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Project name:
Regional Transit Governance Study

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Memo

Subject: Phase III Revenue Generation

Introduction

This is the third memo in a series of task deliverables for the Region 10 Governance Study. This memo presents the results of the study team's research on potential revenue generation sources. The Regional Transit Vision Plan underwent extensive stakeholder engagement and regional visioning to identify two networks for future transit service for residents of Region 10. Table 1 provides some brief highlights of the two networks. The details of the study can be found in the final report.

Table 1 Summary of Transit Vision Network Improvements

Unconstrained Network	Constrained Network

• Improved frequency for fixed routes in urban areas including BRT from US 29 through UVA, downtown, to Pantops
• Expanded fixed routes serving every jurisdiction in region
  – Eight new fixed route bus services (hourly service including weekends)
• Supplementary on-demand zones in lower-density areas to connect to regional network
• Expanded hours and days of service (seven days a week)
  – 7am to 8pm on most urban and regional networks (some running to midnight)
  – More all-day service during morning and evening peak periods and during the middle of the day
	• All fixed routes operate seven days a week
	  – Increased frequency (15, 20, and 30 min) on weekdays and more 20- and 30-min routes on Saturdays.
	  – All fixed routes run on Sundays
	• All CONNECT routes to run seven days a week with two additional daily trips
	  – Two new CONNECT routes
	  – Additional weekend service
	• Expanded Circulator services in Nelson, Greene, Louisa, and Fluvanna counties to run all day, seven days a week (intra-county)
	  – Expanded Albemarle County rural demand response service

The benefits of each of the two networks and of regional transit service are discussed in the vision plan report, however, a few benefits of funding improved service are listed below[1] for various groups:

- Transit users – benefits include those derived from convenience and comfort, financial savings from lower cost of transit use compared to personal vehicles, increased safety, and improved fitness and health
- Drivers/motorists- benefits include reduced traffic and parking congestion, improved traffic safety, and emissions reductions
- Taxpayers – benefits accrued from costs savings related to road and parking facility construction and maintenance, improved safety, and increased public health (and consequent reductions on public healthcare costs)
- Businesses – benefits from reductions in congestion, parking cost savings, improved mobility for employees, and support to regional economic development
- Residents – benefits from parking cost savings, improved mobility for non-divers (and chauffeuring burdens), increased safety, reduced pollution, improved public fitness

Objectives and Approach

Subsequently, the objectives of Phase III of the Regional Transit Governance Study are to:

1. Identify potential transit funding mechanisms
2. Estimate the associated funding yields from the feasible sources identified
3. Develop revenue models with five-year projections based on estimated Transit Vision Study Costs

To accomplish this task, the team first assembled a broad range of funding sources to start the discussion on feasible options for the Charlottesville Region. After discussing feasible options with the project team, a shortlist of revenue sources was developed and analyzed. Figure 1 shows the approach for Phase III.

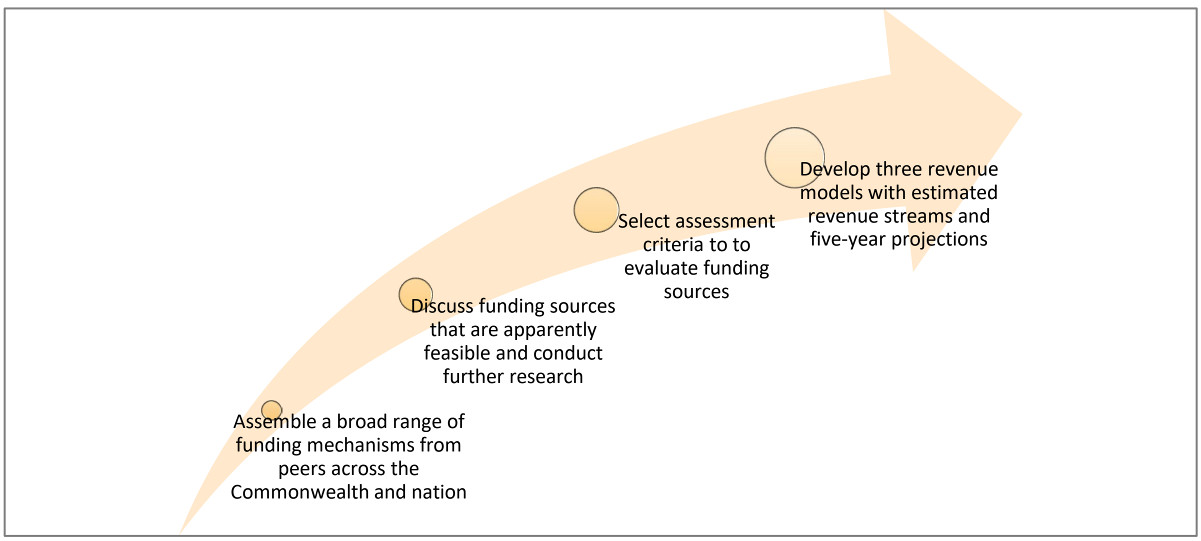

Figure 1 Phase III Approach

The shortlisted revenue sources were then analyzed using the following evaluation criteria:

- ***Feasibility and Ease of implementation***: This refers to the amount of effort required for initial implementation to ongoing collection of the revenues.
- ***Potential public acceptability***: Public consultations through stakeholder engagement were carried out to determine potential public acceptability. Engaging local elected officials was used a means to gauge public preferences.

