell the rights to build over transit stations	Charges beneficiaries.	Limited potential.
Advertising	Additional advertising on vehicles and stations	Already used.	Limited potential. Sometimes unattractive.

FIGURE 12: TRANSIT FUNDING OPTIONS EVALUATION (SOURCE: VTPI STUDY)

Table 7 Potential Local Public Transit Funding Options Summary Matrix

Name	Potential Revenue	Stability	Horizontal Equity	Vertical Equity	Travel Impacts	Development Impacts	Public Acceptance	Ease to Implement
Fare increases	2	2	2	-3	-3	-2	-3	3
Discounted bulk passes	1	2	2	2	3	2	2	3
Property taxes	3	3	2	-1	0	-1	-2	3
Sales taxes	3	2	1	-2	0	0	-2	3
Fuel taxes	2	2	2	-1	3	2	-2	3
Vehicle levy	2	3	2	-2	0	0	-2	-1
Utility levy	1	3	2	-3	0	0	-3	2
Employee levy	2	3	3	2	0	-1	-2	-2
Road tolls	1	2	3	-2	3	1	-2	-3
Vehicle-Km tax	2	2	3	-2	3	1	-3	-3
Parking taxes	1	2	2	0	2	-2	-1	-1
Parking levy	3	2	2	1	2	2	-2	-3
Expanded parking pricing	2	2	3	1	3	-1	-1	-1
Development cost charges	1	1	2	0	0	-1	3	-1
Land value capture	3	3	2	0	0	-2	2	-2
Station rents	1	2	3	0	0	0	3	-1
Station air rights	1	2	3	0	0	0	3	-2
Advertising	1	1	3	0	0	0	3	3

This table summarizes the degree that the funding options support various planning objectives. Rating range from 3 (strongly supports objective) to -3 (strongly contradicts objective). 0 = no or mixed impacts. Although these results are somewhat subjective and may vary depending on community values and conditions, this illustrates a method for quantifying the advantages and disadvantages of various options that can be applied in other situations.

PRIOR EFFORTS IN CHITTENDEN COUNTY

The Chittenden County Metropolitan Planning Organization (CCMPO) and its partners have studied alternative funding sources for CCTA for many years. Six separate documents have been published since 1998 that have considered this subject, analyzed the options available, and made recommendations.

FUNDING ALTERNATIVES REPORT, 1998

This report was an outgrowth of the CCMPO's 1997 Long Range Transportation Plan, which called for the development of alternatives to the local property tax for funding public transportation. The report provides a survey of funding mechanisms from around the country, including transportation user fees and non-user fees as well as broad-based taxes and allocations from the general fund.

The report focuses on five options (listed below) and applies the following criteria to each of them: Produces sufficient and stable yields, Public acceptability, Political feasibility, Administrative simplicity, Equity, Flexibility.

- Increase the gas tax
- Regional sales tax
- Auto/truck rental fees
- Student transportation fees
- CCTA revenue enhancement initiatives (advertising revenue)

After applying the criteria, the report concludes that the final three options should be the starting point for further explanation, but that the gas tax and the sales tax should not be taken off the table.

OPERATIONAL ANALYSIS, SYSTEM PLAN, AND FUNDING ALTERNATIVES FOR CCTA, 1999

This report, prepared for CCMPO by a consultant, addressed the local funding issue in the context of a broader system service and expansion plan. The primary recommendation made in this study is to increase the amount of state operating assistance that is provided to CCTA, as well as other transit agencies in Vermont. If necessary, the gas tax should be increased statewide to help fund public transportation.

CHITTENDEN COUNTY TRANSIT FUNDING REPORT, 2002

The Vermont legislature commissioned this report on financing transit services in Chittenden County; a consultant completed this report in December 2002. Using similar criteria to those in the 1998 Funding Alternatives Report, the study discussed five options, though not the same five that were in the 1998 report.

- Local dedicated sales tax
- Sales tax on gas/motor fuels tax (percentage rather than pennies per gallon)
- Regional short-term vehicle rental tax
- Annual vehicle registration fee
- Driver license fee

The report concludes that a sales tax on motor fuels is the best option since it “has the advantage of generating enough revenue, being linked to transportation, being easier to collect than the gas tax on a regional basis, and increasing when gas prices go up (gas tax revenues generally decline as gas prices increase due to a reduction in sales).” Two or three of the fee increases combined could also achieve the goal of replacing local property taxes as a source of funding, but none of these would be sufficient on its own.

