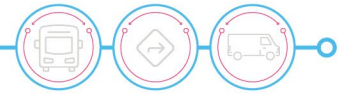




# BCRTA Funding and Financing Options Memo

May 2022





## Introduction

As BCRTA plans, develops, and sustains its existing and future transit system in the coming years, it will be important to understand the role that funding and financing play. A variety of different funding sources are available to leverage at the federal, state, and local levels. Many cover either capital expenses or operating expenses, while others can cover both. Similarly, there are discretionary grants available that BCRTA can apply on a competitive basis while others are guaranteed funding to BCRTA such as federal and state formula funds or farebox revenues.

The purpose of this report is to document all the existing funding sources that BCRTA currently leverages and to describe other potential funding sources that BCRTA could seek in the future as it looks to expand its system. This memorandum serves as a baseline for future work conducted as a part of this plan.

## Current BCRTA Funding

This section highlights the current BCRTA funding utilized from 2017 to 2022. The current funding mix includes a combination of local, state, and federal sources, along with a small sum of fare revenue from BCRTA’s BGo on-demand transit service.

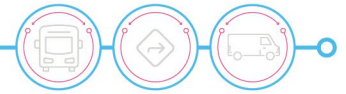
### Federal and State

BCRTA relies on federal funding for approximately 50 percent of its operating revenues. The two main sources are the Federal Transit Administration (FTA) Section 5307 Urbanized Area Formula and Section 5339 Bus and Bus Facilities funding. BCRTA did not receive any FTA Section 5337 State of Good Repair grants in 2020. These funding sources will be available through 2024. A representative breakdown of FTA grants 5307 and 5339 funding split for FY 2020 is shown in Table 1.

Agency	Section 5307 Urbanized Area Formula	Section 5339 Bus and Bus Facilities	Section 5337 State of Good Repair	Total Federal Funding
BCRTA	\$ 2,060,006	\$ 237,136	\$ 0	\$ 2,297,142

Other federal resources include Surface Transportation Block Grant (STBG), and Congestion Mitigation and Air Quality (CMAQ), among others. In 2021, federal sources have also included Coronavirus Aid, Relief, and Economic Security (CARES) Act; Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, and American Rescue Plan Act (ARPA). All federal funding sources are categorized as Federal Operating Funds and Federal Capital grant Funds, as shown in Table 2.

<sup>1</sup> (BCRTA, 2021)



**Table 2: Federal Operating Estimated Revenues<sup>2</sup>**

Revenue Source	2018	2019	2020	2021	2022
Federal Operating Funding	\$1,605,000	\$1,833,797	\$1,855,004	\$3,207,376	\$4,873,345
Federal Capital Grant Funding	\$3,481,560	\$3,541,234	\$2,954,299	\$2,001,011	\$5,395,456

BCRTA relies on state funding for approximately 4% of its operating revenue. State capital grant funds have comprised of Ohio Transit Partnership Program (OTP2) and Urban Transit Program (UTP) sources. While the total amount and specific funding source received varies year to year, the most recent was received in 2022. Appropriately, the two main sources are categorized as State Operating Funding and State/Other Capital Grant Funding.

Federal and state revenue sources accounted for a combined total of 55 of BCRTA’s revenue.

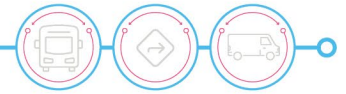
## Local

Additional funding is secured through local sources, with the top two sources being the Transit Development program and Partnership Transit Revenue and totaling 32% of the total operating revenue. All local revenue sources are summarized in Table 3 and allocations by year in Table 4.