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[1] Litman, T. (2014). “Evaluating Public Transportation Local Funding Options.” Victoria Transport Policy Institute.

- ***Potential revenue yield*:** This refers to the amount of money that an option could be expected to reasonably generate based on a set of assumptions.
- ***Predictability and stability*:** The level of predictability and stability of the source would determine the extent of short- and long-term planning that can be carried out.
- ***Equity considerations*:** This entails considering the impact of the funding source on different groups of people in various ways.
- ***Strategic development objectives*:** The impact of an option on the locality or region's strategic planning and developmental objectives. For example, increased access to jobs, creating a healthy environment for residents, improving accessible public transportation options.

Potential Funding Sources

Overview of Main Funding Sources

Generally, public transportation is funded through a combination of federal, state, local and internally generated sources (e.g., fares, advertising, etc.). Federal funds consist of grant programs for urban and rural areas that agencies can receive directly or through a pass-through recipient. These funds are typically formula based and offers funds for capital and operations assistance. State funds in the Commonwealth consists of operating and capital assistance provided by the Virginia Department of Rail and Public Transportation (DRPT). The operating assistance follows a performance-based methodology for agency allocations. State funding for capital investments is based on a transparent prioritization process which scores applications under the categories: state of good repair, minor enhancement, and major enhancements.

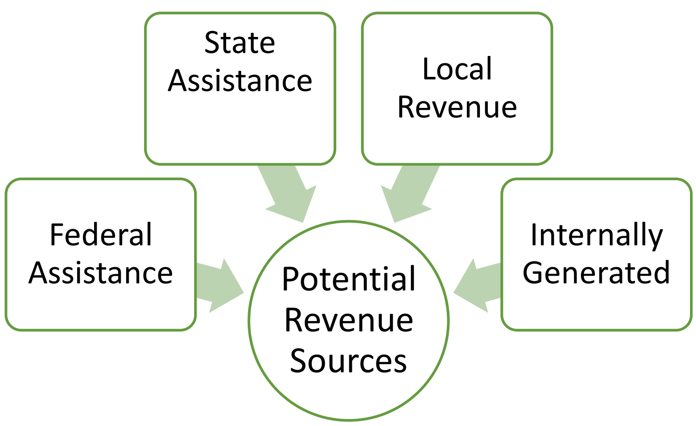
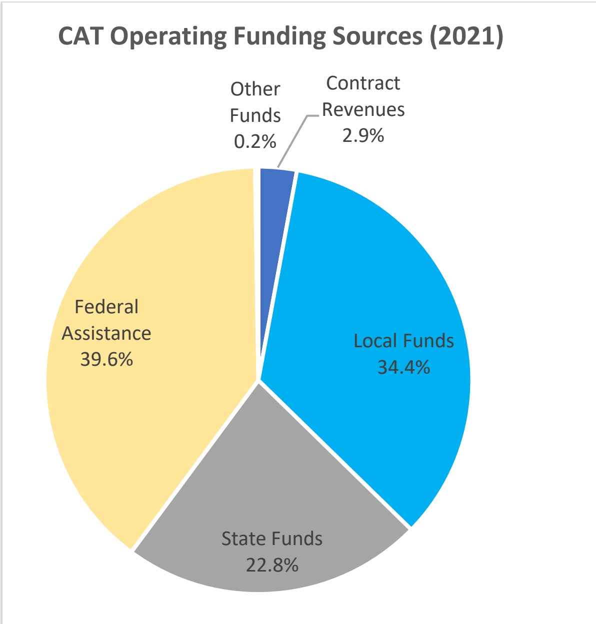


Figure 2 General Sources of Transit Revenue

Local revenue refers to funding from sources such as municipalities or local jurisdictions. In the case of the Charlottesville region, local revenue is made up of funds from the city and counties served by the public transit agencies. Internally generated funds are directly generated by the transit agencies and include contract revenues, advertising, or any fares collected. Detailed descriptions of existing funding sources and amounts for Charlottesville Area Transit (CAT), Jaunt and University Transit Service (UTS) are provided in Memo 1: Existing Conditions.

Figure 3 shows the sources of operating funds in 2021 for CAT (~$9.2M) and Jaunt (~$9.4M).



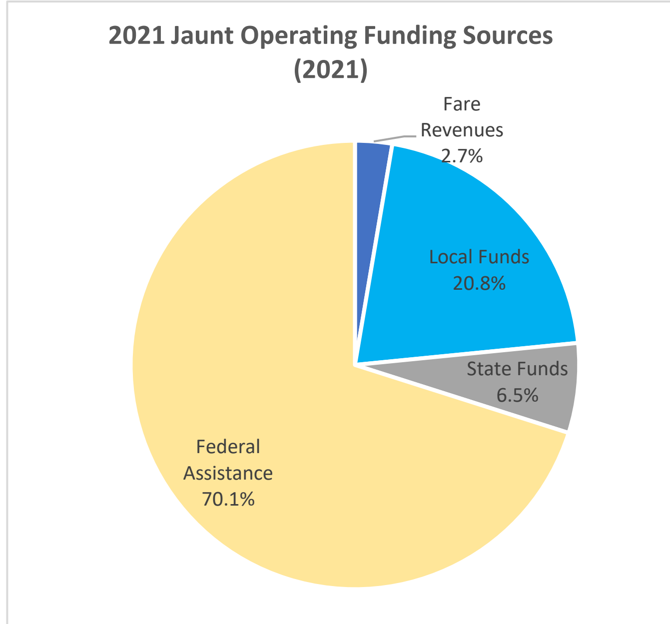


Figure 3 2021 Sources of Operating Funds

Range of Transit Funding Sources in the U.S.

