Policy Matters Ohio

How Ohio funds public transit

Executive Summary

KEY FINDINGS:

- The gap between current funding and what is needed to meet Ohio's public transit market demand is more than $650 million.
- ODOT provided 115 million rides in 2013, 14th highest ridership in the nation, but 37.5 million rides short of demand.
- Ohio spends less on public transit than 44 states. The House budget for 2018-19 appropriates $6.5 million, the lowest level since 1976.
- State funding of $120 million a year – rising to $185 million a year in 2025, is needed – but the 2018-19 budget provides just $40 million a year.
- Most metropolitan transit agencies will lose $40 million a year (collectively) starting in 2019, as the state narrows the sales tax base.
- Transit agencies will lose almost $40 million a year (collectively) starting in 2019 as the state narrows the sales tax base

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Ohioans need public transit to get to work, school and other essentials, but the state doesn't contribute its share, and services are strained in most places. It's budget season in Columbus, which gives lawmakers a chance to do better over the next two years. But public transit in Ohio stands to lose millions of dollars in the operating budget for 2018 and 2019.

Ohio contributes less per person in state funding than 44 other states. In spite of that, Ohio has the 14th highest public transit ridership of all the states, with 115 million rides annually – a sign that people really need transit and will use it even when it's extremely underfunded. Still, we're missing the market demand by 37.5 million rides a year.

The state transportation and operating budgets for 2018-19 continue to inadequately fund public transit and it threatens to get even worse. The state is narrowing its sales tax base, moving some health care services out of the sales tax. An unintended consequence is this strips $40 million a year from transit agencies that piggyback their local sales tax on the state base.

Ohio will invest about $40 million a year in public transit, between allocation of federal flex funds and state general revenue funding. Other states dwarf that. Michigan, for example, invests $200 a year in public transit; Minnesota, $340 million; and Pennsylvania, $840 million. Ohio's lawmakers need to do more.

There are 61 urban and rural transit agencies in Ohio. The $40 million that the state budgets would spend for public transit flow through different transportation department programs and are allocated to transit agencies for a variety of purposes. Eligibility requirements are determined on a program-by-program basis.

The Ohio Department of Transportation studied Ohio's public transit needs in 2015 and recommended that the state fund 10 percent of costs, about $120 million a year. Ridership is projected to rise from 115 million rides in 2015 to 250 million by 2025, and state funding should rise with it, to $185 million by 2025. These are annual needs for yearly ridership.

Additionally, years of inadequate funding have left Ohio's transit agencies needing to catch up on deferred maintenance. A third of the fleet is obsolete. The transit needs study found Ohio's 34 rural and 27 urban systems were underfunded by $650.5 million in 2015 – on an annual basis - for all purposes: operation, capital, deferred maintenance and expansion. This will rise to over a billion dollars in 2025. Lack of state funding hinders transit agencies, particularly in rural communities, from taking advantage of federal transit money that requires local match.

There are smart options to increase funding, including:

Increase General Revenue Fund appropriations for public transit to $25 million in the operating budget. The state only provides $7.3 million annually in flexible General Revenue Funds and the House-approved budget would cut that to $6.5 million.

As an incremental step toward the $120 million that is needed, we recommend $25 million a year in the operating budget. Additional funds could be provided by closing unnecessary and uneconomical tax breaks in the state's $9 billion tax expenditure budget. In time, a statewide dedicated funding source for transit is needed, to ensure consistent and appropriate funding for the 61 transit systems.

Retain the $15 million annual earmark from the Volkswagen settlement for public transit. In the transportation budget, the Senate earmarked $15 million of Ohio's $71 million share of the Volkswagen emissions fraud settlement for public transit. It was taken out of the transportation budget, but the House reinserted the earmark in the 2018-19 operating budget. It needs to stay in.

Allocate more highway flex funds for public transit. The state should use at least $50 million annually in "flex" funds from the National Highway Trust Fund FAST (Fixing America's Surface Transportation) Act for transit. Flex funding for public transit was raised from $23 million in 2017 to $33 million each year of the 2018-19 budget. This increase, while useful, doesn't begin to address aging fleets and deferred maintenance, let alone expand service to the 27 rural counties with no public transit. Ohio needs to prepare to meet the market demand of an aging population and the preference of younger Ohioans for public transit alternatives.

Keep transit agencies whole as changes to the sales tax base threaten revenue. Lawmakers must address the $40 million annual loss of revenue to transit agencies stemming from a change to the state sales tax base, which counties and transit agencies piggyback with a local sales tax.

The federal government required Ohio to broaden the base of the Medicaid Managed Care Organization (MCO) tax within the sales tax base. The state complied, but removed the MCO tax from the sales tax base. The fix replaced revenue the state used but left out revenue raised by transit agencies, which had levied a local sales tax on the state base. The operating budget for 2018-19 includes just one year of transitional aid for this problem, which will be ongoing. The cost to the state's eight largest transit agencies is $40 million a year after 2019. A better solution is badly needed and possible. The MCO tax must meet a set of federal requirements, and can meet those requirements without cutting public transit.

Public transit is a critical need and its importance will grow. The Statewide Transit Needs Study carefully detailed funding needs and advised far higher state funding for 2015. As we go into the 2018-19 budget, not only are the recommendations of the state's own studies being ignored, but public transit funding is being cut.

Lawmakers must be held accountable. If they fund studies which review the situation and provide recommendations, and fail to act on those recommendations, there has been a failure of the system. Ohioans need transit. Providing it would improve lives, reduce carbon emissions, and make our communities more vibrant. Governor Kasich and the general assembly must address that need.