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Memorandum

Date: November 11, 2014

To: Jill Quigley, Jacobs Engineering
Jeff Stiles, Jacobs Engineering

From: Jeffrey F. Boothe

Re: Case for Dedicated Funding for Transportation

Federal Overview

Beginning with the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) in August 2005, overall federal funding for surface transportation has increased modestly at a rate of 2-3 percent annually while overall needs greatly exceed the rate of growth. Congress struggles to identify a long-term, sustainable surface transportation funding source, in addition to the gasoline tax, continue as the Highway Trust Fund has relied on General Fund transfers since 2008 to sustain the modest increase in spending authorized in SAFETEA-LU and the Moving Ahead for Progress in the 21st Century Act (MAP-21).

In lieu of new funding, Congress has chosen to greatly expand the principal federal financing program - Transportation Infrastructure Financing and Investment Act (TIFIA) - by increasing the program from \$120 million authorization to \$750 million in Fiscal Year 2013 and \$1 billion in Fiscal Year 2014. In the absence of substantial increase in the gasoline tax - a minimum of 15 cents per gallon and then indexed to inflation thereafter - this trend is expected to continue.

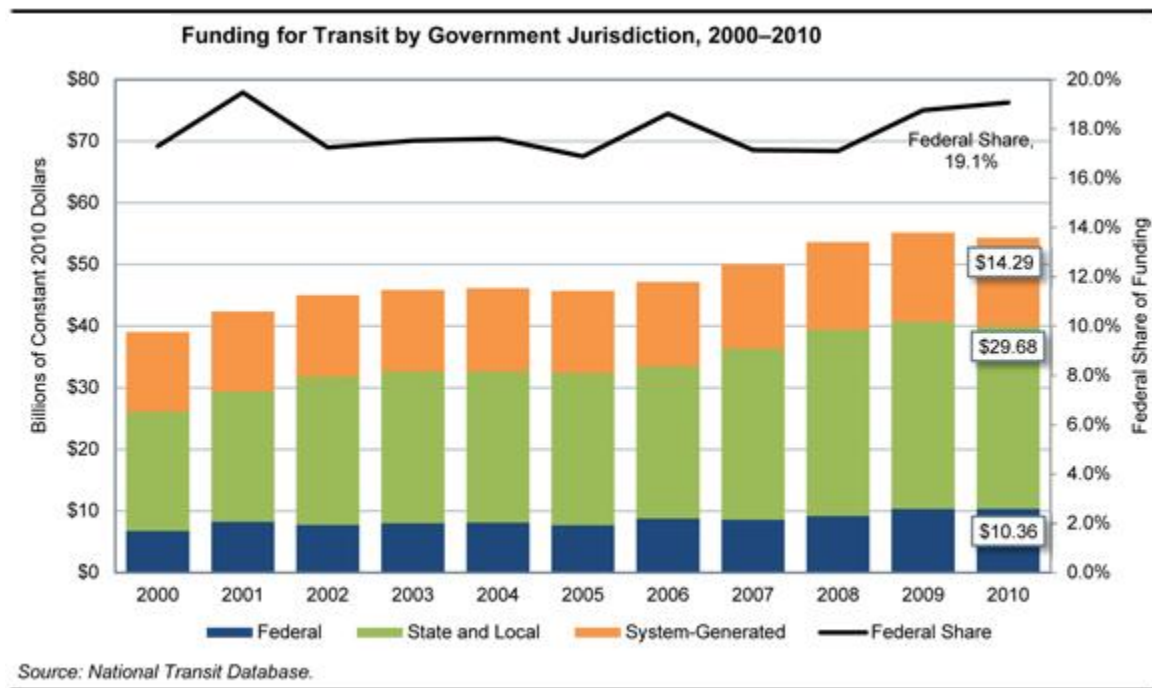
Response by States and Local Governments