Table 2 shows a broad range of funding sources typically used to fund public transportation across the nation. These sources produce varying levels of yields. A detailed description of these sources is provided in the Appendix.

Table 2 US Regional and Local Transit Funding Options

Traditional Tax- and Fee-Based Transit Sources	Common Business, Activity, and Related Funding Sources	Revenue Streams from Projects (Transportation and Others)	New "User" or "Market-Based" Funding Sources
- General revenues - Sales taxes - Property taxes - Contract or purchase-of-service revenues (school/universities, private organizations, etc.) - Lease revenues - Vehicle fees (title, registration, tags, inspection) - Advertising revenues - Concessions revenues	- Employer/payroll taxes - Vehicle rental and lease fees - Parking fees - Realty transfer tax - Corporate franchise taxes - Occupancy/lodging taxes - Hotel/motel taxes - Business license fees - Utility fees/taxes - Lottery and/or casino revenues - Corporate franchise taxes - Income taxes - Cigarette Tax - Realty transfer taxes/mortgage recording fees - Donations - Other business taxes	- Transit-oriented development (TOD)/joint development - Value capture/beneficiary charges - Public Private Partnerships (PPP) - Special assessment districts - Community improvement districts/community facilities districts - Impact fees - Tax-increment financing districts - Transportation Development Districts - Right-of-way leasing	- Tolling (fixed, variable, dynamic; bridge/roadway) - Congestion pricing - Emissions fees - Vehicle Miles Travelled (VMT) fees

Source: Transit Cooperative Research Program TCRP 2009

Comparing the universe of funding sources (Table 2) to transit revenue sources from the peer study cases[2] evaluated in Phase II of this study found the following common funding sources:

1) Sales tax
2) Local property tax
3) Local income tax
4) Mortgage recording tax
5) Value capture from transit facilities
6) Various service contracts to apartment complexes and universities

Details of transit funding from the peer study may be found in the Appendix.

This list of potential funding sources was then reviewed under the Virginia state context as a first step toward evaluating feasibility.

[2] The peer study cases included Blacksburg, VA; Bloomington, IN; State College, PA; Ithaca, NY; Ann Arbor, MI; and Iowa City, IA.

Brief Overview of Transportation Funding in the Commonwealth

In 2020, the transportation funding in the Commonwealth was revised by the General Assembly through the enactment of the Omnibus Transportation Bill, Chapter 1230 (House Bill 1414). The new legislation channeled all transportation revenues to the Commonwealth Transportation Fund (CTF) before distribution to various funds and programs. Revenue sources for the CTF include:

- Motor vehicles fuel taxes and road fuels for diesel fuel
- Vehicle registration fees
- Highway use fee
- 0.5% statewide sales and use tax
- 0.3% statewide sale and use tax for transportation
- 4.15% motor vehicles sales and use tax
- Motor vehicle rental tax
- 0.03 of the $0.25 of the $100 of assessed value of the statewide recordation tax
- Tax on liquid alternative fuel
- International registration plan feeds
- 33% of the revenue from insurance premium taxes

In addition to these sources, the CTF receives dedicated federal funding from the Federal Highway Administration (FHWA) and the Federal Transit Administration (FTA). Revenues are also received from funds dedicated for regional transportation improvements in Northern Virginia, Hampton Roads, and Central Virginia. These revenues become pass through revenues for the WMATA Capital Fund, Central Virginial Transportation Fund, Northern Virginia Transportation Authority Fund, Hampton Roads Transportation fund and Hampton Roads Regional Transit Fund.

For the three regional transportation authorities: Central Virginia Transportation Authority (CVTA), Hampton Roads Transportation Accountability Commission (HRTAC), and Northern Virginia Transportation Authority (NVTA), the main sources of revenue include the following:

- Sales tax
- Grantors tax
- Fuel tax
- Transient Occupancy Tax/lodging tax
- Recordation tax
- Toll revenues
- Interstate Operations Enhancement Program
- Truck registration fees

These sources served as the shortlist for further discussion and evaluation. Table 3 summarizes these funding sources.

