Policy Matters Ohio

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Budget

How Ohio funds public transit

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Policy Matters Ohio

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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

Executive Summary

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.

Photo: National Rural Transit Assistance Program

Introduction

Introduction

People throughout Ohio need dependable public transit to get to work, the grocery store and the doctor. But the state of Ohio does less than other states to integrate support for public transit into the overall transportation plan. The new state budget may be especially harmful. Proposed changes to the sales tax base threaten local transit agencies: several of Ohio's largest metropolitan transit agencies depend on a local sales tax "piggybacked" to the state sales tax base.

Ohio's long neglect of public transit contributes to economic problems. The Governor's Task Force to Reduce Reliance on Public Assistance identified lack of transportation as a leading barrier to employment and self-sufficiency. The Ohio Department of Transportation itself has found the state's public transit network fails to meet market demand by 37.5 million rides, and recommends tripling annual investment.

The state's transportation budget has already been passed, but legislators should establish a plan to better fund public transit. They should start by ensuring changes in the sales tax do not erode the already-inadequate resources of public transit in metropolitan areas, and allow more opportunity for small and rural transit agencies to obtain a source of state funds to help them provide the match for federal capital investment dollars.

Photo: Greater Cleveland Regional Transit Authority

Ohio's transportation system

Ohio's transportation system

There are 61 public transit entities in Ohio. Some are major metropolitan operations serving some of the nation's biggest cities (Cleveland, Cincinnati and Columbus). Most are small city and rural operations that may only offer demand-responsive services and rely on county funding to make ends meet.

Most of the state's share of public transit funding comes from federal funds that are passed through the state. There are two sources of federal funding: one includes grants and set-asides, including planning dollars and federal funds for specialized equipment to serve elderly and disabled people. The other comes from flexible highway funds from the National Highway Trust Fund. In addition, the state provides a very small amount of funding in General Revenue Funds from the operating budget. Each of these three sources is described briefly below, and in more detail in the body of this report.

Federal grants and set-asides: The state appropriates $33.2 million in federal funds in the Ohio Department of Transportation (ODOT) agency line item 775452 in fiscal year (FY) 2018 and the same amount in FY 2019.These funds were from a combination of formula grants for rural areas, planning and research dollars and capital dollars for specialized transit equipment.

Highway Trust Fund "Flex" dollars: Ohio lawmakers will appropriate $33 million a year from ODOT's agency line item 772422, which comes from Ohio's allocation of National Highway Trust Fund dollars. These funds are typically used for highway construction but are known as flexible ("flex") funds because they can be moved from category to category and used for a variety of transportation uses. Ohio has "flexed" about $20 million a year for public transit capital needs throughout the Kasich Administration.[1] The 2018-19 budget increases flex funding for public transit by $10 million a year over the FY 2016-17 budget.[2]

General Revenue Fund dollars: The state provides just over $7 million a year for public transportation through the General Revenue Fund (GRF) agency line item 775451. The source of funding is state taxpayer dollars. This appropriation level was much higher in the past. The state funded public transit at $41 million a year in 1989 and at $46 million a year in 2002.

1 Highway funds are typically used for construction, but a significant share can be used in a more flexible fashion to meet broader mobility goals – through public transit, sidewalks, bike lanes and other approaches that go beyond the typical use for highway construction and maintenance.

2 Ohio Legislative Service Commission, Redbook for the Ohio Department of Transportation for the 2018-19 budget, p.33 at http://www.lsc.ohio.gov/fiscal/transportation/transbudget132/dot.pdf

The Ohio House of Representatives reduced the appropriation for public transit from the Governor's suggested level of $7.3 million to $6.5 million in each year of the FY 2018-19 budget. Legislators have expressed intent to provide $15 million for public transit from the state's share of the Volkswagen lawsuit settlement.[3] It's a hopeful sign, but there are no guarantees this will be enacted into law.

Considering the two primary sources of state-authorized funding for public transit – GRF and federal flex funds – Ohio may invest around $40 million a year in public transit over the next two years.[4] This is $10 million a year more than in 2017. The additional funding is helpful but Ohio's support of public transit remains inadequate. Figure 1 shows that the state of Ohio funds just 1 percent of total public transit needs, and contributes another 2 percent if the count includes all of the federal dollars for public transit that pass through the Ohio Department of Transportation.[5] The state funding level recommended by the Ohio Department of Transportation's (ODOT) Ohio Statewide Transit Needs Study was 10 percent of total state, local and federal expenditure.

