9 Investment Options and Considerations

The Strategic Investment Schedule identifies the incremental funding needed through 2040. This funding is projected to allow transit systems to meet the mobility needs of all Oklahomans and to make Oklahoma a Top Ten state in transit. To provide for the incremental investment, new sources of funding for transit will need to be secured, existing sources of funding will need to be assessed, and funding flexibility options should be explored. This new level of strategic investment will require a combination of federal, state, and local funding.

THE FUNDING GAP

Nearly $103 million[1] is spent annually in Oklahoma on transit. This total includes all operating and capital expenditures for urban, rural, and tribal systems in the state. Figure 9-1 shows the required total funding needed to meet the strategic investment through 2040.[2] The year-by-year difference between the current expenditure and the total funding need represents the funding gap.

Figure 9-1 Annual Funding Gap

Year	Total Costs	Total Current Costs	Funding Gap
2021	$144,985,115	$102,918,507	$42,066,607
2022	$109,664,306	$102,918,507	$6,745,798
2023	$112,660,766	$102,918,507	$9,742,259
2024	$120,705,014	$102,918,507	$17,786,507
2025	$141,157,176	$102,918,507	$38,238,669
2026	$178,120,810	$102,918,507	$75,202,303
2027	$195,210,217	$102,918,507	$92,291,709
2028	$201,389,613	$102,918,507	$98,471,105
2029	$225,807,324	$102,918,507	$122,888,816
2030	$238,259,589	$102,918,507	$135,341,081
2031	$282,940,787	$102,918,507	$180,022,279
2032	$274,653,143	$102,918,507	$171,734,635
2033	$296,494,215	$102,918,507	$193,575,708
2034	$300,256,882	$102,918,507	$197,338,375
2035	$311,771,818	$102,918,507	$208,853,311
2036	$270,410,743	$102,918,507	$167,492,236
2037	$279,513,128	$102,918,507	$176,594,621
2038	$271,079,358	$102,918,507	$168,160,850
2039	$286,025,762	$102,918,507	$183,107,255
2040	$275,866,797	$102,918,507	$172,948,289
Total:	**$4,516,972,563**	**$2,058,370,148**	**$2,458,602,414**

1 This amount has been adjusted to remove streetcar, vanpool program, and ferry expenditures; and to reflect changes in the city of Norman resulting from the separation of the university services from the city system.
2 All figures are in current dollars, and they have not been adjusted to reflect inflation.

SOURCES OF TRANSIT FUNDING

Public transit in Oklahoma is currently funded with a combination of federal, state, and local funds, along with revenue from fares, contracts, and other sources. The percentage contributed by each of these sources varies by system type.

Federal funds cover 70% of the operating costs for rural services, compared to 30% for urban services, while state funds contribute less than 6% of the overall operating costs. Local dollars account for nearly 47% of urban operating costs, while rural systems only receive approximately 10%. Funding for transit in rural areas reflects the limited resources available in those communities. Alternatively, tribal systems are primarily funded through a combination of federal and local investments with limited fare contributions and no state funding.

Figure 9-2 shows the breakdown of operating funds for urban, rural, and tribal systems.

For capital the reliance on federal funding is even more significant, contributing more than 67% of the total statewide investment compared to only 3% from state funding. Urban systems receive 35% of their capital investment from local sources, while rural is limited to only 8%. The 9% share of rural investment from other sources signifies the importance of alternative funding sources, such as NEMT contracts, advertising, and employer-sponsored shuttles. Similarly, tribal systems' capital costs are funded through a combination of federal and local investments with neither fare contributions nor state funding. Figure 9-3 presents the sources of average annual capital funds from 2014 to 2018.

Figure 9-2 Sources of Operating Funding for Public Transit in Oklahoma

	Federal	State	Local	Fare	Other
Urban	30.3%	4.6%	46.9%	17.8%	0.4%
Rural	70.1%	9.5%	10.3%	6.4%	3.8%
Tribal	58.9%	--	39.9%	0.9%	0.1%
Total	**46.7%**	**5.8%**	**33.7%**	**12.3%**	**1.5%**

Source: 2018 NTD

Figure 9-3 Sources of Capital Funding for Public Transit in Oklahoma, 2014-2018 Five-Year Average

	Federal	State	Local	Fare	Other
Urban	57.3%	4.4%	35.4%	1.8%	1.0%
Rural	81.3%	1.6%	8.0%	--	9.1%
Tribal	81.7%	--	18.4%	--	--
Total	**67.4%**	**3.0%**	**24.5%**	**1.1%**	**3.8%**

Source: 2014-2018 NTD, adjusted to remove streetcar capital funding

Federal Funds

Most FTA programs are formula-based and require a match. Those funding amounts are unlikely to change except through annual federal appropriations growth or through legislative reauthorization. There are also annual competitive grants, known as discretionary grants, which provide additional sources of funding. In most cases, these grants also require a match. FTA regularly releases additional competitive funding grants through pilot projects and other program opportunities, which also generally require a match.