Table 3 Summary of Main Funding Sources for three Virginia Regional Transportation Authorities

Funding Source	Entity	Description
Sales Tax	CVTA	0.7% regional sales tax.
	HRTAC	0.7% sales tax, funding the HRTF. Can only fund road projects. $146.2 million (2020)
	NVTA	0.7% special district sales tax. $197.04 million (FY2022). Can fund transit.
Grantor's Tax	HRTAC	Additional six cents per $100. Can be used for transit projects.
	NVTA	Part of the "Regional Congestion Mitigation Tax", which as a whole raised ~$17.85 M in FY2022.
		$0.10 (formerly $0.15) congestion relief fee (renamed the regional transportation improvement fee) within the nine jurisdictions.
		Can be spent only on road construction, capital improvements that reduce congestions, other projects approved in the regional transport plan or for transit.
Fuel Tax	CVTA	7.6 cents/gallon on gasoline/gasohol
		7.7 cents/gallon on diesel
		Indexed to inflation.
		35% - CVTA use on transportation-related purposes for Planning District 15
		15% to GRTC or successor for transit and mobility services within Planning District 15
		50% returned, proportionally to each locality to improve local mobility through construction, maintenance, or expansion of roads, sidewalks, trails, mobility services, or transit located in the locality.
	HRTAC	7.6 cents/gallon on gasoline/gasohol
		7.7 cents/gallon on diesel, subject to annual adjustment.
		Can only fund road projects.
	NVTA	3.5% for gasoline 6% for diesel fuel
Transient Occupancy Tax	HRTAC	1% local hotel tax. Can be used for transit projects.
		Only collected in six localities with HRT service
	NVTA	3% tax on transient occupancy (hotels).
		Can be spent only on road construction, capital improvements that reduce congestion, other projects approved in the regional transport plan or for transit.
Truck Registration Fees	NVTA	Portion of increased truck registration fee as part of I-81 Corridor Improvement Fund distributed to NVTA
Interstate Operations Enhancement Program	NVTA	To improve the safety, reliability, and travel flow along interstate highway corridors in the commonwealth through the development and funding of operational and capital improvements.
		Preceded by I81 Corridor Improvement Plan (completed)
		43.7% - I81 corridor Improvement
		8.4% to NVTA
		Remaining allocated by CTB
Toll Revenues	HRTAC	Authorized to use tolls for new construction or existing highways, bridges, tunnels.
		Has state guidance on tolling ($345M) anticipated toll revenue for HRBT financing (FY20-FY26)
Recordation Tax	HRTAC	Taxes paid during the sale of property which can be used for transit projects. Estimated at $20 million for 2020.
Northern Virginia Transportation District Fund Transfer	NVTA	The district is a subset of NVTA members, which raises transit funds through taxes.
		70% regional needs and 30% local disbursement for transportation needs.
		Can be used for transit
		FY22 proposed budget had $20M. ~$6M (30%) for local jurisdictions and $14M (70%) for regional transit

Shortlist of Potential Funding Sources for Region 10

Among all the sources explored, sales tax, lodging tax, fuel tax, recordation tax, property tax, and real estate tax were selected for further investigation. Below is more information about these funding sources and the pros and cons of them for this region.

Sales Tax

A sales tax refers to a tax on the sale of goods or services purchased[3]. It is the most common source for local and regional transit services as it is moderately predictable and stable, although it fluctuates more than property taxes. Sales taxes are considered as a regressive tax because it taxes consumers at the same rate regardless of socioeconomic levels. However, this can be made less regressive by exempting items that lower-income individuals spend a sizable portion of their incomes on[4].

Public acceptance of the sales tax in the Commonwealth and in the U.S. is moderate as this is among the most common funding source for transportation and transit programs. It is more popular than income or business taxes. Due to its simplicity, citizens often feel confident in the fairness and allocation of the taxes. The sales tax would require an Act of the General Assembly to implement. Considering the success of this revenue source with other regional authorities in the Commonwealth, it can be considered moderately feasible. Furthermore, whether implemented regionally or only within the City of Charlottesville and all or parts of Albemarle County, a sales tax would produce a substantial amount of revenue that could be used to invest in transit.

Transient Occupancy/Lodging Tax

This is a tax levied on lodging establishments that receive compensation. It includes hotels and short-term rentals (e.g., Airbnb). The potential yield of this source is relatively lower compared to a sales tax or real estate tax; but can be moderately predictable in areas with an established level of tourism or out-of-town visitors. A lesson from the 2020 pandemic, although atypical, can be an indication of potential invariability with source. Additionally, in localities with few hotels or lodging establishments, the potential yield could be low. However, residents do not have to directly bear the cost of the additional tax but can receive the benefit of generating additional funds for transit.

Recordation Tax

As of 2022, the state recordation tax was levied at a rate of $0.25 per $100 of value recorded. Of the total revenue collected each year, $20 million is currently allotted to the Hampton Roads Regional Transit Fund (HRRTF) as a result of the 2020 law change. Prior to the 2020 General Assembly Act, quarterly distributions were made to localities in $10 million installments based on each locality's proportional share of the total state recordation tax revenue. These distributions were made from $40 million of the total revenue.

In 2022, a bill was presented which proposed to restore the quarterly distributions to localities but with a total distribution limit of $20 million instead of $40 million. Localities were required to use the funds for either transportation (including construction, administration, operation, improvement, maintenance, and financing of transportation facilities) or public education purposes. The bill also proposed to consequently end the annual $20 million distribution to HRRTF beginning Fiscal Year 2023. Similar legislations are Senate Bills 363 and 512 (identical). This legislation failed. Considering the uniqueness of this source for funding transit, pursuing this source may be challenging, making feasibility lower than the other likely sources.

