

APPENDIX 6: POTENTIAL REVENUE SOURCES



Appendix 6. Potential Revenue Sources

With the funding shortfall and its impacts noted in Chapter 4 of the Iowa Public Transit Long Range Plan, it becomes imperative to examine other potential sources of revenue. Additionally, it is prudent to continuously evaluate alternative funding sources for public transit and passenger transportation services for their advantages, disadvantages, and overall viability. This is particularly important as circumstances change, or, as in the case of this Plan, agencies work to rightsize transit service and reduce the number of capital assets that are beyond their useful lives.

Input was gathered from a variety of stakeholders on potential mechanisms or enhancements that could be made to more efficiently support Iowa's public transit system and to rightsize transit service. This feedback resulted in the list shown in Figure 4.17 starting on page 93 of the plan,¹ which indicates the type of mechanism proposed, as well as potential advantages and disadvantages of implementing it. Figure 4.17 provided a short summary of these potential revenue sources; this appendix expands on several of them to provide additional detail.

Population Threshold for Regional Transit Districts

Consider lowering the Regional Transit District (RTD) population threshold² for counties from 175,000 to 90,000 in order to provide an additional funding mechanism for urban transit systems serving those counties. The current RTD population threshold restricts regional districts to Polk County and contiguous counties in central Iowa and Linn County and contiguous counties in eastern Iowa. Reducing the population threshold would allow an additional seven counties with the desire to collaborate on transit funding through formulation of a multi-city/county RTD to do so. The benefit of allowing counties/communities to form a transit district is that economies of scale exist by bringing together the management of service over a larger area.³ This threshold change would increase the number of counties able to form RTDs to include the counties containing the nine Metropolitan Planning Organizations in Iowa and twenty public transit agencies (see Figure A6.1). Proceeds of the tax levy are used for the operation and maintenance of a regional transit district, for payment of debt obligations of the district, and for the creation of a reserve fund.

¹ <https://iowadot.gov/iowainmotion/Modal-Plans/Public-Transit-Plan>

² Iowa Code Chapter 28M.2

³ [Iowa Passenger Transportation Funding Study, Dec. 2009.](#)

Figure A6.1: Annual estimates of the resident population: April 1, 2010 to July 1, 2017 population estimates ⁴

County	2010 Census	2017 Estimate	Public Transit Agency
Black Hawk	131,090	132,648	Metropolitan Transit Authority of Black Hawk County; Iowa Northland Regional Transit Commission
Dubuque	93,653	97,041	City of Dubuque, The Jule Region 8 Regional Transit Authority
Johnson	130,882	149,210	Coralville Transit System, Iowa City Transit University of Iowa, Cambus East Central Iowa Council of Governments/CorridorRides
Linn	211,226	224,115	Cedar Rapids Transit East Central Iowa Council of Governments
Polk	430,640	481,830	Des Moines Area Regional Transit Authority
Pottawattamie	93,158	93,386	City of Council Bluffs Southwest Iowa Transit Agency
Scott	165,224	172,509	City of Bettendorf, Davenport Public Transit River Bend Transit
Story	89,542	97,502	Ames Transit Agency/CyRide Heart of Iowa Regional Transit Agency
Woodbury	102,172	102,429	Sioux City Transit System Siouxland Regional Transit System

Source: U.S. Census Bureau, Population Division; release date for county data: March 2018

Property Tax

Increase the property tax cap from \$0.95 to \$1.45 per 1,000 of taxable valuation for RTDs and municipal transit levies. Two cities are currently capped (Iowa City and Windsor Heights), and more will reach the cap in the future. This change would allow local agencies to increase local resources for public transit services. ⁵

Local Option Sales Tax

One of the most common and successful approaches to coordinating regional transit interests utilized around the country is to create RTDs. These public organizations can establish a coordinated effort among municipalities and counties within a single region to create

⁴Annual Estimates of the Resident Population: April 1, 2010 to July 1, 2017

⁵[Iowa Passenger Transportation Funding Study, Dec. 2009.](#)

transportation solutions. Often established under statutory authority or via legislative approval, RTDs enhance a region's ability to work with state DOTs and lawmakers. In many states, RTDs are eligible for funding directly from the state, and some are also supported by localities.

In some cases, RTDs are granted taxing authority in order to provide funding to meet the public transportation needs of those who work and live in their district. A similar approach is a local options sales tax. This taxing authority can be used in conjunction with a number of infrastructure projects, but often is associated with transportation. Iowa RTDs, currently only available to counties with at least 175,000 residents, have the power to implement a property tax of up to 95 cents per \$1,000 of assessed value; municipalities also have this authority, but it cannot be used in conjunction with an RTD levy.

There are numerous examples of utilizing this type of levy.

- Denver's RTD levies a 1 percent sales/use tax, which provides nearly 70 percent of its revenue.
- The Chicago RTA and the Metro-East Mass Transit District in Illinois are permitted to levy sales taxes in various counties.
- In Arizona, Maricopa and Pima Counties are permitted to levy a one-half cent sales tax to support public transportation projects.
- Five metro-region counties surrounding Minneapolis/St. Paul have implemented a one-half cent sales tax intended to support transit.
- Utahans in the Salt Lake City region provide nearly 65 percent of the funding for the Utah Transit Authority via a one-half to two-thirds cent sales tax.
- In 2014, the Indiana legislature passed SB 176, allowing counties to vote on an increase to the income tax rate of between .10 percent and .25 percent to fund approved public transportation projects.
- In 2013, the Colorado legislature, with SB 48, allowed municipalities and counties to spend 15 percent of the portion of revenues they receive from the highway users tax fund on transit projects.⁶

Rebuild Iowa Infrastructure Fund (RIIF)

The typical annual appropriation for public transportation is small but impactful. The \$1.5 million Rebuild Iowa Infrastructure Fund (RIIF) has helped with a variety of projects including maintenance facility improvements, construction of bus storage buildings, and repair of bus shelters. In the past, RIIF expenditures have been reduced or eliminated for some programs; sustaining this amount of funding would help ensure continued transit infrastructure improvements.⁷

⁶[On Track: How States Fund and Support Public Transportation](#), National Conference of State Legislatures (NCSL), Jun. 2015.

