8. regional transit funding strategy

Transit funding is a significant challenge facing the Mid-South as it works to increase access to employment markets and diversify travel choices. The main challenges associated with transit funding are:

1. The only jurisdiction funding transit in the region is the City of Memphis
2. There is no dedicated funding source for transit service, even in the City of Memphis

Broader participation in regional transit funding would allow the Memphis Area Transit Authority (MATA) to provide service to more areas, including larger employment sites located outside the city boundaries. Dedicated funding sources, on the other hand, would provide a reliable source of annual revenues to support transit operations and capital projects.

Encouraging jurisdictions or voters to provide funding for any new government programs and services is never easy. In the current economic climate where government programs struggle to fund existing programs, it is even more difficult to identify and find support for new funding. That said many communities around the United States have succeeded in raising funds for transit.

Best Practices

The ***Bi-State Development Corporation***, or ***Metro Transit***, is the regional transit provider in metropolitan St. Louis. In 2009, the agency was forced to make dramatic service cuts as a result of budget shortfalls. Voters responded in 2010 by approving a 1/2 cent sales tax in St. Louis County to support Metro. The tax was estimated to raise on the order of $75 million annually. In addition, the countywide sales tax triggered a ¼ cent sales tax in the City of St. Louis raising approximately an additional $8 million. Support for the transit tax was led by the Greater St. Louis Transit Alliance, a coalition of organizations that support public transportation. The coalition included several large employers, educational institutions and municipalities.

The tax allowed Metro to restore service levels to near pre-reduction levels and ridership growth has been robust for the past two years. In the first quarter of 2012, Metro led the nation with the largest percent increase in bus ridership.

St. Louis County is home to about 1 million people, about 320,000 of whom live in the City of St. Louis. The entire metropolitan region includes nearly 2.8 million people and spans counties in both Illinois and Missouri. Like Memphis and Shelby County, St. Louis County is considerably wealthier than the City of St. Louis, with per capita incomes of roughly $34,000 and $22,000 respectively (US Census 2012).

The ***Triangle Transit Authority*** of ***North Carolina*** is largely assumed to consist of three counties (Wake, Durham and Orange) and two cities (Raleigh and Durham), plus the Town of Chapel Hill. The region is recognized for among other things, its major educational institutions, including the University of North Carolina at Chapel Hill, Duke University, and North Carolina State University. The region has also emerged into the national spotlight over the past several decades, in part through rapid growth and development.

Public transit services, much like the region are decentralized with separate systems operating in each of the major communities and surrounding counties. The largest regional transit provider, Triangle Transit Authority, worked closely with area counties to develop a Bus and Rail Investment Plan. This plan included development of light rail as well as significant expansion of the bus network. Implementation of the plan is dependent on raising funds through local sales taxes. Counties are able to make independent decisions about the tax.

To date, two of the three counties (Orange and Durham) passed a ½ cent sales tax increase in 2012 to support regional and local transit. The third county, Wake County, which is home to Raleigh the region's largest city, has not yet put the tax on the ballot. Expansion of transit service, however, has already begun in Orange and Durham Counties.

Challenges

As mentioned, encouraging governments and voters to tax themselves for new services is never easy and the current economic and political climate exacerbates traditional challenges. The region faces additional challenges including:

- **Local taxing authority.** Local taxing authority and options vary considerably by state. Given that the Mid-South region spans three states – Tennessee, Mississippi and Arkansas – there are likely three different taxing options to navigate.
- **Politics and perceptions.** Outside of the cities of Memphis and West Memphis, most communities in the Mid-South region have very limited experienced with public transportation services or the Memphis Area Transit Authority (MATA). Consequently, there are considerable perceptions about transit service generally and MATA service in particular that will need to be addressed as part of any funding strategy.
- **Funding requirements.** MATA's current operating budget is roughly $55 million annually, of which 40% ($22m) represent funds from the City of Memphis (2011 MATA Annual Report). MATA cut nearly 20% from its budget in 2013, thus to restore service levels and expand services regionally, would require an increase of up to 50%. Assuming state and federal funding could expand in line with local funds, the region would need to raise more than $11 million annually

Opportunities

While clear challenges exist, there are also several reasons why beginning to develop a regional transit funding strategy makes sense:

- **Strong Need and Growing Interest.** The City of Memphis and MATA are at a critical point for transit funding. Challenges at the municipal level have forced MATA to consistently cut service, including a 20% cut in service in 2013. As a result, services are operating at minimal levels and barely able to serve demand. At the same time, there is increasing interest in developing transit service as identified by the Bus Riders Transit Union, the Mid-South Regional Greenprint Plan as well as other local and regional initiatives. The timing is opportune.
- **Tennessee Senate Bill 1471 was signed into law on 2009.** This bill allows for the creation or expansion of regional transportation authorities in Tennessee's urban area. It also creates opportunities for urban areas to identify and dedicate regional revenues to transit, subject to voter approval. New revenues may be used to support existing services and future transit investments.
- **Different Funding Mechanisms.** While sales taxes are the most common way to raise funds for transit, regions have had success raising funds through a variety of mechanisms (including combinations of the following) such as gas taxes, vehicle registration fees, driver license fees, "sin" taxes on drinks, and business license fees. As part of developing a funding strategy, the region should consider the full range of revenue enhancements, recognizing that in some cases several smaller strategies may be effective.
- **Non-Profit Sponsorship.** In nearly every national example, sponsorship for transit taxes are led by a non-profit or non-governmental organization specifically dedicated to establishing financial support. Non-profit/non-governmental organizations, especially if they are non-partisan, are frequently able to pull together broad coalitions and build broad support in the community.