In response to the federal funding environment, states and local governments have responded to raise funding through a variety of approaches. The Virginia Legislature approved the elimination of the state gasoline tax and replaced it with a tax rate of 3.5% of the statewide average wholesale price of gasoline and 6% tax rate on the average wholesale price of diesel fuel. Northern Virginia and the Hampton Roads region were allowed to impose a 2.1% sale tax on wholesale motor fuels. The Commonwealth of Pennsylvania eliminated the gasoline tax and opted to level a tax on the average wholesale price of \$1.87 per gallon. Further, the state opted to levy an oil company franchise tax on gasoline of 40.7 cents per gallon and 51 cents per gallon on diesel. New York lowered the petroleum business tax for gasoline and diesel, but approved a region tax of 8 cents per gallon and a local county sales tax on gasoline that can be set at a specific cents per gallon or a specific percentage. In the case of Pennsylvania, Illinois and New

York, these revenues are among the sources used to fund transit investments in Philadelphia, Cook and several New York City area counties, respectively.

The **Transit Funding Sources Chart** (Attachment #1) illustrates the fact that states such as California, New York, Illinois, New Jersey and Pennsylvania provide substantial funding for transit. The state of Michigan matches federal funding but is struggling to provide capital match funding beyond bus and bus facilities funding for Small Starts and New Starts projects emerging from the Capital Investment Grants (CIGs) program. Those states with a very modest state funding program, such as Texas, Florida, Arizona, Washington and Nevada put the onus on local taxpayers to provide capital funding for federally funded CIGs projects.

The chart below reflects all transit funding, capital, operations and fares and the shares based on each level of government. The chart clearly illustrates how important state and local monies are to the capital needs and operations of transit systems.



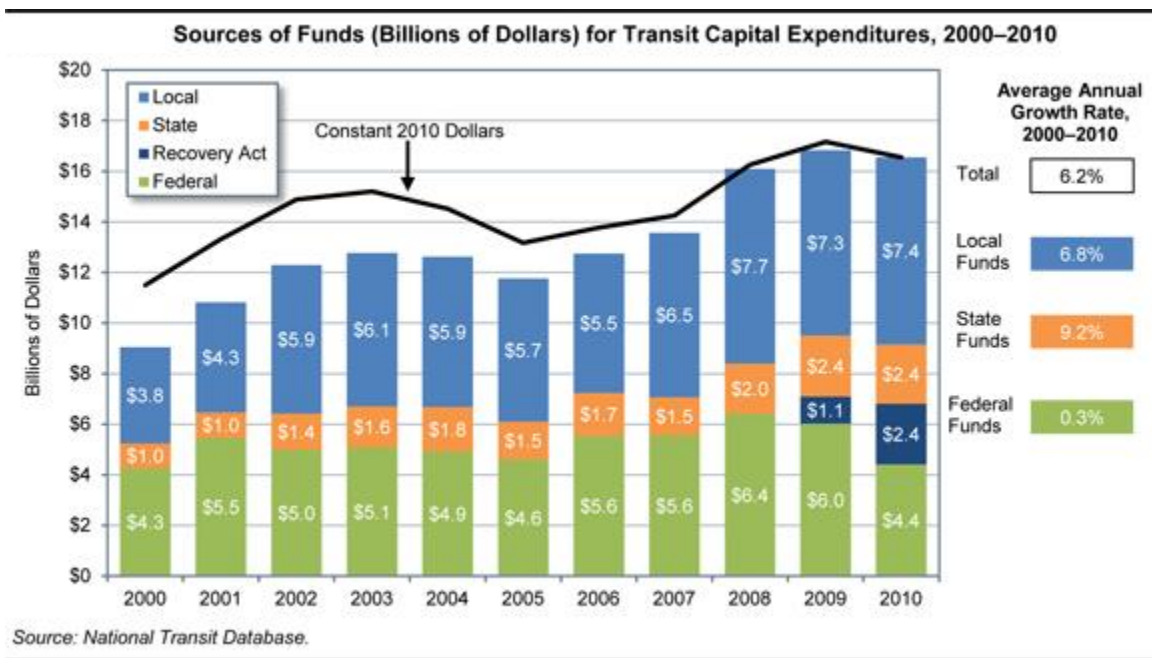
Dedicated Funding Leads to Expanded Transit Investment