Regional or Supplemental Fuels Tax

Fuel taxes are a common source of revenue for transportation and transit funding. While costs of fuels could potentially increase over time, the move towards more fuel efficient and electric vehicles presents a challenge for the stability of this source.

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[3] Not including a tax for non-prepared foods for this context

[4] The revenue analysis for sales tax in this memo excludes Virginia taxes for non-prepared foods.

In the Commonwealth, the 2020 Omnibus Bill changed the treatment of fuel taxes. Previously approved additional regional fuel taxes were made statewide with regional authorities such as NVTC, PRTC, HRTAC, and CVTA receiving funds levied in the respective regions, while all other funds not specifically allocated to a jurisdiction was channeled to the District Grant Program. The excerpt below from “Virginia Code § 58.1-2295. Levy; payment of tax” shows an example of legislative language drafted for the CVTA in Planning District 15.

“5. (For contingent expiration, see Acts 2020, cc. 1235) In addition to all other taxes now imposed by law, there is hereby imposed a tax upon every distributor who engages in the business of selling fuels at wholesale to retail dealers for retail sale in any county or city located in Planning District 15, as established pursuant to Chapter 42 (§ 15.2-4200) of Title 15.2, in which a tax is not otherwise imposed pursuant to this section.”

Since the additional/supplemental fuels tax is already being levied in the Charlottesville region for the District Grant Program, an act of the General Assembly would be needed to redirect this funding to a new regional authority. Considering the consequent impact on the statewide pool for the grant program, strong support would be needed to pursue this revenue source.

Personal Property Tax

Personal property taxes are administered by the localities and vary based on jurisdiction. The tax typically includes all motor vehicles, trailers, mobile homes, boats, and aircrafts. These items are valued by means of pricing guide. The Potential yield from this source is moderately higher than a lodging tax of the same percentage. During the pandemic, some jurisdictions lowered the personal property tax rate as a result of the increased valuation of vehicles. Consequently, the timing of a potential increase to fund transit would be crucial and would require good engagement of residents to support the initiative.

Real Estate Tax

Real estate taxes are relatively stable and have the potential to yield a large amount of revenue. This could also be considered relatively progressive with income as property ownership tends to increase with income. Additionally, public transit improvements have the potential to either increase nearby property values or provide other benefits to residents and businesses in the form of reductions in congestion, emissions, and parking costs, among others.

An additional option under the real estate tax is land value capture or a transit benefit district tax. It is a special property tax imposed in areas with high-quality public transit, intended to recover a portion of the increased land values provided by transit and support the transit service improvements. Depending on the areas implemented, the potential yield could be moderate to large. This could also support developmental objectives by encouraging more concentrated development around transit hubs. This may however require special analysis and legislation to determine the appropriate tax structure.

Table 4 shows a summary of funding sources considered along with the respective advantages and potential challenges. The table also includes “general fund expenditures” as this is the current funding mechanism.

Table 4 Summary of Funding Sources

Type	Description	Advantage	Potential Challenge
General Fund Expenditures	Contributions from the general funds of localities to fund service	• Localities can decide on amount of service to purchase annually based on local priorities	• Varies from budget cycle to budget cycle depending on local priorities making it less predictable and reliable • Amount and type of service can change by budget cycle making it less reliable for customers • Limited general fund revenues may put a strain on local resources • Variability in transit funding makes long term transit planning difficult

Type	Description	Advantage	Potential Challenge
Sales Tax*	A tax on the sale of goods or services purchased. (Not including tax for non-prepared foods)	• Most common source for local and regional transit services • Moderate public acceptance • Potential to produce high yields relative to other funding sources. • Relatively stable and predictable • Minimal cost for implementation as sales taxes are already collected	• Potential to impact lower income individuals than other socioeconomic levels.
Transient Occupancy /Lodging Tax	A tax on lodging establishments	• Does not directly impact residents • Moderate public acceptance as a transit funding source in Virginia due to implementation in other regions	• Revenue yield may be minimal in some areas • Potential implementation challenge with rural areas with no established lodging tax
Personal Property Tax	In Virginia, a tax on the value of all motor vehicles, trailers, mobile homes, boats, and aircrafts	• Relatively stable source • Ease of implementation as property taxes are already collected in most jurisdictions	• Potential public resistance to increase if rate is significant
Regional/Supplemental Fuels Tax	A tax on distributors who sell fuels at wholesale to retail dealers for retail sale	• Relatively accepted user fee to related to the social cost of driving • Potential to reduces instability of source by including different types of fuel	• If increasing fuel taxes increase demand for transit, it simultaneously reduces the source of revenue • More fuel-efficient cars could decrease this revenue source • Value could erode over time if not indexed to inflation
Real Estate Tax	A tax on the assessed on the value of land and buildings	• Widely used to finance transit and typically considered a default funding source • Relatively stable source • Ease of implementation as property taxes are already collected in most jurisdictions	• Minimal potential to shift development between jurisdictions

Analysis Results

This section presents an analysis of four potential public transit funding options for discussion and further evaluation. They are (i) sales tax, (ii) lodging tax, (iii) personal property tax, and (iv) real estate tax. Estimates were derived from local government financial reports with either projected or adopted budget estimates between fiscal years 2022 and 2024. Estimates are in constant dollars with annual growth standardized at 1% for sales tax estimates and 2% for all other taxes following City of Charlottesville projections.