**Table 3: Local Revenue Sources**

Revenue Source	Description
Passenger Fares	BGo passenger fares
Contract Revenues	Butler County Veterans Service Commission (BCVSC), Butler County Board of Developmental Disabilities (BCBDD), and Medicaid
Partnership Transit Revenue	City of Middletown for operating services
Sale of Services	Administrative fees for transit operations
Transit Development Program	Miami University for operating services. Contract to provide 9 months of service during school year
Park-n-Ride Program	Historically, funding is received directly from Cincinnati Metro but will not be a funding source moving forward.
Agency Operating Funds	Municipal grant contributions (e.g., City of Hamilton and Butler County CDBG grants)
Other Revenue	Interest income, vehicle sales, workers compensation refunds, among other sources
General Transit Fund Appropriations	Breakdown for five transit agencies (BCRTA, SORTA, Clermont Count, TANK, and Warren County) using a formula approved by all parties

<sup>2</sup> (BCRTA, 2021)



**Table 4: Local Operating Revenues<sup>3</sup>**

Revenue Source	2018	2019	2020*	2021	2022
Passenger Fare	\$131,468	\$132,900	\$143,500	\$75,000	\$116,400
Contract Revenues	\$315,600	\$205,200	\$210,000	\$129,500	\$140,800
Partnership Transit Revenue	\$960,000	\$1,172,000	\$1,200,000	\$1,850,000	\$1,980,000
Sale of Services	\$144,000	\$122,640	\$122,640	\$245,280	\$245,280
Transit Development Program	\$1,864,560	\$1,920,000	\$2,000,000	\$1,500,000	\$2,025,251
Park-n-Ride Program	\$500,000	\$500,000	\$545,390	\$560,000	\$560,000
Agency Operating Funds	\$75,000	\$65,000	\$50,000	\$38,000	\$38,000
Other Revenue	\$13,020	\$38,100	\$29,000	\$29,000	-
General Transit Fund Appropriations	\$250,000	\$150,000	-	\$255,000	-

*\*Funds were received in 2020 but General Transit Fund Appropriations were not categorized.*

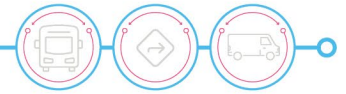
## Peer Review

An assessment of aspirational peers was conducted, with a focus on funding sources, economic make-up, and university cities. The three (3) peers selected are:

- Portage Area Regional Transit Authority (Kent, OH)
- South Bend Public Transportation Corporation (South Bend, IN)
- Muncie Indiana Transit System (Muncie, IN)

The three transit agencies selected have total operating budgets greater than BCRTA and ridership numbers greater than BCRTA. The peers chosen all have regional routes and serve large geographic areas. Yet, the funding sources are diverse and may include taxes and fees levied by the transit agency, as well as fares and other funding directly generated. Of note, the total operating budget includes local, state, and federal funding sources, as well as taxes and fares. The peers are summarized in Table 5.

<sup>3</sup> (BCRTA, 2021)



**Table 5: Peer Agencies<sup>4</sup>**

Agency Name	Location	Urbanized Area Population	Total Operating Budget	Unlinked Passenger Trips*
Butler County Regional Transit Authority	Hamilton, OH	1,624,827	\$5,363,750	620,233
Portage Area Regional Transportation Authority	Kent, OH	569,499	\$8,641,334	1,156,126
South Bend Public Transportation Corp.	South Bend, IN	278,165	\$10,446,651	1,596,172
Muncie Indiana Transit System	Muncie, IN	90,580	\$7,093,158	1,408,230

\*2019 annual unlinked passenger trips (National Transit Database) used to reflect pre-COVID ridership

## Federal Funding

While federal funding can be variable from year-to-year, it is a large source of revenue for transit agencies and often makes up a considerable portion of their revenue budgets. Table 6 outlines the federal funding sources for the peer agencies.

**Table 6: Federal Funding Revenue**

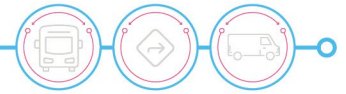
Agency Name	FTA 5307 and 5339	Other FTA Funds	Other Federal Funds	Total Federal Funds
Butler County Regional Transit Authority	\$4,101,916	\$190,839	\$0	\$4,292,755
Portage Area Regional Transportation Authority	\$7,738,658	\$46,913	\$0	\$7,785,571
South Bend Public Transportation Corp.	\$3,292,136	\$340,083	\$801,819	\$4,434,038
Muncie Indiana Transit System	\$2,012,660	\$13,568	\$0	\$2,026,228

PARTA received the most federal funding of its peers, with a total of \$7,785,571 from multiple FTA sources. South Bend Transpo received an additional \$801,819 from other federal funds.