What we see from the **25 Most Populous Counties Chart** (Attachment #3) is that there is a correlation between the existence of a dedicated funding source and the robustness of the regional transit system. What is true of each transit system, except for Detroit, is that they have a substantial dedicated source of funding, whether it be a sales tax, a local option gasoline tax, etc., that was approved through action of the state legislature or local voters. While Broward County Transit (BCT) does receive locally controlled funding from a local option gasoline tax, the South Florida Regional Transportation Authority (SFRTA) lacks any dedicated source of funding.

Examples of metropolitan regions with substantial locally approved dedicated funding are as follows:

- Los Angeles, CA - Measure R passed in November 2008 that includes one-half cent sales tax that generates \$40 billion over thirty years.
- Durham County, NC - Passed a one-half cent sales tax in November 2011 that generates \$18.3 million annually that supports a 25 percent increase in bus service by 2018 and construction of a light rail system by 2015.
- St. Louis, MO - Passed a one-half cent sales tax in April 2010 that provides funding to maintain and expand the St. Louis Metro system.
- Seattle, WA - Passed a 30-year sales tax in November 2008 that generates \$17.8 billion to build 34 miles of light rail service and expands bus service in 15 years.
- Santa Clara, CA - approved a one-half cent sales tax in November 2010 that would bring the BART system to San Jose.

The chart below reflects the declining federal funding and the fact that states and local governments have had to step up and levy local sales, gasoline and property taxes to generate capital dollars.



Highway Funding is a Critical Component in Many Referenda

Likewise, to adopt successful local referenda, or to secure support at the state level, the funding packages often must include both highway and transit elements. Finding the appropriate mix is a local decision based on what is necessary to ensure a successful outcome. Every region must find its consensus based on polling, the specific capital projects for which funding is sought and the support of each of the affected local governments. I have provided some examples below of successful regions that included both roads and transit as part of the local funding package:

Use	Area	Sales Tax	Gas Tax
General Transportation	Maryland	-	Raised by 3.5 cents (2013)
	Massachusetts	-	Raised by 3 cents (2013)
	Virginia	-	Changed from flat to a percentage (2013)
	Wyoming	-	Raised by 10 cents (2013)
	Orange County, CA	1 cent (2006)	-
	Bexar County, TX	1/4 cent (2004)	-
	San Diego, CA	1/2 cent (2004)	-
	Riverside County, CA	1/2 cent (2002)	-
Transit	Los Angeles, CA	1/2 cent (2008)	-
	Seattle, WA	9/10 cent (2006)	-
	Phoenix, AZ	4/10 cent (2000)	-
	Salt Lake City, UT	1/4 cent (2006)	-
	Denver, CO	4/10 cent (2004)	-