3 The Volkswagen company has admitted to rigging 11 million vehicles worldwide with software to dodge emissions tests; a component of the settlement will be distributed to the states.

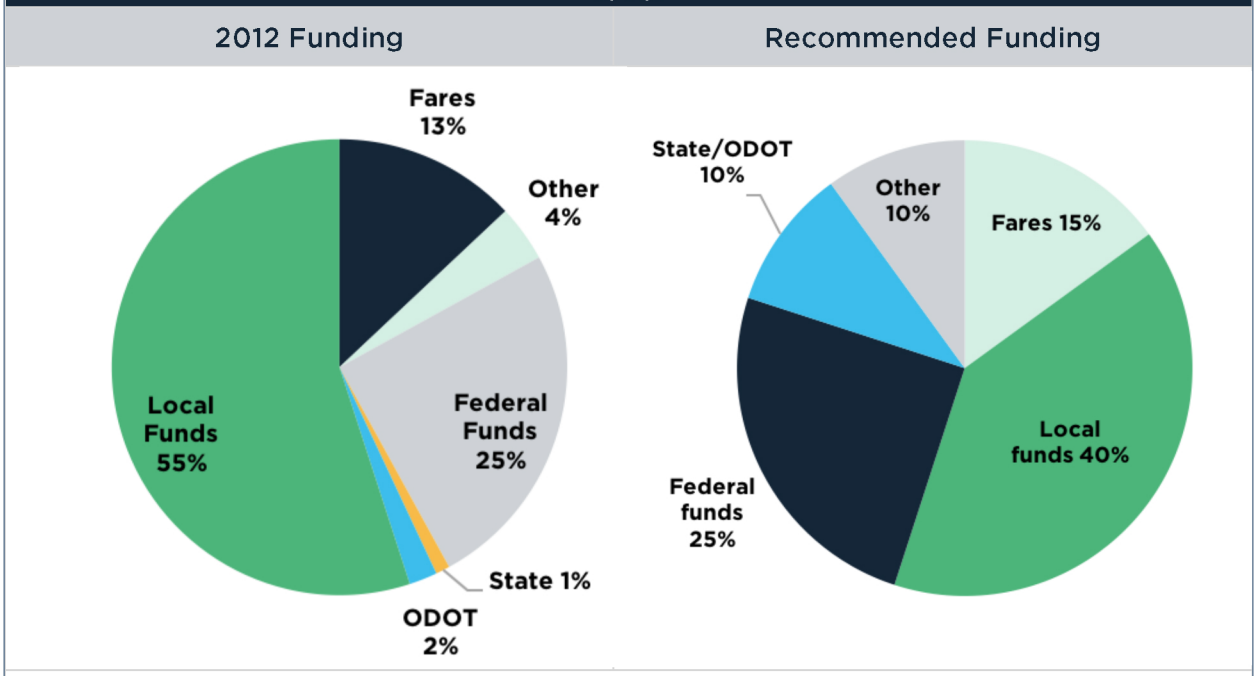
4 Tom Middleton, "Redbook LSC Analysis of Executive Budget (HB 49) Department of Transportation" (Legislative Service Commission, March 2017), http://www.lsc.ohio.gov/fiscal/redbooks132/dot.pdf.

Tom Middleton, "Redbook LSC Analysis of Executive Budget Transportation Budget Bill (H.B. 26 of the 132nd General Assembly) Department of Transportation" (Legislative Service Commission, February 2017), http://www.lsc.ohio.gov/fiscal/transportation/transbudget132/dot.pdf

5 Ohio Department of Transportation, "Ohio Statewide Transit Needs Study," 2015

Figure 1

Current state and ODOT support of public transit, compared with recommended level



Source: Policy Matters Ohio, based on Ohio Transit Needs Study, Ohio Department of Transportation, 2015. Note: "Other" includes miscellaneous revenue sources such as advertising.