The analysis assumes that the habits of residents in the region remain unchanged with the estimated increases in taxes (inelastic demand). It is worth noting that demand can be inelastic only to a point. If additional increases were significantly higher, residents could be incentivized to live or do business elsewhere, therefore such increases should be within reason and follow regional trends.

Table 5 shows the estimated added revenue from an additional 0.7% increase[5] in sales tax. The current sales tax rate across the region is 5.3%. This does not affect the 2.5% tax on non-prepared foods.

Table 5 Estimated revenues from additional 0.7% sales tax in millions of dollars

Added Revenue from 0.7%	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	Total
Albemarle	$16.3	$16.4	$16.6	$16.8	$16.9	$83.0
Charlottesville	$10.2	$10.3	$10.4	$10.5	$10.6	$51.9
Fluvanna	$1.9	$1.9	$1.9	$1.9	$1.9	$9.5
Greene	$2.2	$2.3	$2.3	$2.3	$2.3	$11.4
Louisa	$5.0	$5.0	$5.1	$5.1	$5.2	$25.3
Nelson	$1.1	$1.1	$1.2	$1.2	$1.2	$5.8
Total	$36.6	$37.0	$37.4	$37.7	$38.1	$186.8

Table 6 shows the estimated added revenue from an additional 0.5% increase in the lodging tax. In the City of Charlottesville and Albemarle County, the lodging tax rate is currently at 8%. Nelson and Greene Counties are both at 5%, Louisa County at 2%, and Fluvanna 0%. Since Fluvanna County currently has no transient occupancy tax, there are no current revenues to determine future projections. Louisa County was therefore used as a proxy in the analysis. It should also be noted that Albemarle County recently increased their lodging and personal property taxes so consideration should be given to the timing for implementation.

Table 6 Estimated revenues from additional 0.5% lodging tax in millions of dollars

Added Revenue from 0.5%	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	Total
Albemarle	$0.2	$0.2	$0.2	$0.2	$0.2	$1.0
Charlottesville	$0.5	$0.5	$0.5	$0.5	$0.5	$2.5
Fluvanna	$0.1	$0.1	$0.1	$0.1	$0.1	$0.5
Greene	$0.1	$0.1	$0.1	$0.1	$0.1	$0.3
Louisa*	$0.1	$0.1	$0.1	$0.1	$0.1	$0.5
Nelson	$0.1	$0.1	$0.1	$0.1	$0.1	$0.6
Total	$1.0	$1.1	$1.1	$1.1	$1.1	$5.4

Table 7 shows the estimated added revenue from an additional 0.5% increase in personal property tax. Louisa County's analysis follows a 2.43% residential personal property tax, but there is a 1.90% personal property tax applicable to businesses. The City of Charlottesville has a 4.2% tax rate. Albemarle, Greene, Fluvanna, and Nelson counties have a 3.4%, 5.0%, 3.7%, and 2.8% rate respectively. It should also be noted that Fluvanna County's personal property tax was lowered in 2022.

Table 7 Estimated revenues from additional 0.5% personal property tax in millions of dollars

Added Revenue from 0.5%	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	Total
Albemarle	$5.5	$5.6	$5.7	$5.8	$5.9	$28.5
Charlottesville	$1.5	$1.5	$1.6	$1.6	$1.6	$7.9
Fluvanna	$1.2	$1.3	$1.3	$1.3	$1.3	$6.4
Greene	$0.7	$0.7	$0.8	$0.8	$0.8	$3.8
Louisa	$2.4	$2.4	$2.5	$2.5	$2.6	$12.5
Nelson	$1.2	$1.2	$1.2	$1.2	$1.3	$6.0
Total	$12.5	$12.7	$13.0	$13.3	$13.5	$65.0

Table 8 shows the estimated added revenue from an additional 0.1% increase in real estate taxes. Current real estate tax for the City of Charlottesville is 0.96%, 0.85% for Albemarle County, 0.73% for Greene County, 0.72% for Louisa County, 0.87% for Fluvanna County and 0.65% for Nelson County.

[5] 0.7% is consistent with sales tax rates used to support HRTAC, CVTA, and NVTA.

Table 8 Estimated revenues from additional 0.1% real estate tax in millions of dollars

Added Revenue from 0.1%	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	Total
Albemarle	$24.1	$24.6	$25.1	$25.6	$26.1	$125.3
Charlottesville	$10.6	$10.8	$11.0	$11.2	$11.4	$55.0
Fluvanna	$3.1	$3.2	$3.2	$3.3	$3.3	$16.1
Greene	$2.7	$2.7	$2.8	$2.8	$2.9	$13.9
Louisa	$6.5	$6.6	$6.8	$6.9	$7.0	$33.8
Nelson	$3.2	$3.3	$3.4	$3.4	$3.5	$16.8
Total	$50.1	$51.1	$52.2	$53.2	$54.3	$260.9

These estimates serve as discussion starters on appropriate rates for each funding type.