⁷[2019 Legislative Priorities, Iowa Public Transit Association](#)

State Transit Assistance (STA)

Increase the current State Transit Assistance (STA) standing appropriation⁸ from 4 percent to 5 percent (equivalent to the state sales tax) of the fees for new registration collected on sales of motor vehicle and accessory equipment to support public transportation. Most of this funding is distributed by the STA formula that is based on each transit system's performance during the previous year in terms of rides, miles, and local funding support. These formula funds are usable for support of any operating, capital, or planning expenses related to the provision of public passenger transportation.

Public transit agency operating costs continue to increase at a rate surpassing annual STA allocations. This has reduced the buying power of the STA allocation. At the same time, legislative proposals seeking to allocate portions of existing STA funds for narrowly defined initiatives have been introduced previously in 2017 and 2018, which would reduce the amount of STA available for formula distribution.

Vehicle Rental/Leased Car Sales Tax

Iowa currently devotes a portion of new vehicle registrations to fund public transit. Another source of revenue could be taxes on rental and leased vehicles. An example of such a tax is found in neighboring Minnesota, which institutes lease and rental sales taxes.

The Motor Vehicle Lease Sales Tax (MVLST) is a 6.5 percent tax on leased motor vehicles. The MVLST revenue is allocated in the following percentages beginning in FY 2018⁹: 38 percent to the County State Aid Highway Fund, 38 percent to the Transit Assistance Fund (Greater Minnesota Transit account), 13 percent to the Minnesota State Transportation Fund (for local bridges) and 11 percent to the Highway User Tax Distribution Fund (HUTD). Additionally, as of FY 2018, revenue collected through a 9.2 percent short-term motor vehicle rental tax and a 6.5 percent general sales tax on short-term motor vehicle rentals is deposited in the HUTD fund. Previously, this revenue remained in the General Fund.¹⁰

TNC Tax

Research¹¹ of the impacts of Transportation Network Companies (TNCs), such as Uber or Lyft, show that they tend to have a negative impact on congestion. Rather than decrease the number of vehicles on the road, TNCs have the opposite effect and end up increasing the

⁸ Iowa Code Chapter 321.145(2)(a)(1)

⁹ Minn. Stat. 297A.815

¹⁰ [Transportation Funds Forecast November 2018](#), Minnesota Department of Transportation (MnDOT), Dec. 2018.

¹¹ [Disruptive Transportation: The Adoption, Utilization, and Impacts of Ride-Hailing in the United States](#), Oct. 2017.

number of vehicle trips by users. These additional vehicle trips draw users away from alternate transit and mobility options, thus decreasing the operating revenue of bus systems. The same research has found that the primary users of TNCs are younger and have higher incomes than those who use public transit and do not have their own vehicles.

An additional obstacle to planning for the use of TNCs is the lack of usage data. Public agencies and academic institutions request user data but rarely, if ever, receive full cooperation from the TNCs. Adequate planning becomes a challenge when vital transportation data is obscured or denied outright.

Different states and cities have applied varying mechanisms to institute a tax on these companies in order to mitigate some of the negative impacts they have. New York State¹² has a robust system for registering and paying these trip taxes. Their TNC tax is a 4 percent assessment on the gross trip fare of every prearranged TNC trip that originates anywhere in New York State outside of New York City and terminates anywhere in New York State. In addition to this tax, each TNC must file returns that document specific trip or ride data that can be analyzed by transportation planners.

The City of Chicago¹³ city council approved a 15-cent increase to the 52-cent fee that is already added to every ridesharing trip. The original per-trip fee was initiated in 2015 and directed to the city's general fund, but the new ride-hailing increase is the first time that it will directly fund public transit. The city expected to raise \$16 million for the Chicago Transit Authority (CTA) in 2018 and \$30 million in 2019 with an additional 5-cent increase to the fee.

The City of San Francisco¹⁴ is also in the process of seeking approval for a tax that will be applied to a percentage of the TNC's net ride revenues with the money allocated toward the city's transportation infrastructure and operations improvements. With the increased funds, lawmakers hope to tackle San Francisco's traffic congestion, which Uber and Lyft drivers contribute to significantly. Combined, these two ridesharing companies average about 82 million trips in the city annually, with at least 80 percent of their drivers coming into San Francisco from elsewhere. The proposed tax would place a 3.25 percent tax on "single-use" rides and a 1.5 percent tax on "carpool share" rides. The measure would also apply to autonomous vehicles once companies are allowed to charge passengers for rides.

¹² [New York State Transportation Network Company assessment](#)

¹³ <https://www.citylab.com/transportation/2017/11/how-should-chicago-spend-its-uber-tax/546233/>

¹⁴ <https://www.bizjournals.com/sanfrancisco/news/2018/08/01/uber-lyft-agree-proposed-ridehail-tax-sf.html>



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