Other states do better than Ohio. For instance, Pennsylvania invests about $840 million a year in public transit; Minnesota, about $340 million a year and Michigan, $200 million a year. While Pennsylvania is a large state, Minnesota and Michigan are smaller than Ohio.[6] In fact, Ohio's contribution of just $.63 per-capita is below that of rural South Dakota and Maine, and ranks eighth lowest in the nation.[7]

Ohio funds a unified network of highways, roads and streets, but the state, which provides the structure and foundation for a system, fails to integrate public transit into that system at the highest level: the state level. The result is a fragmented public transit structure instead of a unified system, like the state's highway and road systems.

6 *Id.*

7 American Association of State Highway and Transportation Officials, 2016 Survey of public transportation funding (2014 data) at http://scopt.transportation.org/Documents/SSFP-10-UL.pdf Ohio Department of Transportation, Ohio Transit Needs Study, 2015 at http://www.dot.state.oh.us/

Ohio's transit needs

Ohio's transit needs

The Ohio Department of Transportation released the Ohio Statewide Transit Needs study in 2015. The report highlighted the needs of riders and the investment needed to maintain the 61 urban and rural transit systems across Ohio. The information in this section is taken from this study.

In 2013, Ohio had the 14th highest transit ridership in the country with 115 million trips per year. By 2025, demand is expected to increase to more than 250 million trips. Demographic shifts contribute to increased need: An older population, increased poverty, and many millennials' preference for public transit over owning a car.

In 2015, public transit across Ohio failed to meet market demand by 37.5 million rides. For example, an estimated one million people in rural Ohio could be helped by expanding services to areas without public transportation.

Ohio's 34 rural and 27 urban transit systems serve communities that have both similar, yet in many instances, very different, transportation needs. Both urban and rural systems are underfunded to meet those needs. The total funding gap identified across urban and rural systems in 2015 was $650.6 million, which will rise to over a billion dollars in 2025. This figure includes total costs of capital, operating, deferred maintenance and expansion. The needs are explained below, and are broken out by urban and rural designation.

Rural public transit: There are 34 rural transit entities. In 2015, 39 percent of funding for the 34 rural agencies came from the federal government and 10 percent from the state. The balance was funded by fares (5 percent), local funds from municipalities and counties (20 percent) and "Other" (advertising, contracting with human service agencies and other partners.)

Rural public transit in Ohio is inadequately funded: counties that have public transit failed to meet market demand by a million rides a year in 2015; by 2025, that will rise to 4 million rides a year due to demographic changes. On top of that, 27 counties have no public transit service at all.

The Ohio Transit Needs study estimated that in 2015, a third of the vehicles in the 550-vehicle rural fleet needed to be replaced. The study estimated that overall, rural public transit needed $95.3 million for system preservation, expansion and to develop new service in areas completely lacking public transit. This will rise to $127 million in 2025. This includes both capital and operational needs.

Rural transit agencies face a particular challenge in maintenance, planning and expanding. Resources are heavily dependent on local funds and on external sources, like contracting and advertising. These entities frequently lack the necessary capital to provide the 20 percent non-federal match that would allow them to even use federal dollars. Ohio's meager allocation of state resources makes it hard to maintain public transit fleets or to expand transit to rural areas.

Metropolitan public transit: Ohio has 27 urban transit systems. In addition to the 3 C's (Cleveland, Columbus and Cincinnati) there are public transit system in Dayton, Toledo, Youngstown, Akron and Canton, as well as systems that serve Steubenville, Middletown, Medina, Portage County, and others. In 2015, 26 percent of funding for urban transit came from the federal government and 2 percent from the state. The balance was funded by local funds (56 percent), fares (14 percent) and "Other" (3 percent). Figures are rounded.

While most of the state's small investment in public transit goes to urban areas, the unmet needs for public transit in this very urban state are staggering. According to the Ohio Transit Needs study:

"The current system needs to provide an additional 35 million transit trips annually in 2015 to meet demand. By 2025, demand is expected to grow to 250 million annual trips. Older Ohioans will be more dependent on transit to get around, while younger, urban dwellers will choose transit over owning a car."

The Ohio Statewide Transit Needs study estimated that in 2015, a third of the vehicles in the 2700-vehicle urban fleet needed to be replaced. The study estimated the overall, public transit in Ohio's metropolitan areas needed $555.3 million additional dollars to meet needs in 2015. This will rise to $903.9 million in 2025.