Figure 9-4 states the FTA formula funding programs, the amounts allocated to Oklahoma, the match requirements, and how the funding is distributed.

USDOT also offers other discretionary competitive grant programs, such as the Better Utilizing Investments to Leverage Development (BUILD) Transportation Grants Program, that allows project sponsors at the state and local levels to obtain funding for multimodal, multi-jurisdictional projects that are more difficult to support through traditional DOT programs.

Figure 9-4 Oklahoma's Federal Transit Funding FY 2018

Program	Amount	Match Requirement	For	Recipient	Subrecipients
Section 5303/5304/5305(d)					
5303/5304/5305(d)	$659,389	20%	Planning	ODOT	MPOs
5305(e)	$172,169	20%	Planning	ODOT	Non-metropolitan planning
Section 5307					
Oklahoma City	$8,675,811	**Capital** - 20% (15% for ADA or CAA vehicles)[a] **Operating** - 50% of Net Deficit	Capital or Operating[b]	EMBARK	N/A
Tulsa	$6,776,061		Capital or Operating[b]	Tulsa Transit	N/A
Fort Smith	$33,507		Capital or Operating	Fort Smith Transit	N/A
Lawton	$1,519,816		Capital or Operating	Lawton Area Transit System	N/A
Norman	$1,718,580		Capital or Operating	City of Norman	N/A
Section 5310					
Tulsa (INCOG)	$600,959	**Capital** - 20% (15% for ADA or CAA vehicles) **Mobility Management**-20% **Operating**-50%	Capital, Operating,[c] Mobility Management	INCOG	Applicants in the Tulsa UZA
Greater than 200,000 population	$771,977			ODOT[d]	Applicants in UZAs greater than 200,000 population
50,000 to 200,000 population	$313,554			ODOT	Applicants in UZAs between 50,000 and 200,000 population
Under 50,000 population	$1,307,449			ODOT	Applicants in Non-UZAs (under 50,000 population)
Section 5311					
5311/5340	$15,613,998	**Capital** - 20% (15% for ADA or CAA vehicles) **Operating** - 50% of Net Deficit	Capital or Operating	ODOT	Applicants in Non-UZAs (under 50,000 population)
5311(b)(3) -RTAP	$239,036	No Local Match	Technical Assistance and Training	ODOT	N/A
5311(c) Tribal	$7,612,429	No Local Match	Capital or Operating	Tribes	N/A
Section 5339(b) Bus and Bus Facilities Discretionary Program					
Oklahoma City	$1,052,107	**Capital** - 20% (15% for ADA or CAA vehicles)[e]	Capital	EMBARK	N/A
Tulsa	$873,706		Capital	Tulsa Transit	N/A
State Allocation	$431,867		Capital	Applicants in UZAs between 50,000 and 200,000	N/A
State Allocation	$3,500,000		Capital	ODOT	Applicants in Non-UZAs (under 50,000 population)
Section 5339(b) Bus and Bus Facilities Discretionary Program					
Facilities Capital	$407,596	**Capital** – 20%[e]	Capital	ODOT	Statewide[f]
Bus Capital	$3,874,200	**Capital** - 20% (15% for ADA or CAA vehicles)[e]	Capital	ODOT	Statewide[g]
Section 5339(c) Low or No Emissions Bus Discretionary Program					
Bus Capital	$1,318,600	15% - Buses 10% - Equipment and Facilities	Capital	Cherokee Nation	N/A
Total	$57,494,811				

a Note that for all programs (section 5307, 5311, 5310 and 5339) the required capital match of 20% is reduced to 15% for vehicles acquired for purposes of complying with or maintaining compliance with the Americans with Disabilities Act (ADA) or the Clean Air Act (CAA). This includes any revenue vehicle meeting the accessibility requirements of CFR 49 Part 38.

b While section 5307 funding for large urban systems (those in areas over 200,000) cannot generally be used for operating assistance, there is a Special Rule under section 5307(a)(2)(b) that allows the use of a calculated percentage of the allocation for operating assistance if the system has less than 100 buses. In Oklahoma, both Oklahoma City and Tulsa are considered large urban systems, but because both systems have less than 100 buses they can and do use section 5307 funding for operating assistance. If their fleets grew beyond 100 buses, they would be limited to use of section 5307 funding for capital only.

c ODOT does not currently allow the use of section 5310 funding for operations.