Getting More Creative Regarding Funding Sources

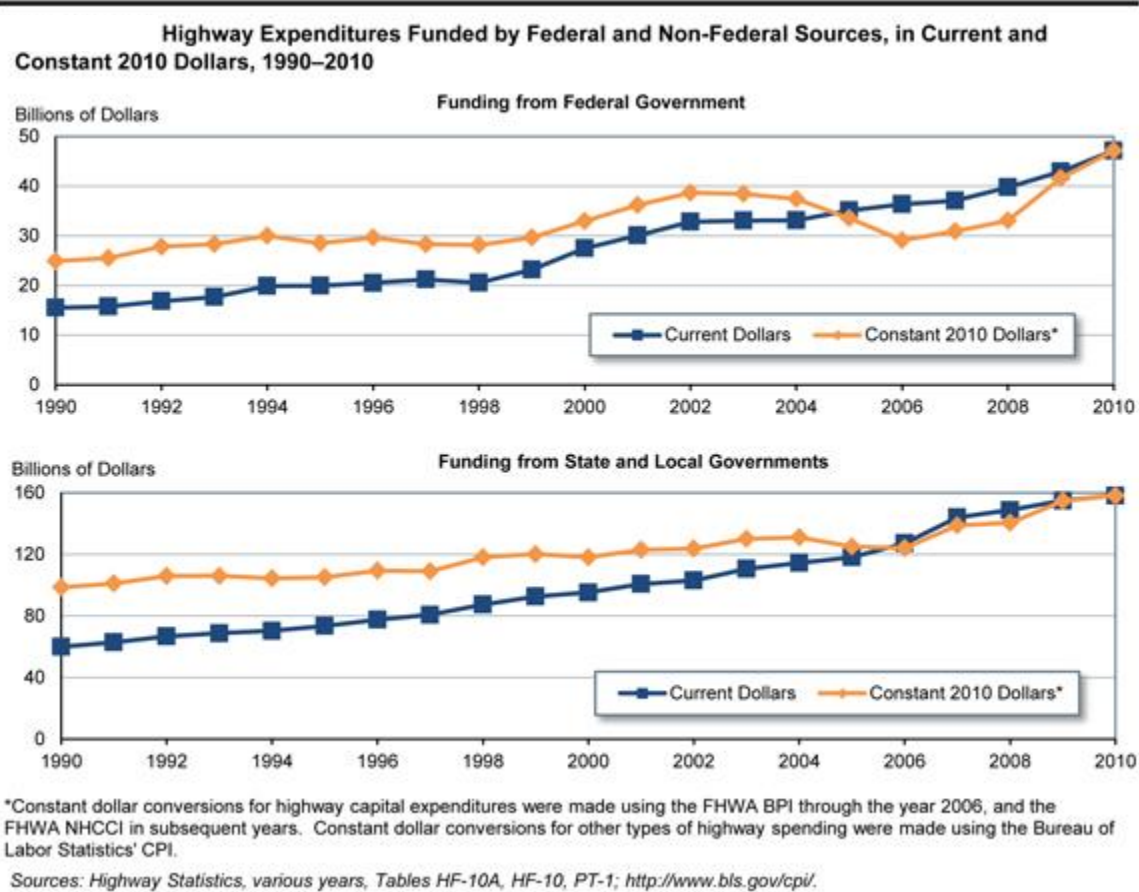
If you click the Fuel Tax link in the **Highway and Roads Funding Chart** (Attachment #2) as well as the Fuel Tax link in the **Transit Funding Sources Chart** (Attachment #1), you will be taken to a PDF document from the American Petroleum Institute that provides the latest information on how states fund highways and transit. What leaps out to me is that fees/taxes, other than a gasoline or diesel fuel, are representing an increasing share of the total revenues being generated at the state level. Further, state legislatures are moving away from collecting the fuel taxes at the pump and capturing revenues upstream.

The state of Florida collects a 4¢ per gallon excise tax on gasoline and diesel at the pump; a fuel sales tax of 13.1¢ per gallon collected from the terminal supplier, which is adjusted annually based on the Consumer Price Index (CPI); and a State Comprehensive Enhanced Transportation System (SCETS) tax levied on motor fuel. The SCETS is imposed in each county levying a local option sales tax on motor fuel, which is adjusted annually based on the CPI, and can't

exceed 4¢ per gallon. Broward County is also permitted to levy additional local option motor fuels taxes which currently total 12¢ per gallon putting Broward County at the upper end of all counties in the state of Florida in terms of total motor non-federal fuel taxes at 36.3¢ per gallon. 2014 Florida Tax Handbook - <http://www.edr.state.fl.us/Content/revenues/reports/tax-handbook/taxhandbook2014.pdf>

You may also wish to visit the Transportation for America website that discusses further how states are creative to allow for more local transportation funding and the options available under state law: <http://t4america.org/maps-tools/measuring-up/measuring-up-recent-state-legislation-allowing-for-more-local-transportation-funding/>

As you can see from the chart below from the Federal Highway Administration, the growth in funding from state and local sources now greatly outpaces the growth in Federal funding both in real dollars and as a percentage of total funding.