The Ohio Transit Needs study recommended that the state provide $120 million a year, rising to $185 million a year by 2025, to restore, expand and build Ohio's public transit system to meet market demand and give Ohioans transportation options.

The section below looks at public transit funding in the state, and also at the larger system of transportation funding, of which public transit is not really a full partner.

State budget for public transit in 2018-19

State budget for public transit in 2018-19

Funding for public transit in Ohio is provided through two budget bills: the transportation budget bill (This year, the 2018-19 transportation budget was passed through House Bill 26) and the main operating budget bill (House Bill 49, still under debate). For the two-year budget period of 2018 and 2019, as it stands now, state and ODOT funding for public transportation legislators will decide on may total about $40 million in each year.

- House Bill 49 (the operating budget) contains $7.3 million a year in General Revenue Funds (GRF). The House trimmed that appropriation to $6.5 million, the lowest level of GRF appropriations for public transit since 1976.
- House Bill 26 (The ODOT budget) contains $33 million in flex funds, as recommended by the Governor and accepted by the legislature.

The newly enacted ODOT budget adds more funding to public transit, but it remains a tiny share of total transportation expenditures: no more than about 1 percent a year of the ODOT budget.[8] By contrast, the Ohio Statewide Transit Needs study suggests the state should be spending about 10 percent of its state transportation budget on public transit.[9]

State funding provides financial assistance for the purchase of capital equipment as well as technical and planning assistance to the 61 transit systems. Table 1 outlines how funds are used. Funding in Table 1 is grouped based on source of funds: General Revenue Funds, federal flexible highway and public transit grant funding.

8 This does not include the federal grant funds and set-asides in ODOT's federal line item specifically allocated for public transit – 775452. That funding $33.2 million fund is not discretionary. Ohio lawmakers do not set the funding levels of this line item. This line item remains relatively flat-funded relative to prior years. If those funds are counted, the total amount contributed through the state and ODOT is 2 percent.

9 Ohio Department of Transportation, Ohio Statewide Transit Needs Study, 2015

Table 1

How Ohio uses its state transit funds ($$ based on budget proposals for 2018-19)

Program	Fiscal year funding	Funding source and line item	Local match	Urban/Rural	Use	Total
General Revenue Funding (ODOT agency line item 775451)						
Ohio Public Transportation Grant Program	$4.7 million	General Revenue Fund (775451)	No	Rural Transit $3.1 million Urban Transit - $1.6 million	Operating assistance and capital projects	ODOT awards state funds to the rural and urban transit programs and then allocates funding to individual systems based on a formula
Elderly and Disabled Fare Assistance Program	$2.2 million	General Revenue Fund (775451)	No	8 largest urban systems (conditional)	Reduced fares for the elderly and people with disabilities	Reimbursement program – no application needed
Public Transit Operating - ODOT's Office of Transit	$400,000	General Revenue Fund (775451)	No	For internal ODOT use	For ODOT's Office of Transit administrative purposes.	This grant funding is not distributed to the transit agencies. ODOT uses it for internal operations
Flexible Federal Highway Funding (ODOT agency line item 772422)						
Ohio Transit Preservation Partnership Program	$33.2 millions	Flexed Highway Construction – Federal (772422)	20 percent local match	8 largest urban systems are eligible	Capital cost – vehicle replacement and facilities	Formula ($10 million) and Competitive grants ($23 million) for larger transit agencies in places with population over 200,000
Federal grants and set-aside (ODOT agency line item 775452)						
Ohio Public Transportation Grant Program	$28 million less $$ for various FTA programs	Dedicated Public Transportation – Federal dollars	No	Mainly medium-sized urban districts	Wages, fuel, training, insurance, vehicle and facility maintenance, planning assistance, and capital purchases	Requirements are different for the rural and urban transit programs
Specialized Transportation Program	$4.4 million	Dedicated Public Transportation – Federal dollars	20 percent local match expended through (775454)	Urban and rural	ODOT Purchases vehicles for nonprofit agencies servicing the elderly and people with disabilities	Competitive application process. Applicants must be from small urban areas or rural areas.
Various FTA Grants	Amount varies	Dedicated Public Transportation – Federal dollars	Program-by-program basis	Urban and rural	Rural formula grants, bus and bus facilities grants and capital investments	Money flows through ODOT to transit systems - requirements are set on a program-by-program basis
Ohio Technical Assistance Program	$850,000	Dedicated Public Transportation – Federal dollars	In some cases a local match is required	Urban and rural	Provide technical support to transit agencies in a variety of areas	Any ODOT Office of Transit grantee can apply for assistance