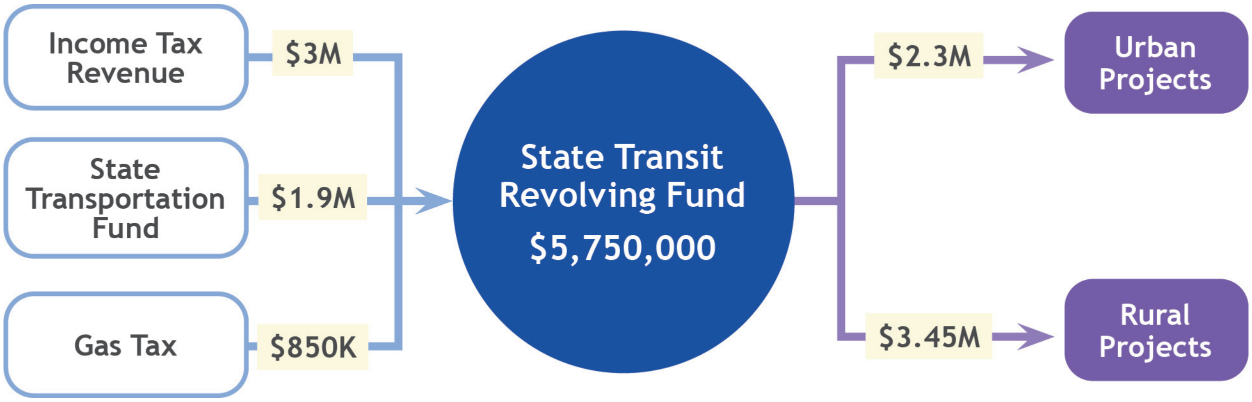
d In 2018 and prior years, section 5310 funding (except for INCOG) was provided to the HDS. As of July 2019 these funds are overseen by ODOT.

e The local share may be lower for certain ADA, CAA and bicycle related projects.

f Subrecipients include: First Capital Trolley: $287,596;Red River Transportation Service: $120,000.

g Subrecipients include: Cimarron Public Transit System: $335,209; Cherokee Strip Transit: $356,085; Delta Public Transit: $118,510; Enid Public Transit: $259,535; First Capital Trolley: $474,660; JAMM Transit: $352,931; KI BOIS Area Transit System: $1,084,226; MAGB: $118,510; Pelivan Transit: $172,670; Southern Oklahoma Transportation Services: $416,860; Southwest Transit: $145,540; Washita Valley Transit: $39,464.

Figure 9-5 Sources and Uses of the Revolving Fund



State Funding: Oklahoma Public Transit Revolving Fund

State funding for public transit was established under Section 4031 et. seq. of Title 69 of the Oklahoma Statutes which created a revolving fund for ODOT for the purpose of establishing, expanding, improving, and maintaining rural and urban public transit services. Monies through the Public Transit Revolving Fund may be used for local share or matching funds for the purpose of securing federal capital or operating grants. Eligible recipients include entities receiving federal grants under sections 5307 and 5311, and other public transit programs. Eligible recipients must expend a minimum of 50% of the state funds for services for the elderly and disabled persons.[3]

The Revolving Fund provides $5.75 million per year for transit. **It has remained flat since 2007 and represents a per capita reduction in state transit spending of 2.1% since FY 2013.** Figure 9-5 shows the breakdown of urban and rural projects based on the funds that make up the Revolving Fund.

3 The Transit Revolving Fund statutes also include a provision for ODOT to retain 5% of the total in the fund to fund new programs in areas not already served.

Local Funding

Local funding is imperative to supplement state dollars to secure federal funding to carry out transit services for both urban and rural providers. Rural transit agencies have limited to no access to local funding sources and minimal opportunities to create such funding sources.