<sup>4</sup> (Federal Transit Administration, 2020)

<sup>5</sup> (Federal Transit Administration, 2020)





## State Funding

The main funding mechanisms for transit and transportation in Ohio are Urban Transit Program (UTP), the Elderly and Disabled Transit Fare Assistance Program (E&D), and the Ohio Transit Partnership program<sup>6</sup>. The main transportation fund in the state of Indiana for transit agencies is the Public Mass Transportation Fund (MPFT), a performance-based formula for the division of state sales tax revenue<sup>7</sup>. Table 7 summarizes the state funding for the peer agencies.

Agency Name	General Fund	Transportation Fund	Total
Butler County Regional Transit Authority	\$820,372	\$0	\$820,372
Portage Area Regional Transportation Authority	\$0	\$1,722,986	\$1,722,986
South Bend Public Transportation Corp.	\$0	\$2,029,842	\$2,029,842
Muncie Indiana Transit System	\$0	\$1,482,400	\$1,482,400

\*As reported in the 2020 national transit database

Additionally, in 2021, PARTA has also leveraged the Ohio Diesel Emissions Reduction Grant (DERG) to cover 70% of the cost to replace three 2003-2005 buses with Compressed Natural Gas (CNG)-powered buses, totaling \$1.1 million<sup>9</sup>.

## Local Funding

In addition to the state sales tax, PARTA has leveraged an additional sales and use tax to fund transportation since 2002<sup>10</sup>. The 0.25% sales and user tax generated \$5,993,798 for PARTA in 2020<sup>11</sup>. There are 11 agencies in Ohio that leverage the sales tax for transit revenue<sup>12</sup>. The Ohio transit tax rate ranges from 0.25 to 1.00%. Sales tax is just one way to generate revenue from local sources. Table 8 outlines the local sources used by peer agencies.

<sup>6</sup> (Ohio Department of Transportation, n.d.)

<sup>7</sup> (Indiana Department of Transportation, n.d.)

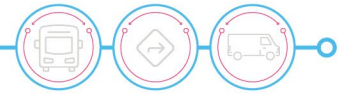
<sup>8</sup> (Federal Transit Administration, 2020)

<sup>9</sup> (Ohio Department of Transportation, 2021)

<sup>10</sup> (Ohio Department of Taxation, n.d.)

<sup>11</sup> (Federal Transit Administration, 2020)

<sup>12</sup> (Ohio Department of Taxation, 2022)



**Table 8: Local Funding Revenue<sup>13</sup>**

Agency Name	General Fund	Income Tax	Property Tax	Other Tax	Total
Butler County Regional Transit Authority	\$2,312,440	\$0	\$0	\$0	\$2,312,440
Portage Area Regional Transportation Authority	\$0	\$0	\$0	\$0	\$0
South Bend Public Transportation Corp.	\$0	\$727,661	\$2,981,134	\$270,764	\$3,979,559
Muncie Indiana Transit System	\$0	\$586,213	\$2,653,619	\$301,345	\$3,541,177

Other tax sources collected in South Bend include license excise tax, financial institution tax, and passport tax, among others<sup>14</sup>.

Other agreements include cooperative contracts with local colleges and universities to provide student transportation services. South Bend Public Transportation Corporation receives funding from four area colleges and universities (University of Notre Dame, Saint Mary’s College, Holy Cross College, and Ivy Tech Community College) for student and summer passenger fares<sup>15</sup>. Similarly, PARTA has received funding from Kent State University to operate three campus routes since 2004<sup>16</sup>.

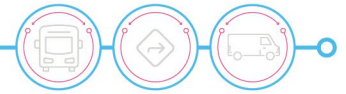
Additionally, peer agencies also generate revenue generated directly. Table 9 outlines the sources of directly generated revenue including advertising and a comparison of fare collection.

<sup>13</sup> (Federal Transit Administration, 2020)

<sup>14</sup> (South Bend Public Transportation Corporation, 2020)

<sup>15</sup> (South Bend Public Transportation Corporation, 2020)

<sup>16</sup> (Campus Bus Service, n.d.)