Source: Policy Matters Ohio, based on LSC Redbook Analysis of Executive Budget of Transportation Budget Bill H.B. 26 of the 132nd General Assembly and LSC Redbook Analysis of Executive Main Operating Budget Department of Transportation H.B. 49; ODOT Funding Programs Overview

Federal funds in the ODOT budget

Federal funds in the ODOT budget

Ohio anticipates receiving around $1.4 billion in each of the next three years from the National Highway Trust Fund. The overwhelming majority of federal transportation funds are for highway purposes, but starting in 1992, highway funds were sub-allocated into block grants that allowed "flexibility" between funding categories, which means that a highway dollar can be "used for things other than for construction" – for example, for public transit or other uses that reduce vehicle miles traveled.

The most recent authorization ("Fixing America's Surface Transportation Act" or FAST Act) authorizes several flexible funding options that can be used to fund public transit and related activities. (Table 2).

Photo: Greater Cleveland Regional Transit Authority

Table 2

Flexible federal funding options for transit

Program	FY 2017	FY 2018	FY 2019	Major focus of program
National Highway Performance Program (NHPP)	$770,531,771	$785,182,769	$801,390,642	Up to 50% may be flexed to the programs in this table for alternative transit uses. It can be used on transit within parallel right of way; for example: GCRTA Red Line that runs parallel to I-71, I-90, I-490, the new State Route 10, and US Route 20
Surface Transportation Block Grant Program (STBGP)	$357,546,938	$365,270,345	$372,315,489	Only core program that can be used for transit, alternative use. Up to 50% can be used as flex funds for uses including public transit, transportation alternatives.
Surface transportation set aside	$26,837,960	$27,350,112	$27,350,112	Specifically set aside for transportation alternatives, which may include public transit, bike and pedestrian venues.
STBGP set aside: Recreational trails	$1,671,851	$1,671,851	$1,671,851	Recreation
Highway Safety Improvement Program (HSIP)	$75,616,005	$77,031,664	$78,416,817	Improving safety for all road users
Railway/highway crossing	$8,939,677	$9,134,018	$9,328,359	Crossing safety
Congestion Mitigation and Air Quality (CMAQ)	$97,502,631	$99,356,559	$101,175,360	Designed to improve air quality in areas with high levels of air pollution. Up to 50% can be transferred for flex uses, although typically, this is the category into which flex funds are transferred. Public transit can reduce pollution, so this is a good "flex" category for public transit.
Metropolitan Planning	$11,769,830	$12,017,114	$12,275,129	Supporting metropolitan planning and transportation investment decisions
National Freight Program	$37,323,736	$40,716,803	$45,806,403	Freight
Highways total	$1,387,740,399	$1,417,731,235	$1,449,730,162	
Source: Policy Matters Ohio, based on FHWA FAST state tables and fact sheets				

Up to 50 percent of the major funds in Table 2 may be transferred between categories. Alternatively, a state plan can specify a larger allocation of funds to public transit or alternative transportation uses, and work through a transfer to the Federal Transit Administration (FTA). Through these mechanisms, it would be possible for Ohio to flex a great deal more funds than the $33 million that was approved in the FY 2018-19 ODOT budget for public transit.

In the long run, significant funds from the largest categories (Surface Transportation Block Grant Program and the National Highway Performance Program) could be transferred to the "Congestion Mitigation and Air Quality" (CMAQ) category to use for public transit. This could help tremendously with the onerous problem of obsolete vehicles throughout the system.[10]

Although not much federal money goes to public transit, the state does provide significant funds to local governments for other transportation related uses. In 2016, ODOT provided $367 million from its more than $1 billion National Highway Trust Fund dollars to local areas, shown in Table 3. Funding was primarily for roads, highways, streets and bridges.