A primary funding source is Medicaid, provided for trips contracted through the statewide OHCA brokerage operated under contract by LogistiCare. The overall amount of funding provided to public transit systems by the brokerage is not known, but the 2017 OHCA RFP for the brokerage stated that the general level of annual funding for Medicaid transportation in the state was approximately $30,500,000.[4] This amount is provided to the broker on a capitated rate basis of a set amount per member, per month. The amount spent by the broker to provide transportation is less than if those dollars were provided directly to public transit systems. The cost savings of Medicaid transportation managed by in-state transit systems could be used as increased local match.

4 This amount predates the recent Medicaid expansion, which is expected to increase statewide membership 24%.

FUNDING OPTIONS

Revenue sources to fill the annual funding gap presented in the Strategic Investment Schedule can come from a variety of sources, but mostly from the federal, state or local level. Under current law, federal formula funds will only increase as a result of increased federal appropriations or only after service is significantly expanded in Oklahoma. Competitive federal grant funding is generally the more likely source of increased federal funds, an amount that is small, difficult to project, and cannot be counted on from year-to-year.

The proposed reauthorization of the federal transportation funding programs includes language that would continue to provide federal funding at 100%, as in the CARES Act. The dollars required to meet match requirements will be difficult to come by as the economy recovers from the COVID-19 pandemic. This would allow limited state and local dollars to better leverage the total investment.

A major option for increased funding of Oklahoma's transit system is from state sources. The options available are to provide a higher level of funding, take a role in the financing of transit, leverage its state and federal resources by flexing current dollars, or some combination of these options.

The options available depend on the type of need being addressed. The Investment Schedule developed for Oklahoma identifies funding gaps in three areas: operating, capital, and transit program resources. The distinction between operating and capital is important because expanding operating will require ongoing, continual funding provided by an increase in general revenue funding, a continuing flex of other federal transit funding, or a new tax source that is dedicated for public transit. For capital funding, while any of the three options presented are possible, there are also options for financing such as funding from bond issues and SIBs. The financing options assist in meeting immediate needs while spreading out the costs as the loans or bonds are repaid, but the revenue must ultimately be provided.

State Funding for Public Transit

Many states invest significant dollars into public transit. Collectively, states currently provide more funding for transit than the federal government. According to the FY 2018 Survey of State Funding for Public Transportation produced by AASHTO, states provided $19.2 billion for public transit compared to total federal funding of $12.9 billion.

The revenue potential of these different sources varies considerably, and in many cases, states use multiple sources to address transit funding needs. The wide variety of state funding sources, and the fact that they are developed based on each state's legal and fiscal environment, makes it difficult to identify a single model of funding that is appropriate for Oklahoma.[5]

The AASHTO report found that 24 states relied on a single source for transit funding, while the remaining use a combination of sources. Fifteen states use general fund allocations, 14 use state transportation funds, 10 use gas tax revenues, nine use bond proceeds, seven use vehicle licensing/registration/titling fees, five use general sales tax revenues, three use trust fund income, three use interest income, one used vehicle sales tax and one used lottery revenues only.

Per capita spending by the states also varies. The AASHTO report shows that spending ranges from $803.77 per capita in the District of Columbia to no state funds in four states. Oklahoma, at $1.49 per capita, ranks 32nd in state spending.

Many states have prohibitions on using gas or motor vehicle taxes for anything but highways, requiring creation of dedicated transit taxes. Conversely, Oklahoma has the ability to use the revenues from gasoline or diesel tax or the motor vehicle tax for purposes other than highways. A small portion of the gas tax is provided to the Transit Revolving Fund currently, and gas taxes generally fund ODOT's state transportation fund which also provides a portion of the Transit Revolving Fund.

The projected operating costs over the next 20 years will require dedicated funding sources. An approach that uses a broad-based dedicated tax for transit can be seen in the recently passed Oregon payroll tax to support the Statewide Transportation Improvement Fund (STIF). The tax is statewide and has the ability to raise significant amounts with a minimal individual impact. It is one-tenth of one percent on payrolls, and prior to the impact of the pandemic, it was estimated to produce

5 The exact amounts that would be raised from different sources in Oklahoma would need to be calculated by the Oklahoma Tax Commission in response to legislative requests.