Conclusion

There are a few conclusions that emerge from the information above:

- Federal funding will only grow at the pace of inflation until there is political will to find a sustainable funding source to supplement and then, ultimately replace, the gasoline and diesel tax.
- As you seek to raise additional local taxes, the concern is always with "taxation fatigue" based on the extent of the perception that existing sales and fuel taxes are adequate to fund necessary capital projects. Thus, any additional local sales, gasoline or property tax must make the case that these additional funds are necessary to fund a defined set of expanded capital projects. This is leading to an effort to identify other sources of funding to support highway and transit investments.
- Having local control over a substantial funding source provides the ability to fund and finance those highway and transit investments that are seen as "local" or "regional" as opposed to serving a broader "state" or "federal" interest. Each of these are in quotes because there can be robust debate about the contribution of each type of highway and transit capital investment to "local", "state" and "federal" interests.
- An uncommitted dedicated funding source is critical to leveraging TIFIA or other sources of bonding. Usually, existing revenue sources are fully committed. Thus, a new revenue source is necessary to respond to expanded local surface transportation needs.

Attachment #1: Transit Funding Sources

State	<u>Fuel Tax</u> (Oct. 2014) cents per gallon		State and Local Revenues Collected for Transit and Highways - 2011 (millions)		Federal and State Funding for Public Transit - 2008 (Thousands)		Federal and State Funding for Public Transit - 2010 (Thousands)		Federal and State Funding for Public Transit - 2012 (Thousands)	
	Gasoline	Diesel	Highways	Transit	Federal	State	Federal	State	Federal	State
California	36.00	11.00	9,924	1,943	1,191,192	2,299,579	1,298,998	1,731,333	1,514,724	1,849,194
Illinois	19.00	21.50	3,901	868	548,007	519,300	570,978	589,000	509,332	814,448
Texas	20.00	20.00	6,159	259	487,289	28,741	642,570	28,741	687,160	30,341
New York ⁱ	8.05	8.00	6,494	5,198	1,586,021	3,015,442	1,730,895	4,352,345	1,701,170	4,465,884
Pennsylvania ⁱⁱ	0.00	0.00	0.00	625	409,290	1,145,567	424,423	1,225,108	406,059	1,091,936
New Jersey	4.00	4.00	2,631	967	547,740	NR	685,717	1,157,687	523,244	918,027
Floridaⁱⁱⁱ	4.00	4.00	5,807	298	336,576	146,339	386,206	184,516	397,708	217,310
Arizona	18.00	26.00	1,025	112	186,106	11,780	169,253	0	142,128	0
Michigan	19.00	15.00	2,045	85	150,255	200,087	146,171	198,430	183,572	240,427
Washington	37.50	37.50	2,024	377	289,569	39,752	365,506	57,212	345,601	52,776
Nevada	23.00	27.00	540	87	52,793	0	49,385	0	45,022	107

Source: Bureau of Transportation Statistics, Research and Innovative Technology Administration, Department of Transportation
 Fuel Taxes Source - American Petroleum Institute

ⁱ Petroleum tax reduced for gasoline and diesel

ⁱⁱ Legislature ended gasoline and diesel tax and now bases tax on average wholesale price per gallon which is calculated at \$1.87 per gallon

ⁱⁱⁱ Reduced petroleum business tax, imposed the per gasoline tax on gasoline and diesel and allows for a local option sales tax on gasoline