REPORT OF THE PUBLIC TRANSPORTATION TASK FORCE TO THE CCMPO BOARD, 2004

Following the completion of the CCTA Short Range Transit Plan and the legislative study summarized above, the CCMPO convened a task force in April 2003 to move the recommendations in these documents to implementation.

Unfortunately, other than agreement that public transportation should not be financed by local property taxes, there was no consensus on an alternative funding source. Seven types of taxes were identified, but none were officially endorsed. These included the five discussed in the 2002 report plus a vehicle excise tax and a personal property tax on cars.

CCMPO POLICY STATEMENT ON PUBLIC TRANSPORTATION, 2005

In December 2005, the CCMPO Board issued a policy statement on the financing of public transportation. “Legislative action is needed to free CCTA from its funding constraints in order to meet the current and growing needs for public transportation service in Chittenden County. This can be achieved by either:

- Alternative methods to raise revenue locally/regionally and/or,
- By additional state funding of public transportation.”

CCMPO BLUE RIBBON COMMISSION ON INNOVATIVE FINANCE, 2008

In 2008, the CCMPO Board convened a five-member “Blue Ribbon Commission” (BRC) to “provide recommendations...regarding innovative finance strategies to advance the region’s transportation needs, including all modes...” Public transportation was just one of several topics addressed by the BRC.

The Commission formed a working group on funding options, which ultimately issued one recommendation: A sustainable source of additional funding should be developed for regional transportation needs.

No specific type of tax or fee was identified, but the final report of the BRC did include a matrix that evaluated 17 types of funding sources. The sources were measured against six criteria including:

- Revenue adequacy/yield
- Stability/predictability
- Equity
- Ease of implementation
- Multimodal feasibility
- Relationship to economic efficiency

This matrix was updated in 2013 and expanded to include the GMTA (rural) portion of CCTA’s service area. The matrix is shown in Figure 13.

FIGURE 13: CCMPO FUNDING EVALUATION MATRIX (CCMPO BLUE RIBBON COMMISSION ON INNOVATIVE FINANCE, 2008)

Potential Funding Source	Current VT Status	Current Federal Status	2012 totals Statewide	Chittenden Totals	Franklin, Grand Isle, Lamoille & Washington	Assumed Tax/Increase	Estimated Revenue Chittenden (2013)	Estimated Revenue Franklin, Grand Isle, Lamoille & Washington (2013)
Gasoline Excise Tax (# of gallons sold)	\$ 0.323	\$ 0.184	319,774,852	65,242,396	66,136,502	\$0.01	\$652,424	\$661,365
Diesel Excise Tax (# of gallons sold)	\$ 0.310	\$ 0.244	62,587,342	12,769,447	12,944,445	\$0.01	\$127,694	\$129,444
Motor Fuel Sales Tax (total sales revenue)	--	--		\$228,348,386	\$231,477,759	1%	\$2,283,484	\$2,314,778
Registration Fee (# of registrations)		--	643,389	162,904	143,496	\$5	\$814,520	\$717,479
Personal Property Tax on Vehicles (# of vehicles)		--	563,290	142,623	125,631	1%	\$7,131,162	\$6,281,563
Vehicle Sales Tax (# vehicles sold)	6%	--	170,882	43,267	38,112	1%	\$4,326,678	\$3,811,202
License Fee (# of licenses issued/renewed)		--	168,641	42,699	37,612	\$5	\$213,497	\$188,061
VMT Fees (VMT)		--	7,500,000,000	1,471,800,000	1,479,000,000	\$0.001	\$1,471,800	\$1,479,000
Purchase and Use Tax (12-mo. revenue)	--	--	\$58,376,317	\$14,780,698	13019741	1%	\$147,807	\$130,197
Motor Vehicle Fees (12-mo. revenue)		--	\$78,052,365	\$19,762,611	17408115	1%	\$197,626	\$174,081
Local Option Sales Tax (2011 revenue)	6%	--	\$318,869,780	\$87,160,226	\$49,780,619	0.50%	\$8,716,022.60	\$4,978,061.90
Payroll Tax (Q2 2013 wages)	--	--		\$1,209,108,702	\$630,276,274	0.10%	\$4,836,434.81	\$4,836,434.81