Table 3

ODOT federal funds distributed to local government in FY 2016

Federal funds used for local purposes	Federal Funds (millions of dollars)
MPO/Large Cities	$209
Urban paving Initiative	$35
Small cities	$10
Municipal bridge program	$10
Local Public Transit Assistance	$20
Ohio Bridge Partnership	$5
County Local Bridge	$30
County STP	$29
Safe Routes to School	$4
National Highway Freight Program	$4
Transportation Alternatives	$11
TOTAL	$367

Source: Policy Matters Ohio, based on ODOT, financial and Statistical Report, Fiscal Year 2016http://www.dot.state.oh.us/Divisions/Finance/Annual%20Reports/2016%20Annual%20Statement.pdf

10 Federal Highway Administration, "FAST Act Fact Sheets - FHWA | Federal Highway Administration," https://www.fhwa.dot.gov/fastact/factsheets/

State funds in the ODOT budget

Photo: National Rural Transit Assistance Program

State funds in the ODOT budget

Ohio's transportation budget is primarily made up of federal dollars, state dollars and bonds. The state and federal shares of the ODOT budget are about equal, and the split between local government share and state government share is also about equal: Of the $2.9 billion state-source dollars in 2016, ODOT and other state agencies received $1.2 billion and local governments received about $1.1 billion.[11]

Table 4 shows the sources of state funds, and the uses of those funds. These funds are restricted by a constitutional provision. Use of this funding is defined in statute or in the state constitution. For example, Article XII, Section 5a of the Ohio Constitution restricts the uses of vehicle license and registration fees and motor fuel taxes: "*No moneys derived from fees, excises, or license taxes relating to registration, operation, or use of vehicles on public highways, or to fuels used for propelling such vehicles, shall be expended for other than costs of administering such laws, statutory refunds and adjustments provided therein, payment of highway obligations, costs for construction, reconstruction, maintenance and repair of public highways and bridges and other statutory highway purposes, expense of state enforcement of traffic laws, and expenditures authorized for hospitalization of indigent persons injured in motor vehicle accidents on the public highways.*"

There have been "other statutory purposes" added: for example, these state-source funds can now be used to pay for waterway purposes, under section 5735.051 of the Ohio Revised Code (effective June 29, 2001). The federal government sees public transit as an appropriate use of federal highway funds: the Federal Highway Administration's National Highway Performance Program currently recognizes that transit can serve a highway purpose, which could be recognized in Ohio statute. Congestion mitigation economic development are currently 'highway purposes' (used as justifications for highway spending).[12]

11 Use of state source funding is defined in statute or in the state constitution. Article XII, Section 5a of the Ohio Constitution restricts the uses of state motor vehicle license and fuel taxes.

12 U.S. Department of Transportation, Federal Highway Administration, National Highway Performance Program, Factsheets, at https://www.fhwa.dot.gov/fastact/factsheets/nhppfs.cfm

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Table 4						
ODOT state funds distributed to local governments in FY 2016 (millions of dollars)						
Sources/uses of state funds	**Motor fuel tax**	**Vehicle Registration**	**Truck registration/ permits**	**Motor fuel use tax**	**Petroleum Activity tax**	**Total**
Local Government	$625	$412	$94	$0	$0	$1,131
ODOT & other state agencies	$1,175	$9	$94	$36	$19	$1,239
Refunds & transfers	$73	$0	$0	$0	$0	$73
Public safety/State Highway Patrol	$0	$293	$0	$0	$0	$363
Public Works	$0	$0	$70	$0	$53	$53
Total	$1,873	$714	$164	$36	$72	$2,859

Source: *Policy Matters Ohio, based on ODOT, financial and Statistical Report, Fiscal Year 2016 at http://www.dot.state.oh.us/Divisions/Finance/Annual%20Reports/2016%20Annual%20Statement.pdf*

Note: See footnote 12

12 An excise tax applies to all dealers in motor vehicle fuel on the use, distribution, or sale within Ohio of fuel used to generate power for the operation of motor vehicles. The motor fuel excise tax rate has been 28 cents per gallon since July 1, 2005. There also is a use tax of 28 cents per gallon levied on commercial cars and tractor trailers operated or driven upon a public highway in two or more jurisdictions. These taxpayers pay tax on the motor vehicle fuel consumed in Ohio that exceeds the fuel purchased and taxed in Ohio. (From the Ohio Department of Taxation 2016 annual report at http://www.tax.ohio.gov/Portals/0/communications/publications/annual_reports/2016AnnualReport/2016AnnualReport.pdf

Public transit funding in the state operating budget

Public transit funding in the state operating budget

The state provides just over $7 million a year for public transit through the General Revenue Fund, which is made up of state tax revenues. This appropriation level was much higher in the past. The state funded public transit at $41 million a year in 1989 and at $46 million a year in 2002.