States use a wide variety of sources for public transit funding, including:

- General sales taxes
- Payroll taxes
- Bond proceeds
- Vehicle sales tax
- Trust funds
- Gas taxes
- Diesel sales tax
- Interest income
- Lottery or casino tax funds
- General fund allocations
- Vehicle registration, license, or titling fees
- Vehicle code fines
- Custom license plate revenue
- Combined state transportation fund
- Cigarette and other "sin" taxes
- Rental car taxes
- Hotel occupancy taxes
- Recording fees/document stamps
- Corporate franchise tax
- Other specialized funding sources

$115 million per year for transit expansion. Oregon also uses a variety of other sources for its state transit funding, including general funds, cigarette taxes, the fees from the ID cards provided by the Department of Motor Vehicles, gas taxes on fuel for non-highway use, and fees on custom license plates.

A dedicated utility tax is another broad-based option. Oklahoma currently exempts residential utilities from the 4.5% state sales tax. As gas tax revenues decrease due to vehicles utilizing alternative fuel sources, ending this exemption could benefit transportation infrastructure in Oklahoma, with a portion of the revenue dedicated to transit funding.

In other states, specialized taxes raise large amounts of dollars for transit. Pennsylvania combines the proceeds from lottery revenue with general sales tax revenue, bond proceeds, vehicle registration fees, vehicle code fines, Turnpike revenue, vehicle lease/tax fees, and funds from the Public Transportation Trust Fund reserves to fund transit. Specifically, lottery funds provide a total of $83 million for the Shared Ride Program for Senior Citizens.

Flexibility in Federal Funding

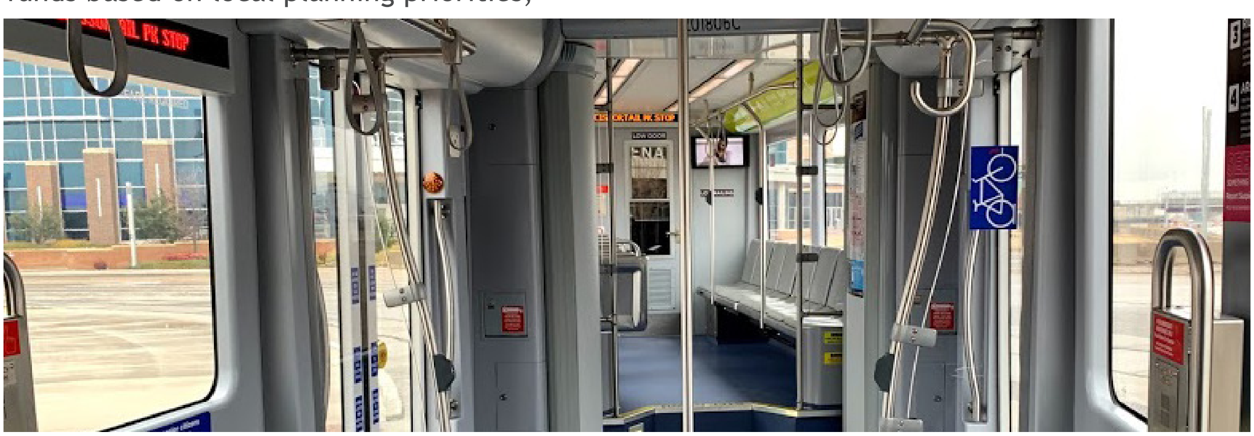
FTA offers several flexible funding programs to fund transit related activities. Flexible funds are certain legislatively specified funds that may be used either for transit or highway purposes. The idea of flexible funds is that a local area can choose to use certain federal surface transportation funds based on local planning priorities, not on a restrictive definition of program eligibility. The flexing of federal funds does not increase the overall amount of federal transportation funding that a state receives.

Use of FHWA STBG and Congestion Mitigation and Air Quality (CMAQ) Funding for Urban and Rural Transit

STBG provides flexible funding that may be used by states and localities for projects to preserve and improve the conditions and performance on any federal-aid highway, bridge and tunnel projects on any public road, pedestrian and bicycle infrastructure, and transit capital projects, including intercity bus terminals.

CMAQ has the objective of improving the nation's air quality and managing traffic congestion. CMAQ projects and programs are often innovative solutions to common mobility problems and are driven by CAA mandates to attain national ambient air quality standards. Eligible activities under CMAQ include transit system capital expansion and improvements that are projected to realize an increase in ridership; travel demand management strategies and shared ride services; pedestrian and bicycle facilities; and promotional activities that encourage bicycle commuting.

If a flexing strategy is adopted as an ongoing commitment, it can provide funding for operating and capital purposes. Once flexed, the funds take on the requirements and conditions of the transit program to which funding is applied, as match requirements remain for the flexed funds. Two examples of



states that combine flexed funds with state funding programs are Vermont and Oregon.