**Table 9: Directly Generated Funding Revenue<sup>17</sup>**

Agency Name	Fares	Concessions	Advertising	Other	Total
Butler County Regional Transit Authority	\$316,604	\$0	\$0	\$0	\$695,059
Portage Area Regional Transportation Authority	\$1,986,027	\$0	\$0	\$0	\$2,277,738
South Bend Public Transportation Corp.	\$833,334	\$727,661	\$2,981,134	\$270,764	\$1,240,239
Muncie Indiana Transit System	\$158,076	\$586,213	\$2,653,619	\$301,345	\$248,583

## Funding and Financing Options

This section highlights some of the funding mechanisms available to transit providers at the federal, state, and local levels. Of note, this section is not intended to be an exhaustive list, but to highlight the most prevalent funding sources applicable to BCRTA and other agencies in Southwest Ohio.

### Federal

The federal government provides billions of dollars each year to support and expand the nation’s rural and urban transit systems and to help implement capital transportation projects of all types. The following sections provide a snapshot of the many funding programs by the USDOT and FTA. Federal funding generally falls into two categories: formula and discretionary, where formula funds are calculated and fixed while discretionary funds are competitive.

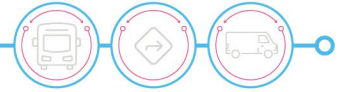
Of note, while some programs have individual maximum thresholds that they can fund, the absolute maximum combined federal match for most capital projects is capped at 80 percent.

### FTA Formula Funds

FTA provides annual apportionment funding to the nation’s rural and urban transit providers to put toward capital expenses and, in some cases, operating expenses. Apportionments are based on factors including population density and select operating characteristics of the services provided. All eligible recipients fall into one of three (3) categories under the program:

<sup>17</sup> (Federal Transit Administration, 2020)





- **Rural Section 5311<sup>18</sup>** – Provides formula funds to transit providers in rural areas with populations under 50K in population. Rural providers usually operate demand-response services and may apply the funds toward capital and operating expenses. Section 5311 funding is apportioned by state and is usually distributed to rural providers via state DOTs.
- **Small Urban Section 5307<sup>19</sup>** – Provides formula funds to transit providers in urbanized areas with populations between 50K and 200K. Small urban providers typically operate some fixed-route or deviated fixed-route services and complementary ADA paratransit. They can apply formula funding to both capital and operating expenses. Section 5307 funding is apportioned by Census-defined urbanized area and is distributed to small urban providers via state DOTs or another designated recipient based on state law.
- **Large Urban Section 5307<sup>20</sup>** – Provides formula funds to transit providers in urbanized areas with populations greater than 200K. Large urban providers can operate a wide range of transit services, but most generally provide at least fixed-route services with complementary ADA paratransit. They can apply formula funding to capital expenses across the board but are limited by the 100-bus rule for operating expenses. Section 5307 funding is apportioned by Census-defined urbanized area and for large urban is distributed to a designated recipient based on state law, often the area's largest transit provider or metropolitan planning organization.

The maximum federal match across all three categories is 80 percent for capital projects and 50 percent for operating expenses. However, large urban providers operating 100 buses or more in peak service cannot use formula funding toward operations, while those operating less than 100 buses must abide by other stipulations.

## **FTA Bus and Bus Facilities Grant Program<sup>21</sup>**

FTA Section 5339 Bus and Bus Facilities Grants support the replacement, rehabilitation, and purchase of buses, bus equipment, and bus facilities. The maximum federal match of the program is generally 80%. However, certain special cases for low- or zero-emission buses or bus facilities allow for higher federal matches of 85% and 90%, respectively.

Eligible recipients are state or local government agencies including transit agencies that provide bus services, tribal governments, and nonprofit organizations that provide public transportation services.

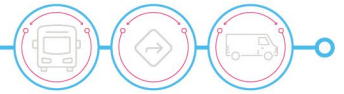
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<sup>18</sup> (Federal Transit Administration, n.d.)

<sup>19</sup> (Federal Transit Administration, n.d.)

<sup>20</sup> (Federal Transit Administration, n.d.)