This year, proposed changes to the state sales tax base, upon which eight public transit agencies levy a local sales tax, pose a big threat to public transit in Ohio. Federal rules require a broadening of Ohio's Medicaid Managed Care Organization (MCO) Tax, which is in the sales tax base. The Kasich administration has proposed to take the MCO tax out of the base of the sales tax and broaden it within a different tax. This would leave state revenues intact, but cut local sales tax collections to the 88 counties and 8 transit agencies with a "piggybacked" sales tax. The executive budget provides an offset in 2018,[13] but nothing in 2019 and thereafter (Table 5).

Photo: National Rural Transit Assistance Program

13 The offset was calculated by the Ohio Office of Budget and Management and was not based exactly on loss of funds, but on tax capacity of the county or transit agency, and an estimate of time it would take for the local jurisdiction to 'replace' the lost revenues.

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Table 5					
Loss of funding to transit agencies with change in the MCO tax					
Jurisdiction	Average MCO revenues	2018 transitional aid	Difference, average & aid	% difference	MCO$$, 2019 & thereafter
Western Reserve Transit (Youngstown)	$887,442	$1,055,799	$168,357	18.97%	$0
Greater Dayton Regional Transit	$4,080,206	$4,605,453	$525,247	12.87%	$0
Greater Cleveland Regional Transit	$20,241,668	$20,068,166	($173,502)	-0.86%	$0
Portage Area Regional Transit	$328,210	$234,905	($93,305)	-28.43%	$0
Metro Regional Transit (Akron)	$3,298,852	$2,315,641	($983,211)	-29.80%	$0
Stark Area Regional Transit (Canton)	$1,051,435	$735,589	($315,846)	-30.04%	$0
Central Ohio Regional Transit	$8,316,544	$5,273,867	($3,042,677)	-36.59%	$0
Laketran Transit	$417,800	$160,420	($257,380)	-61.60%	$0
Transit total	$38,622,157	$34,449,840	($4,172,317)	-19.4%	$0

Source: Policy Matters Ohio, based on Office of Budget and Management documents provided to the County Commissioners Association of Ohio and published in their June 24 & 30, 2016 "Statehouse Report"

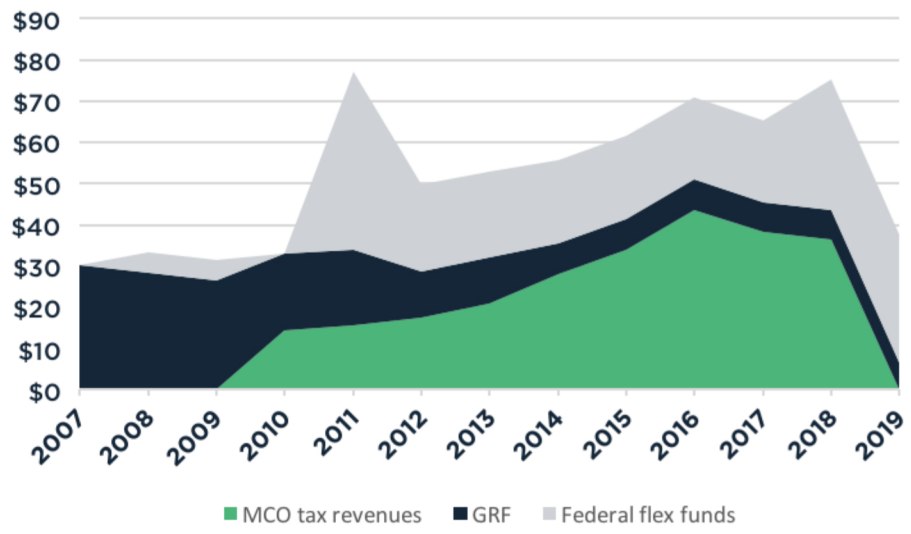
Eight public transit agencies are hurt by the narrowing of the sales tax base. Six of the eight serve Ohio's major metropolitan areas, shown in Table 5. The other 53 public transit agencies across the state are also endangered, because the loss of MCO tax revenues also hurt counties. Ohio's 88 counties, all of which levy a sales tax, will lose around $160 million a year from the change to the MCO tax. In many places county government contributes to local public transit operations.