In 2019, Vermont flexed $19,698,161 of STBG and CMAQ funds to transit programs for a combination of capital, maintenance, administration, and operating purposes. Of that amount, $13,741,800 was used for statewide rural funding and $4,689,820 was used for the Burlington urban area.

In 2019, Oregon flexed $44 million dollars in FHWA funding to transit, in addition to the funds provided under the formula programs for rural, urban, and specialized transit. The flexed funds came from the CMAQ and STBG programs, including MPO-directed STBG block grant allocations.

State Assistance for Financing Transit Projects

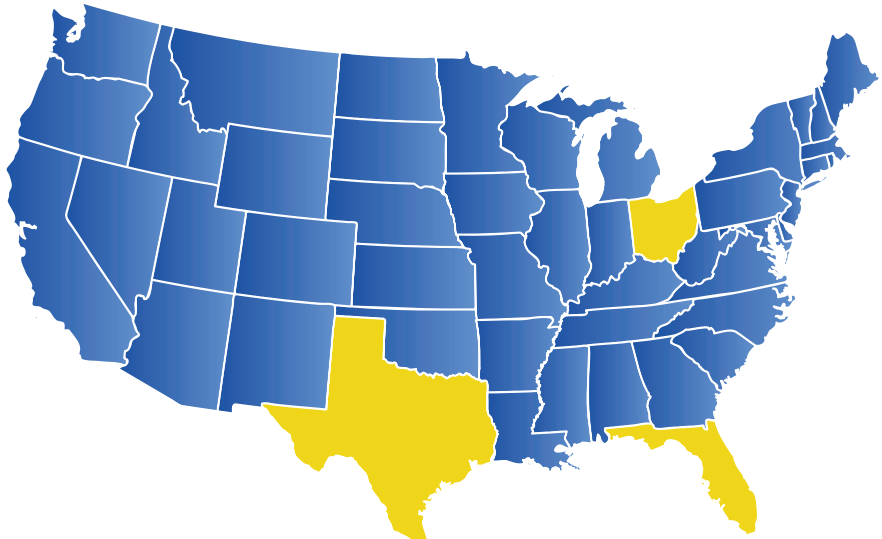
For capital projects, states can provide mechanisms that reduce or eliminate match or provide for spreading the costs of capital investment over a longer period of time. These financing options require repayment by the borrowing entity (state or local).

State Bonding

Bonds are a standard way for governments to borrow money, allowing larger projects or programs to be financed for larger amounts than can be funded with limited annual budgets.[6] Bonds issued by states (and local governments) typically have lower interest rates because of the reduced risk of the public entity. The most common type of public bond is the General Obligation (GO) bond, which is backed by the full faith and credit of the issuing entity and may be supported by local option taxes. States and localities often operate under specific caps and debt ceilings that limit the amount of GO debt allowed, and that may limit potential usage.[7] Other types of bonds include revenue bonds, which are backed by the revenue stream produced by the investment, though these are not generally used for transit projects.

Bonds are typically used to fund transit capital projects with a longer life, such as facilities or long-life vehicles. The AASHTO report found that, in 2018, nine states used bond proceeds as some portion of their state funding for public transit. A 2015 National

6 Transportation for America, *Thinking Outside the Farebox: Creative Approaches to Financing Transit Projects.* pp. 20-22.
7 National Academies of Sciences, Engineering and Medicine, Transportation Research Board, *Local and Regional Funding Mechanisms for Public Transportation,* 2009. Pp.33-34.



Conference of State Legislatures study found that 19 states provided specific authority for states to issue bonds for transit projects.[8]

In Oklahoma, the Oklahoma Capital Improvement Authority (OCIA) is authorized to issue bonds, notes, or other obligations to finance construction of buildings or other facilities for the state of Oklahoma, its departments and agencies. Bonds are typically used for any capital investment assets owned by the state. Powers and duties of OCIA are established in its enabling statutes, Title 73, Oklahoma Statutes, Sections 151 et. seq., as amended. OCIA provides financing for highway infrastructure for continued economic development in the state. OCIA has not issued bonds for transit projects, as ODOT does not own or operate any transit facilities or services. Legislative action would be needed to utilize state bonding for public transit projects, as the governing statutes address specifically state buildings and highway projects.