Attachment #2: Highways and Roads Funding

State	<u>Fuel Tax</u> (Oct. 2014) cents per gallon		<u>State and Local</u> Government Transportation Finance Overall 2011 – millions		<u>State and Local</u> Disposition of State Fuel Tax Receipts for Local Roads and Streets 2012 - thousands		<u>State and Local</u> Funding for Highways (Total Disbursements) 2011 – thousands	
	Gasoline	Diesel	Expenditures	Revenues	Direct State Expenditures	Local Govt. Transfers	State	Local
California	36.00	11.00	30,101.95	15,701.30	-	5,708,179	16,584,931	11,721,286
Connecticut	25.00	54.50	2,379.34	817.07	-	21,965	1,581,983	536,849
Delaware	23.00	22.00	716.17	494.11	-	-	1,149,325	86,433
D.C.	23.50	23.50	2,574.56	928.70	101	-	412,630	-
Florida	4.00	4.00	12,786.02	8,264.32	77,048	204,108	6,889,429	4,384,063
Hawaii	17.00	17.0	1,283.08	926.75	-	12,524	414,341	404,527
Illinois	19.00	21.50	11,806.93	5,873.47	77,584	272,370	4,640,876	2,958,444
Louisiana	20.00	20.00	3,798.82	1,082.71	-	1,380	2,250,226	932,580
Maryland	23.90	24.65	4,476.44	2,131.94	42,128	57,524	2,518,620	1,170,581
Massachusetts	24.00	24.00	3,554.09	2,333.45	149,105	125,312	2,923,022	1,605,606
Michigan	19.00	15.00	4,639.77	2,555.04	493,619	18,420	3,015,205	1,630,586
New Jersey	10.50	13.50	6,690.42	3,636.16	-	-	5,802,216	1,649,198
New York	8.05	8.00	32,770.98	14,559.94	54,447	176,409	7,834,992	8,410,465
North Carolina	36.50	36.50	4,797.90	2,804.63	-	103,715	4,311,524	861,496
Oklahoma	16.00	13.00	2,635.92	1,462.89	27,156	117,305	2,840,599	874,248
Rhode Island	32.00	32.00	806.65	296.05	14,302	-	480,390	113,839
South Carolina	16.00	16.00	1,907.36	1,072.23	30,736	1,136	1,609,231	691,846
Texas	20.00	20.00	15,872.61	8,236.10	121,258	162,239	11,692,716	11,126,901
Vermont	12.10	28.00	715.03	197.06	32,752	6,960	556,033	117,052
Virginia	14.78	23.38	5,871.78	2,871.84	-	186,575	3,805,725	1,818,106
Wisconsin	30.90	30.90	4,417.83	1,925.38	103,504	266,548	2,858,030	2,741,818

Sources: American Petroleum Institute; Federal Highway Administration, U.S. Department of Transportation; Bureau of Transportation Statistics, U.S. Department of Transportation

Attachment #3: 25 Most Populous Counties - Transit

County	Population (2010)	Major City (Transit System(s))	Buses	Rail Cars	Local Funding (source)
Los Angeles (CA)	9,818,605	Los Angeles County Metropolitan Transit (Metro) (LRT/HRT/BRT/Bus) Metrolink (Commuter Rail) Los Angeles Department of Transportation (LADOT)(Bus)	Metro - 2,370 LADOT - 345	Metro LRT - 164 vehicles 70.3 miles Metro - HRT - 104 17.4 miles Metro - BRT - 28 vehicles 18 miles Metrolink - 56 locomotives, 184 passenger cars and 90 cab cars 388 miles	Metro - 1.5 cent local sales tax, share of state gasoline tax and Federal Metrolink - local sales, State Highway and Transit and Federal
Cook (IL)	5,194,675	Chicago Transit Authority (CTA) (LRT/bus) Metra (Commuter Rail) Pace (Bus)	CTA - 1,870 Pace - 695	CTA - 1,365 vehicles 224.1 miles Metra - 146 locomotives, 650 trail cars, 187 cab cars, and 194 EMUs 1,200 miles	CTA - State, Local sales tax, real estate transfer tax (RETT) and Federal Metra - State, Local sales tax, RETT and Federal Pace - State, Local sales tax, RETT and Federal