Figure 2 shows trends in state funding of public transit over time, including the broadening of the sales tax base to Medicaid managed care companies. The elimination of the MCO tax revenues from the sales tax is huge.

By the end of the 2018-19 biennium, public transit loses about $40 million a year – as much as the state is putting into it through the ODOT and operating budgets each year of the biennium.

Figure 2

Impact of the loss of MCO tax revenue for transit agencies (millions of dollars)



Source: Policy Matters, based on Ohio Department of Taxation data, Ohio Department of Transportation annual financial reports, and Legislative Service Commission data. Adjusted for inflation. MCO tax revenues are calendar year. General revenue funds and federal flex funds are fiscal year

Summary & recommendations

Summary & recommendations

The public transit system in Ohio is inadequately funded and loss of the MCO tax will place additional financial constraints on transit systems. Ohio is far behind in meeting residents' public transportation needs and maintaining current transit infrastructure. Public transportation is good for the economy; it connects people to jobs, healthcare, shopping, and other services.[14] Long-term investment is essential to provide the services needed by rural and urban areas and to expand service to the 27 counties currently without transit. There are smart options to increase funding. Lawmakers need to act.

The Ohio Statewide Transit Needs study, commissioned by ODOT and on their web page, recommends that the state and ODOT provide $120 million a year starting in 2015 to meet market demand and start to upgrade the aging fleet – a sum that rises to $185 million a year by 2025. Ohio is already behind the curve. The $40 million a year provided is only a third of what we needed three years ago.

The Transit Needs study outlines a plan for reaching 2025 funding needs, which grew steeply over the decade. Recommendations include:

- Establish a statewide dedicated funding source for transit to ensure consistent and appropriate funding for the 61 transit systems. Currently, the state only provides $7.3 million annually in flexible General Revenue Funds (the House budget would cut that annual appropriation to $6.5 million). A dedicated source is essential to allow transit agencies to restore the fleet and make long-range plans for services and investment.
- Use more highway flex funds to support public transit. The state should flex at least $50 million annually in flexible Federal Highway Administration.
- Have the state contribute 10 percent of costs for total public transit needs. This sum was $120 million in 2015, and rises annually to $185 million in transit a year by 2025.[15]

To make progress toward this goal, lawmakers should still allocate an additional $17 million in federal flex funds annually, on top of the $33 million funded, for a total of $50 million.[16]

At this point, lawmakers should contribute substantially more public transit funding in the General Revenue Fund Budget. General revenue funding – state dollars – can be used

14 Chatman, Daniel G., and Robert B. Noland. "Transit Service, Physical Agglomeration and Productivity in US Metropolitan Areas." Urban Studies 51, no. 5 (April 2014): 917–37. doi:10.1177/0042098013494426.

15 Ohio Department of Transportation, Ohio Statewide Transit Needs Study, 2015

16 This could be done through passage of Senate Bill 61 of the 132nd General Assembly (https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-SB-61)

as local match, and would be particularly useful for allowing rural transit agencies and those in smaller cities and towns to apply for federal capital dollars to restore and expand their fleets and services. At least $25 million in state revenues should be appropriated for public transit. General revenue funds could be provided in part by closing unnecessary, inefficient tax breaks in Ohio's $9 billion tax expenditure budget.

In addition, legislators in the Senate proposed the ODOT budget include $15 million for public transit in 2018 and again in 2019 from Ohio's share of the national Volkswagen lawsuit settlement. This funding was removed, but the House reinserted it into the 2018-19 operating budget. It needs to remain in the budget.

To address the impending $40 million annual loss of sales tax revenues from the Governor's proposed restructuring of the MCO tax, the General Assembly should address required changes to the MCO tax within the sales tax base, leaving local sales taxes untouched. Alternatively, the General Assembly could accept the Governor's proposed solution, which places the MCO tax in the base of the insurance tax, but raise the rates to provide a local distribution to counties and affected transit agencies.

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