State Infrastructure Banks

SIBs are revolving infrastructure investment funds for surface transportation that are established and administered by states under federal authorizing legislation. An SIB, much like a private bank, can offer a range of loans and credit assistance enhancement products to public and private sponsors of Title 23 highway construction projects, Title 49 transit capital projects, and Title 49 railroad projects. States use federal and state dollars to fund SIBs, with the maximum federal share of 80%, except where the sliding match scale of the highway accounts apply. Federal guidance does allow SIB use for transit projects. A state may capitalize on an SIB under UZA Formula Grants, Capital Investment Grants, and Formula Grants for Other UZAs.

Under the federal authorizing statute, an SIB can make loans and provide other forms of credit assistance, including:

- Credit enhancement
- Serving as a capital reserve for bond or debt financing
- Subsidizing interest rates
- Insuring or guaranteeing letters of credit
- Finance or purchase agreements for transit projects
- Bond or debt financing instrument security
- Other forms of assistance approved by the Secretary of Transportation

A state or any other 5307, 5309 or 5311 recipients may capitalize an SIB by depositing up to 10% of the funds made available to the state or other recipients

8 National Conference of State Legislatures, *On Track-How States Fund and Support Public Transportation*, Washington, D.C., 2015, p 24.

for capital projects. Current statute allows for a rural projects fund. There is also a requirement that use of capital funds attributed to an UZA with population more than 200,000 requires approval of the MPO.

It should be noted that a number of states with SIBs have added legislation to allow their DOTs to sell bonds to provide funding for projects financed through the SIB, allowing for the DOT to use its bonding ability to support projects that are local in nature, with the repayment guaranteed through the bank's loan requirements.

The National Highway System Designation Act of 1995 allowed states to create Pilot Programs for establishing SIBs. Oklahoma was one of the original 10 Pilot Project states included in the federal legislation, although chose not to establish an SIB at that time. In 1996, Oklahoma Statutes Chapter 69, Sections 403, 403.1, 404, 405 and 412 authorized the creation of an SIB, but it has not been implemented nor funded. For Oklahoma to use its SIB for transit projects, Section 403.1 "Definitions" would need be modified to allow funding to be used for public transit projects.

Thirty-nine states have established SIBs. Of the 39, 33 have completed some type of financial assistance, 21 states have established transit accounts, and eight have completed transit-oriented loans.[9] Texas, Ohio and Florida have authorized the use of SIBs for transit projects.

Texas SIB

Texas was chosen as one of the original 10 pilot projects. Accordingly, the state legislature authorized the TxDOT to administer the SIB program in 1997.[10] It allows borrowers to access capital funds at or below market interest rates. Currently, in an effort to assist localities in dealing with the effects of the COVID-19 pandemic, it has lowered the interest rate to 0% for the first three years for project loans.

Transit projects eligible for this program's funding include planning, preliminary, economic, and environmental studies, right-of-way acquisition, surveying, property appraisals, utility relocation, engineering

9 FTA, State Infrastructure Banks, https://www.transit.dot.gov/funding/funding-finance-resources/state-infrastructure-banks/state-infrastructure-banks-sibs, accessed on 9/24/2020.

10 Title 43, Chapter 1, Part 6, Subchapters A through E of the Texas Administrative Code; Texas Department of Transportation https://www.txdot.gov/government/programs/sib/general-information.html

and design, construction, and inspections. Although 8% of the program's borrowers have been Regional Mobility Authorities for use on transit projects, the majority of loans are made to local municipalities for highway projects.

Ohio SIB and Bond Program

The Ohio DOT maintains an SIB direct loan and bond financing program for the purpose of developing transportation facilities throughout Ohio.[11] The program is used as a method of funding highway, rail, transit, intermodal, and other transportation facilities and projects which produce revenue to pay off the debt while contributing to the state's transportation goals. The establishment of a bond program in which communities pledge project revenues as their guarantee for bonds sold by the state for transportation projects (including transit) is unique to Ohio.

The Ohio SIB was capitalized with a $40 million authorization of state general revenue funds from the Ohio State Legislature, $10 million in state motor fuel tax funds, and $87 million in Federal Title 23 Highway Funds. SIB loan amounts can be from $15,000 to $35 million (at 3% interest), while the bond fund range is $2 million to $20 million. The FY 2019 portfolio of the SIB includes 20 loans totaling $20.5 million and two bond issuances for $20.5 million. Since the inception of the program, the Ohio SIB has issued 247 loans and 12 bonds totaling $755.9 million.