<sup>21</sup> (Federal Transit Administration, n.d.)



## **FTA Low or No-Emission Vehicle Program<sup>22</sup>**

Housed within the FTA's Bus and Bus Facilities Grant Program, FTA Section 5339(c) Low or No-Emission Vehicle Program provides significant financial support for the modernization of transit bus vehicles to zero-emission or low-emission buses with up to an 85% federal match. Additionally, up to a 90% federal match is given to support the associated upgrades of bus equipment and facilities to accommodate low- and no-emission buses.

As with the Bus and Bus Facilities Program, eligible recipients are state or local government agencies including transit agencies that provide public transportation services such as tribal governments and nonprofit organizations.

## **FTA TOD Grants<sup>23</sup>**

FTA Section 20005(b) Transit-Oriented Development (TOD) Planning Grants are discretionary grants that assist transit providers in planning for the integration of land use with fixed-guideway transit projects including heavy rail, light rail, commuter rail, and BRT modes. In addition to building up density and land uses around stations, other goals of TOD planning include boosting economic development and transit ridership, improving transit connectivity and accessibility across modes, engaging private partners, identifying any required infrastructure improvements, and planning for pedestrian and bicycle connections to transit.

Eligible recipients are state and local government agencies including transit providers.

## **FTA CIG Grants<sup>24</sup>**

FTA Section 5309 Capital Investment Grants (CIG) fund fixed-guideway transit capital projects spanning heavy rail, light rail, commuter rail, and BRT modes through a competitive, multi-step grant award process. After entry into project development, eligible projects are evaluated according to nine individual criteria to produce an overall project rating, which FTA factors into its awarding decision. Projects must receive an overall rating of at least "Medium" to be eligible for CIG funds. There are currently three categories of eligible projects within the CIG Program:

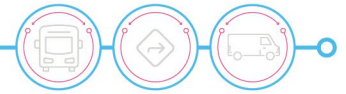
- **New Starts** – Design and construction of new fixed-guideway transit systems or extensions of existing systems. No Limits on Project Cost.
  - Maximum Federal Match = 60%
- **Small Starts** – Design and construction of new fixed-guideway transit systems or extensions of existing systems.
  - Maximum Project Cost = \$400 million.
  - Maximum Federal Match = 80% or up to \$150 million.

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<sup>22</sup> (Federal Transit Administration, n.d.)

<sup>23</sup> (Federal Transit Administration, n.d.)

<sup>24</sup> (Federal Transit Administration, n.d.)



- **Core Capacity** – Capital improvements that expand the capacity of existing fixed-guideway transit systems are projected to be at capacity within 10 years by at least 10 percent.
  - No Maximum Project Cost.
  - Maximum Federal Match = 80%

Eligible recipients are state and local government agencies including transit providers.

## USDOT RAISE Grants<sup>25</sup>

The Rebuilding American Infrastructure with Sustainability and Equity (RAISE) Grant Program, formerly known as BUILD and TIGER, provides DOT investments in road, rail, transit, and port projects that help achieve national policy objectives in sustainability, equity, mobility, and economic development. RAISE grants can be applied to both capital and planning projects. The minimum amount awarded to capital projects is \$5 million in urban areas and \$1 million in rural areas. There are no fixed planning minimums.

Eligible RAISE grant applicants include state and local governments, tribal governments, transit agencies, port authorities, and metropolitan planning organizations.

## USDOT INFRA Grants<sup>26</sup>

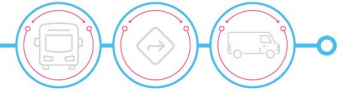
The Infrastructure for Rebuilding America (INFRA) Grants Program is an umbrella program that funds transportation projects that improve safety, generate economic benefits, reduce congestion, enhance resiliency, eliminate freight bottlenecks, and improve critical freight movements. The INFRA program consists of a single application for three discretionary grants under the program:

- **Mega Grants** – New grant program established by the Infrastructure Investment and Jobs Act (IIJA) that funds large projects that generate significant national or regional economic, mobility, or safety benefits but are otherwise generally difficult to fund under other programs. Eligible projects include highway or bridge projects on the National Multimodal Freight Network, National Highway Freight Network, or National Highway System; freight intermodal or rail projects that provide public benefit; railway-highway grade separation or elimination projects; intercity passenger rail projects; and public transportation projects.
- **INFRA Grants** – Fund multimodal freight and highway projects with national or regional implications for the safety, efficiency, and reliability of the movement of people and freight across both urban and rural areas. Eligible projects include highway or bridge projects on the National Multimodal Freight Network, National Highway Freight Network, or National Highway System; freight intermodal or rail projects that provide public benefit; railway-highway grade separation or elimination projects; wildlife crossing projects; and surface transportation projects at, or connected to, an international border crossing.

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<sup>25</sup> (US Department of Transportation, n.d.)

<sup>26</sup> (US Department of Transportation, n.d.)



- **Rural Surface Transportation Grants** – Fund transportation projects that improve connectivity, safety, and reliability of the movement of people and freight; generate economic development; and enhance the quality of life in rural areas.

All grants under the INFRA Grants program have a maximum federal match of 60%. Dependent on grant type, eligible recipients in general are state and local government agencies, transportation authorities, metropolitan planning organizations (MPOs), regional transportation planning organizations, tribal governments, Amtrak in partnership with at least one other eligible recipient, federal land management agency in partnership with at least one state, and multi-state or multi-jurisdictional groups.

## **CARES Act, CRRSA Act, and ARPA Funds**

The Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020, Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act of 2021, and the American Rescue Plan Act of 2021 each provided significant amounts in relief funds to transit providers to combat the COVID-19 Pandemic.

While the acts created no new transit funding programs outright, it injected billions of dollars into existing discretionary and formula funding programs including FTA Section 5307 and 5311 formula funding and the CIG Program. Importantly, CARES and ARPA funding made available to each program waived the traditional federal match caps, meaning that transit providers can fund projects with no local funding commitment required, and the traditional large urban operating expense restrictions.

## **State**

The State of Ohio provides millions of dollars each year to support public transit programs operating in the state. All state transit funding is allocated on a yearly basis through the Ohio General Revenue Fund. State funds can generally be used to support capital, operating, and planning expenses across all state programs. Notable state transit funding programs include the Urban Transit Program, Elderly and Disabled Transit Fare Assistance Program, Ohio Transit Partnership Program, and Transportation Improvement District Grants.

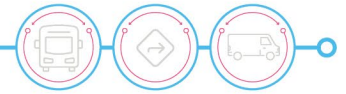
## **Urban Transit Program (UTP)<sup>27</sup>**

The Urban Transit Program (UTP) provides formula funds to the state's 26 urban providers to supplement yearly apportionments of FTA Section 5307 formula funding. UTP apportionments largely mirror Section 5307 apportionments.

Eligible recipients are regional transit authorities, county transit boards, and counties or municipalities that operate public transportation systems within their jurisdiction. All eligible

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<sup>27</sup> (Ohio Department of Transportation, n.d.)



recipients must also be recipients of FTA Section 5307 formula funding and submit an application each year for UTP funding.

### **Elderly and Disabled Transit Fare Assistance Program (E&D)<sup>28</sup>**

The Elderly and Disabled Transit Fare Assistance Program (E&D) is a state formula program for rural and urban transit providers that offer a discount to their elderly or disabled patrons. Depending on the total allocation for the program from the General Revenue Fund, the reimbursement amount for each provider is equal to the total actual fares lost by providing the discounts.

Eligible recipients are urban transit providers that also receive UTP apportionments (or rural recipients that receive state Rural Transit Program apportionments) that provide reduced fares to their elderly and disabled patrons.

### **Ohio Transit Partnership Program (OTP2)<sup>29</sup>**

The Ohio Transit Partnership Program (OTP2) provides discretionary grants to support urban and rural transit projects aimed at expansion, enhancement, and state-of-good-repair. The program consists of two defined tiers:

- **Tier I** – Funds preservation-focused projects that maintain the state-of-good-repair of existing systems
- **Tier II** – Funds a broad array of other projects focused on enhancements to regionalization, coordination, or technology, service expansion, and workforce or healthcare initiatives

Eligible recipients are regional transit authorities, county transit boards, and counties or municipalities that operate public transportation systems within their jurisdiction. All eligible recipients must also be recipients of FTA Section 5307 or 5311 formula funding.