Harris (TX)	4,092,459	Houston Metro (LRT/Bus/HOT lanes)	1,367 BRT -12	LRT - 39 12.8 miles with 26.6 miles to be opened in next year	Local sales tax
Maricopa (AZ)	3,817,117	Valley Metro (LRT/Bus)	1,009	LRT - 50 20 miles + several additional corridors to be built with local funds	Local sales tax adopted by residents of each member city and County, State
San Diego (CA)	3,095,313	San Diego Metropolitan Transit System (LRT/bus) North County Transit District (EMU/Commuter Rail/Bus)	MTS - 725 total (576 fixed route) NCTD - 154	MTS - LRT - 118 Miles NCTD - Commuter Rail - 7 locomotives and 28 coaches 41 miles NCTD - EMU - 12 22 miles	MTS - Local sales tax, State and Federal NCTD - Local sales tax, State and Federal
Orange (CA)	3,010,232	Orange County Transit Authority (Bus/Highways/Commuter Rail) Mertolink (commuter rail)	OCTA - 819	Metrolink - 56 locomotives, 184 passenger cars and 90 cab cars 388 miles	OCTA - Local sales tax, State and Federal Metrolink - local sales, State Highway and Transit and Federal
Kings (NY)	2,504,700	Metropolitan Transportation Authority (MTA)(HRT/Commuter Rail/Bus) New York City Transit	MTA - 1,270 NYCT - 4,426	MTA - 8,759 subway cars	Regional payroll tax, petroleum business tax, State dedicated funding, Federal

		(NYCT)(Bus/Ferry)			
Miami-Dade (FL)	2,496,435	Miami-Dade Transit (HRT/People Mover/Bus/Highways)	Bus - 817	HRT - 136 cars - 24.4 miles Metromover - 42 cars - 4.4 miles	Local sales tax, Federal
Dallas (TX)	2,368,139	Dallas Area Rapid Transit (LRT/Bus) Trinity Railway Express (Commuter Rail)	Bus - 643	LRT - 163 - 85 miles TRE - 9 locomotives, 17 coaches, 8 cab cars and 13 diesel cars - 34 miles	Local sales tax, Federal
Queens (NY)	2,230,722	Metropolitan Transportation Authority (HRT/Commuter Rail/Bus) New York City Transit (Bus/Ferry)	MTA - 1,270 NYCT - 4,426	MTA - 8,759	Regional payroll tax, petroleum business tax, State dedicated funding
Riverside (CA)	2,189,641	Riverside Transit Authority (RTA)(Bus) Metrolink (Commuter Rail)	RTA - 276	Metrolink - 56 locomotives, 184 passenger cars and 90 cab cars 388 miles	RTA - Local sales tax, State funding and Federal Metrolink - local sales, State Highway and Transit and Federal
San Bernardino (CA)	2,035,210	OMNITRANS (Bus/BRT) Metrolink (Commuter Rail)	Omnitrans - 267	Metrolink - 56 locomotives, 184 passenger cars and 90 cab cars 388 miles	Omnitrans - local sales tax, State and Federal Metrolink - local sales, State Highway and