Florida State Infrastructure Bank

The Florida SIB is similar to others as it is a revolving loan and credit enhancement program, but it consists of two separate accounts: a federal-funded account and a state-funded account. The SIB can provide loans and other assistance to public or private entities carrying out or proposing to carry out projects eligible for assistance under federal and state law.

The federally-funded account is capitalized by federal money matched with state money, while the state account uses strictly state funds. Projects must be included in the adopted comprehensive plans of the applicable MPO and must conform to all federal and state laws.

11 Ohio Revised Code, Chapter 5531; Ohio Department of Transportation, website: https://www.transportation.ohio.gov/wps/portal/gov/odot/programs/program-resource-guide/state-infrastructure-bank, October 16,2019.

Florida statutes authorize the state's creation of a SIB, and sales of revenue bonds to provide funding for projects accepted by the SIB.[12] The program has a minimum project size such that it has financed $2 million for the purchase of trolleys, $8.9 million for buses, and $76.67 million for transit facilities.

Toll Credits for Match

The Transportation Development Credit Program allows states to use "toll credits" as local match for transportation projects. The program takes advantage of a financing tool approved by the FHWA that allows states to use federal obligation authority without the requirement of providing matching dollars—instead matching the federal funds with credits earned when the state, a toll authority or a private entity funds a capital transportation investment with toll revenues earned on existing toll facilities. The value of the toll credits is net of the revenues needed for debt service, returns to investors or the operation and maintenance of toll facilities. The idea is that the use of the credits in lieu of cash match will allow the state or local funds that would have been needed for match to be used instead for projects. The credits do not represent new funding but instead are options for financing transit that may make capital investment more feasible.

Texas uses toll credits to provide matching funds for some of its transit funding, which allows the available state funding for transit to stretch further because it does not have to be used for match. Under the Texas program, 75% of credits[13] are allocated to the MPO in the region where they were earned, and 25% are allocated on a competitive statewide basis by TxDOT. There is a specific allocation for public transit projects, which is equal to the lesser of 15,000,000 credits or 50% of the credits available for award by the state transportation commission annually.

12 Section 339.55 and Section 215.617

13 The Texas program guidance specifically refers to "credits" rather than "dollars," even though one credit is worth one dollar in match. This is to avoid creating the impression that the credits have dollar value that can be used to pay for program activities or projects—they do not—their only value is that they can be counted to meet local match requirements, potentially freeing actual local dollars to pay for programs or projects.

Local Funding Options

There are many funding options for public transit at the local and regional levels. Local jurisdictions in Oklahoma already take advantage of several funding options, including fares and other transit revenues, general fund revenues, sales tax increments, and GO bond funding to support local transit investments. Additional funding options that are being used in other states would take either state enabling legislation or changes in local policy.

Oklahoma permits ad valorem taxes (property taxes) for counties and cities, with specific amounts and requirements for specific uses. Only counties may use property taxes for the general fund. City government tax levies are limited, with only certain taxes being permitted. Public transit is not among the uses for which either a county or a city may establish an ad valorem tax, but state legislation could add public transit as a permitted ad valorem tax. Ad valorem property taxes dedicated to support transit are found in other states, such as Michigan, where transit system millages must be renewed periodically by the voters.

City governments in Oklahoma have used the ability to levy specific dedicated sales taxes supported by local voters to fund public transit capital needs as part of GO bond issues, usually with transit as one component of a bond issue addressing a variety of community needs.

Some of the specific taxes used in other states for public transit are not available in Oklahoma. Local motor vehicle taxes are not currently permitted by statute, and there is already a state established tax collected on rental cars. State laws could be amended to permit local auto license fees, as well as creating additional taxes on rental cars.

KEY FINDINGS

There is a considerable gap between current funding for public transit in Oklahoma and the amount needed to become a Top Ten state in transit and achieve mobility for all Oklahomans. While current funding includes federal, state, local, and user revenues, federal funds are the largest funding source for both operating and capital, followed by local sources. Most federal programs are formula-based, with some funds going directly to local recipients and others provided to the state for allocation and oversight. Most federal funding programs require local match, and that local match is becoming more difficult to acquire.[14]

Potential funding and financing options have been presented, many of which will require either changes to state law or administrative policy. The most appropriate options for Oklahoma will depend on how those options align with the state's overall budget and policy priorities, particularly its transportation programs. The goal of selecting sources of funding for public transit is not to replace existing transportation finance options, but to enhance the transportation environment for all Oklahomans.

14 During the COVID-19 pandemic, significant changes were made to local match requirements.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