### **Transportation Improvement Districts (TIDs)<sup>30</sup>**

Ohio state law provides for the creation of Transportation Improvement Districts (TIDs) at the local level to promote economic development, intergovernmental cooperation, and pooling of public and private resources. At the state level, TIDs registered with ODOT may exclusively apply for discretionary state grants of up to \$500,000 to fund roadway capital improvement projects on publicly owned roadways.

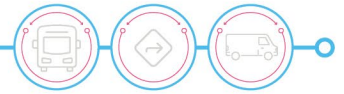
State TID funding awarded must cover less than 100 percent of the project cost. Eligible expenses for TID funding include preliminary engineering, final design, right-of-way acquisition, and construction.

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<sup>28</sup> (Ohio Department of Transportation, n.d.)

<sup>29</sup> (Ohio Department of Transportation, n.d.)

<sup>30</sup> (Ohio Department of Transportation, n.d.)



## Local

Local funding includes funding supplied by county or municipal governments to support capital and operating costs of the system and to offset the required local match for receipt of federal formula and discretionary funding. Some notable local funding mechanisms include Tax Incremental Financing, Local General Funds, Permissive Sales and Use Taxes, and Property and Earnings Taxes.

### Tax Incremental Financing (TIF)<sup>31</sup>

Tax Incremental Financing (TIF) is a value-captured funding mechanism used increasingly to fund a wide variety of transportation projects. As applied to transit projects in Ohio, the increase in tax revenues associated with the delivery of the project is saved and used to pay back revenue bonds from the initial implementation of the project.

### Local General Funds

Counties and municipalities in Ohio maintain General Funds at the local level to support day-to-day operations of local government and to reserve revenues not used in a given year. Revenues in the general fund can come from a variety of sources, including Permissive Sales and Use Taxes and Property and Earnings Taxes described in more detail in the next sections. According to FTA's National Transit Database, three transit providers in Greater Cincinnati are currently funded predominately through General Funds: BCRTA, Northern Kentucky, and the Cincinnati Bell Connector Streetcar. In addition, Clermont County Transit leverages a smaller amount of funding from the county's General Fund.

### Permissive Sales and Use Tax<sup>32</sup>

Ohio state law allows for the establishment of two types of Permissive Sales and Use Taxes that can support transit projects

- **General Sales and Use Tax** – Up to 1.5 percent sales tax that can be leveraged by county governments exclusively to apply to their general fund, fund specific projects, and facilities, or both. Of this tax, up to 0.5% is applicable to specific transit projects at the discretion of the county.
- **Special Transit Sales and Use Tax** – Dedicated sales and use tax to support transit projects directly. The allowed rate is up to 1.5 percent if leveraged by county governments that have established county transit boards or are part of a regional transit authority, or up to 1.0% if leveraged by a regional transit authority directly.

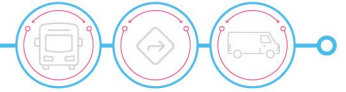
Of note, both types require prior voter referendum and approval before being applied to transit projects. In Greater Cincinnati, SORTA is funded mostly by a 0.8-percent transit sales and use tax.

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<sup>31</sup> (Ohio Department of Transportation, 2021)

<sup>32</sup> (Ohio Department of Transportation, 2021)





## Property and Earnings Tax<sup>33</sup>

Property and Earnings Taxes in the State of Ohio are two taxes that apply to appraised property values and earned income, respectively. Property taxes are collected at the local level exclusively. The property tax base is set by the state at 35 percent of market value, while local governments, school districts, and special service districts set the rates at which the base is taxed. In Greater Cincinnati, Clermont County Transit is funded mostly by property taxes, while the City's Cincinnati Bell Connector Streetcar leverages a small amount to operate the service in conjunction with other sources.