					Transit and Federal
Clark (NV)	1,951,269	Regional Transportation Commission of Southern Nevada (Bus/BRT/Highways)	RTC - 709		RTC - local sales tax and Federal
King (WA)	1,931,249	Sound Transit (ST)(LRT, Bus, Commuter Rail/Streetcar) King County Metro (KCM)(Bus/BRT/Water Taxi)	ST - 268 KCM - 1,852	ST (Commuter Rail) - 11 locomotives, 18 cab fares and 40 coaches ST (LRT) - 62 ST (Streetcar) - 3	ST - retail sales tax, motor fuel tax, Federal KCM - Local sales tax, property tax, Federal and State
Tarrant (TX)	1,809,034	Trinity Railway Express (Commuter Rail) Forth Worth Transportation Authority (The T)(Bus)	The T - 177	TRE - 9 locomotives, 17 coaches, 8 cab cars and 13 diesel cars - 34 miles	Local sales tax, Federal
Santa Clara (CA)	1,781,642	Santa Clara Valley Transportation Authority (VTA)(LRT/Bus) Capitol Corridor Joint Powers Authority (Commuter Rail) Peninsula Joint Powers Board (Caltrain) (Commuter Rail)	VTA - 443	VTA (LRT) - 99 Capitol Corridor - fleet owned by Amtrak Caltrain - 29 locomotives and 118 cars	Local sales tax, State and Federal Capitol Corridor - State and Federal Caltrain - State and Federal
Wayne (MI)	1,820,584	Detroit Department of Transportation (Bus) Southern Michigan Area Rapid Transit (Bus)	DDOT - 445 SMART - 627		DDOT - local property tax, State and Federal SMART - local property tax, State and Federal

Broward (FL)	1,748,066	Broward County Transit (Bus) South Florida Regional Transportaiton Authority (SFRTA) (Commuter Rail)	BCT - 436	SFRTA - 67	BCT - Local, State and Federal SFRTA - State, County and Federal
Bexar (TX)	1,714,773	VIA Metropolitan Transit (Bus/BRT)	VIA - 476		Local sales tax and Federal
New York (NY)	1,585,873	Metropolitan Transportation Authority (HRT/Bus) New York City Transit (Bus/Ferry) Port Authority Trans-Hudson (PATH) (HRT)	MTA - 1,270 NYCT - 4,426	MTA - 8,759 PATH - 438	MTA - Regional payroll tax, petroleum business tax, State dedicated funding PATH - Tolls, State and Federal
Philadelphia (PA)	1,526,006	Southeast Pennsylvania Transportation Authority (Commuter Rail/LRT/HRT/Bus) Port Authority Transportation Corporation of Pennsylvania and New Jersey (PATCO) (HRT) New Jersey Transit (LRT/Commuter Rail/Bus)	SEPTA - 1,863 NJT - 2,416	SEPTA - 396 (Commuter Rail), 371 (HRT), 159 (LRT), 8 locomotives PATCO - 121 NJT - 1,068 (commuter rail), 218 locomotives and 93 (LRT)	SEPTA - State, City, County and Federal PATCO - Tolls, County, State and Federal NJT - State and Federal
Alameda (CA)	1,510,271	Bay Area Rapid Transit (HRT) AC Transit (ACT) (Bus) Alatamont Commuter Express	ACT - 476	BART - 669 ACE - 6 locomotives and	BART - local sales tax, State and Federal

		(Commuter Rail) Capitol Corridor Joints Powers Authority (Commuter Rail)		25 cars Capitol Corridor - fleet owned by Amtrak	ACT - local sales tax, property tax, State and Federal ACE - County sales tax and Federal Capitol Corridor - State and Federal
Middlesex (NJ)	1,503,085	New Jersey Transit Corporation (NJT)(LRT/Commuter Rail/Bus)	NJT - 2,416	NJT - 1,068 (commuter rail), 218 locomotives and 93 (LRT)	NJT - State and Federal
Suffolk (NY)	1,493,350	Suffolk County Transit (Bus) Long Island Railroad (Commuter Rail)	MTA - 1,270 NYCT - 4,426	MTA - 8,759	Regional payroll tax, petroleum business tax, State dedicated funding
Sacramento (CA)	1,418,788	Sacramento Regional Transit District (LRT/Bus) Capitol Corridor Joint Powers Authority (Commuter Rail)	SacRT - 225	SacRT - 76	Local sales tax, State and Federal

Bus Fleet Information - METRO Magazine - September/October 2013

Rail Car Fleet Information - METRO Magazine - June 2014

Funding information from transit agency websites