Next Steps

The next phase of the study will explore governance alternatives for regional transit. It will focus on defining a funding authority to have oversight, transparency, and efficient use of any generated funding. Through additional regional stakeholder engagement, the team will also identify mechanisms that allow for equitable distribution of resources.

Appendix

Summary Table Showing Stakeholder Engagement to Date

Study Phase	Coordination
Phase I	Garland Williams, CAT Ted Rieck, Jaunt Diantha McKeel, Reginal Transit Partnership Rebecca White, UVA Matt Lawless, Scottsville Ray Amoruso, Hampton Roads Transit Brian Smith, Deputy CEO Hampton Roads Transit
Phase II	Brian Booth, Director, Blacksburg Transit John Connell, General Manager, Bloomington Transit Louwana Oliva, Executive Director, Centre Area Transportation Authority (CATA) Scot Vanderpool, General Manager, Tompkins Consolidated Area Transit (TCAT) Matt Carpenter, CEO, TheRide Darian Nagle-Gamm, Transportation Director, Iowa City Transit Danny Plougher, Virginia Transit Authority Lisa Guthrie, Virginia Transit Authority
Phase III	Albemarle County Diantha McKeel, Board member Jacob Sumner, Interim CFO Trevor Henry, Assistant County Executive Greene County Catherine Schafrik, County Administrator Dale Herring, Board Chair Jim Frydl, Planning Director Nelson County Ernie Reed, Central District Supervisor Dillan Bishop, Planning and Zoning Director Fluvanna County Patricia Eager, Board Vice Chair Kelly Belanger Harris, Assistant County Administrator Louisa County Christopher Coon, Deputy County Administrator Kevin Page, Executive Director HRTAC Laura Farmer, CFO VDOT Ted Rieck, CEO, Jaunt Garland Williams, Director, CAT Sean Nelson, District Engineer, VDOT Stacy Londrey, Assistant District Administrator, VDOT City of Charlottesville City Council

List of Common Transit Funding Sources in the US

Funding Type	Description
General sales taxes	• Most common source of funding for local and regional transit services.
	• Generally, provides the greatest revenue yield and stability and are broadly accepted as a source of revenue for public transportation
General fund expenditures	• Revenues from a number of sources including state sales taxes, property taxes and income taxes.
	• Varies from budget cycle to budget cycle, depending on local priorities and are thus less predictable and reliable than revenues from other, more specific sources.
Vehicle registration fees	• Annual vehicle registration fees or other related fees.
	• Vehicle registration fees are the second most common source of transportation program related revenues at the state level, as more than half of states raise more than a quarter of their dedicated transportation revenues with these mechanisms.
	• Sound Transit, Seattle, WA • BART, San Francisco, CA
Employer/payroll taxes	• Levied on the amount of gross payroll for an employer, may be levied within transit districts for the generation of revenue but are usually administered by a state revenue agency on behalf of the transit district. • City of Portland • Transit Authority of River City, Louisville, KY
Concessions	• Leasing of transportation facilities to private entities for a large, upfront payment
Lottery and/or casino revenues	• States (and municipalities within states) with a statewide lottery or legalized gambling may designate revenues generated through these activities for the provision of public transportation services. • The State of New Jersey taxes 8 percent of casino gross revenues, roughly $30M per month in 2007, and places these funds into the Casino Revenue Fund. A portion of this fund is dedicated to supporting a Senior Citizens and Disabled Residents Transportation Assistance Program. • The state of Pennsylvania dedicates a percentage of lottery revenues to a free transit program for persons over 65 years old traveling in off-peak hours.
Vehicle leasing and rental fees	• Municipal and regional authorities may opt to use revenues from locally imposed taxes on the rental of vehicles to fund transit services. • Allegheny County in Pennsylvania has enacted a $2 rental car fee to help support transit services provided by Port Authority Transit Services in the Pittsburgh metropolitan region.
	• Vehicle rental companies are typically responsible for reporting and remitting these taxes to the regional authority. Similar taxes may also be levied on the leasing of vehicles, which generally take the form of a sales tax on the monthly lease payment.
Tollway revenues	• Revenues from toll facilities are often dedicated to providing for enhanced transit services within the tolled corridor.
Cigarette Tax	• Taxes levied on the sale of cigarettes are a common state revenue generating mechanisms and may also be employed by municipalities.
Parking fees and Fines	• Local transit agencies may receive significant levels of funding for operations from the parking fees and parking fines levied by the city or other regional government or they may receive parking related revenues generated at facilities owned by the transit authority.
Property taxes	• Assessed on the value of land and buildings and are the principal source of revenue for local governments. • The Ride, Ann Arbor, MI
	• Portions of local property tax revenues may be authorized for use by special districts and authorities such as transit authorities.
Contracts or Purchase of service	• Transit systems often receive revenues by providing additional transit related services to various entities outside of normal regularly scheduled services.
	• Municipal governments, private businesses, health and social service agencies and educational intuitions often contract with transit agencies to provide specialized service
Lease revenues	• Transit service providers often generate revenue by leasing various portions of their operations, such as parking facilities and terminal stations, for use by private enterprises.
Advertising	• Advertisements placed on vehicles, facilities, and transit related materials such as schedules and maps.
	• These revenues; however, are generally modest, accounting for anywhere between 0.1 and 3 percent of total operating income.