Meanwhile, earnings taxes are collected at the state level at a set rate of 5.75 percent. In addition, municipalities can choose to leverage their own earnings tax at a rate of 0.5-3.0 percent, although voter approval is required for any rate above 1.0 percent. Approximately half of the state's municipalities currently collect income taxes. In Greater Cincinnati, SORTA is the only transit provider that currently leverages local earnings tax revenues.

## Agency-Specific

Agency-specific funding mechanisms include the day-to-day revenue received directly by the transit providers and can help reduce the local funding burden on county and city governments. Revenues from fares, advertising, and contractual agreements are most common.

## Fares<sup>34</sup>

BCRTA currently offers fare-free rides on all local and commuter bus routes, while demand-response fares on its BGo service are set at \$5.00 per trip. In effect, BCRTA currently maintains a farebox recovery rate of less than one percent, i.e., fares make up less than one percent of BCRTA's operating expenses. In comparison, the average farebox recovery rate of Greater Cincinnati's five transit providers is 14 percent.

## Advertising/Agency Revenues<sup>35</sup>

Many large urban transit providers generate revenues for transit through third-party advertising and vendor contracts. SORTA generates about \$5 million annually from advertising and is the only provider in Greater Cincinnati that does so. Similar to BCRTA, most small urban providers receive minimal advertising revenues due to the smaller markets served.

## Private Contributions/Service Provisions<sup>36</sup>

BCRTA provides fare-free trips for all faculty and students on all local routes through a contractual agreement with Miami University. The agreement, active through 2023, simply requires university patrons to swipe their university ID when boarding the bus. Similar agreements for free or discounted

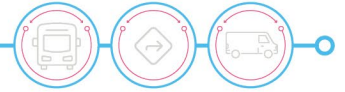
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<sup>33</sup> (Dore, 2020)

<sup>34</sup> (Federal Transit Administration, 2020)

<sup>35</sup> (Federal Transit Administration, 2020)

<sup>36</sup> (Butler County Regional Transit Authority, n.d.)



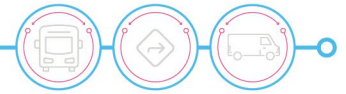
rides are in place in many college towns across the US. Agreements with healthcare facilities, senior centers, and privately owned activity centers are also common.

## Evaluation Framework

This section presents two evaluation criteria used to define the general applicability of each funding and financing option to BCRTA:

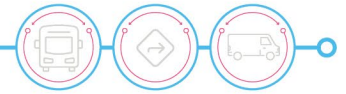
- **Revenue** – A measure of the magnitude of funding possible under each option
- **Stability** – The likelihood that revenues under each option stay consistent year-to-year

These two criteria are applied to each funding and financing option in the matrix in Table 10. Empty circles in the matrix indicate a low rating, half-circles indicate a medium rating, and full circles indicate a high rating. Applicability to capital costs and operating costs is also shown in the matrix.



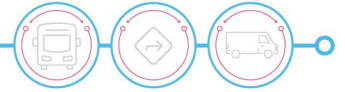
Funding and Financing Options	Revenue	Stability	Capital Expense Eligible	Operating Expense Eligible
<b>Federal</b>				
FTA Formula Funds	◐	●	▲	▲
FTA Bus and Bus Facilities Grant Program	◐	●	▲	
FTA Low or No-Emission Vehicle Program	◐	●	▲	
FTA TOD Grants	○	●		
FTA CIG Grants	●	●	▲	
USDOT RAISE Grants	◐	●	▲	
USDOT INFRA Grants	●	●	▲	
CARES Act / ARPA Funds	●	●	▲	▲
<b>State</b>				
UTP	◐	●	▲	▲
E&D Transit Fare Assistance Program	○	●		▲
OTP2	◐	●	▲	▲
TIDs	◐	●	▲	▲
<b>Local</b>				
TIF	○	◐	▲	
Local General Funds	◐	◐	▲	▲
Permissive Sales and Use Tax	●	●	▲	▲
Property and Earnings Tax	◐	◐	▲	▲
<b>Agency-Specific</b>				
Fares	○	◐	▲	▲
Advertising/Agency Revenues	○	◐	▲	▲
Private Contributions/Service Provisions	◐	○		▲

- low
- ◐ medium
- high



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