Funding Type	Description
Realty transfer taxes/mortgage recording fees	• Generally levied on the sale of residential, commercial, and industrial property. These fees may be levied at the state and local level and revenues are used for a variety of purposes, including transit services.
Corporate franchise taxes	• Franchise taxes are generally levied on the profits and other taxable assets of a corporation. Considered a tax on business operations and is often based on the par value of the corporation's outstanding shares and surplus.
	• Franchise taxes are often targeted at specific types of industries and economic activity.
Hotel/motel taxes	• Common revenue generating mechanism employed by municipal and county governments. They are often only applied on certain days of the week, month or year and revenues are often used in the development and operation of tourism related facilities.
Utility fees	• Common source of income for municipalities and county governments. They may be applied to a wide range of service such as water, electricity, waste collection and disposal, and sewage services.
	• Revenues are typically deposited into general revenue and from there may be used to fund transit activities.
Public Private Partnerships (PPP)	• The US DOT has prepared model legislation. • Metro Transit Hiawatha Line, Minneapolis, MN
	• The model provides states with examples of the basic elements to consider in authorizing PPP legislation. • AirTrain JFK, NY
	• Portland Metropolitan Area Express (MAX) Airport Extension, OR
	• BART Oakland Airport Connector, CA
	• California High Speed Rail Authority
Tax-increment Financing District (TIF)	• Focused on capturing the added increment of a future stream of increased taxes that result from an increase in property values due to public investments.
	• The excess tax increment is used to repay the public improvement bonds used to fund the improvements that led to the increase in value and tax returns.
	• The revenues derived from these districts may be used for a number of purposes, including transit development.
Transportation Development Districts	• A form of community improvement or community facilities district that is intended to provide a means of raising funds specifically for transportation improvements.
	• Generally aimed at financing the cost of a specific project and may be applied to developing or improving transit services.
	• Typically raise funds through the issuance of bonds, which are generally supported by tax increment procedures or dedicated sales taxes.
	• Tax increment procedures are established by various state and local entities as a process for determining the value of land prior to development so that the incremental increase in value due to development can be appropriately credited to the desired programs.
	• Bonds are issued based on the expected incremental increase and the revenues directed to the project.

Transit Funding Sources for Peer Study Agencies

Peer	Funding Source	Description	Jurisdiction/Entity
Blacksburg, VA	Virginia Tech Contract	Funding provided by Virginia Tech to Blacksburg Transit for bus routes that serve campus and the town. $7.0 million annually (2021).	Virginia Tech
Bloomington, IN	Local Property Tax	A portion of Bloomington's property tax provides $1.5 million annually to Bloomington Transit. (2022).	City of Bloomington
Bloomington, IN	Local Income Tax	Newly introduced in 2022. 1.345% tax providing an estimated $4 million annually to Bloomington Transit (beginning 2023). Funds transit.	City of Bloomington
Bloomington, IN	IU Contract	Annual payments made by the university to cover student, faculty and staff rides on Bloomington Transit. $1.2 million (2022). Funds transit.	Indiana University

Peer	Funding Source	Description	Jurisdiction/Entity
State College, PA	Apartment Contracts	Contracts with student apartment buildings to provide their residents with free rides on CATA. Payments currently made on a per-ride basis. $1.8 million annually (2021). Funds transit.	Student apartment buildings within CATA's jurisdiction
State College, PA	Penn State Contract	Contracts to CATA for three routes run on Penn State's campus. $2.7 million annually (2021). Funds transit.	Penn State University
Ithaca, NY	Cornell Fare Payments	Annual payments made by the university to cover student, faculty and staff rides on TCAT. $3.3 million (2022).	Cornell University
Ithaca, NY	Mortgage Recording Tax	Mortgage recording tax that provides $0.9 annually for TCAT (2022).	Tompkins County
Ann Arbor, MI	Ann Arbor Property Tax	Property tax of 2.5 mills within Ann Arbor dedicated to TheRide in perpetuity.	City of Ann Arbor
Ann Arbor, MI	Authority Area Property Tax	Property tax of 2.38 mills within TheRide's service area, which must be renewed in perpetuity. $19.2 million annually along with the Ann Arbor tax (2022).	City of Ann Arbor, City of Ypsilanti, Ypsilanti Township
Iowa City, IA	Multi-modal transportation center income	Revenues from building rents (café, daycare, and restaurant) and parking fees make up approximately 6.8% of Iowa City Transit annual revenue (2021).	Iowa City Transit Center.

References

1. City of Charlottesville Long Term Revenue & Expenditure Planning & Forecasts, Fiscal Year 2024 Budget
2. Albemarle County Fiscal Year 2023 Adopted Budget
3. County of Louisa, Virginia Adopted Annual Fiscal Plan Fiscal Year 2023
4. County of Fluvanna, Virginia Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2022
5. County of Fluvanna, Virginia Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2022
6. County of Greene, Virginia Financial Report Year Ended June 30, 2022
7. Nelson County FY24 Proposed Budget (May 9, 2023)