

January 2015

HOT TOPIC ALERT

Prepared for NAR by Legal Research Center, Inc.

Transportation Funding and the 2014 Election

The 2014 elections paid substantial attention to transportation and transportation funding issues. According to [Ballotpedia](#), eight states had transportation measures on the ballot in 2014, and six of those eight measures passed:

State	Summary of Measure	Result
LA	Amendment 4 would have authorized the creation of a state infrastructure bank to loan, pledge, guarantee, or donate funds to eligible transportation projects.	Failed
MD	Established a constitutionally-defined transportation trust fund to pay bond debt for transportation projects and to fund the construction and maintenance of highways.	Passed
MA	Repealed the 2013 law providing for indexing gasoline taxes according to inflation.	Passed
MO	Would have imposed a temporary (10-year) increase in the sales and use tax of 0.75% to fund transportation projects.	Failed
OH	Authorized the issuance of bonds to fund infrastructure projects, including improvements to roads and bridges.	Passed
RI	Authorized the issuance of bonds to fund enhancements and renovations to transit infrastructure.	Passed
TX	Diverts half of the general revenue from oil and gas taxes to the State Highway Fund.	Passed
WI	Constitutional amendment requiring that revenues from state transportation taxes and fees be deposited in the state's transportation fund.	Passed

Voters approved the six passed measures by substantial margins. The Maryland measure was approved by over 81% of the voters, while both the Texas and Wisconsin measures received nearly 80% of the vote. State measures also enjoyed broad political support. For example, the Wisconsin measure was endorsed by both Governor Scott Walker (R) and his opponent, Mary Burke. Both the Republican and Democratic gubernatorial candidates and major state media outlets endorsed the Maryland measure.

In addition to the state measures, sixteen local transportation measures were voted on in municipal or county elections.

State	City or County	Summary	Result
CA	Alameda County	Implements a 30-year transportation plan and continues the existing transportation sales taxes.	Passed
CA	Costa Mesa	Disapproved toll lanes on the I-405 freeway.	Passed
CA	Indian Wells	Lane restrictions on State Highway 111.	Passed
CA	Monterey-Salinas Transit District	Local sales tax to fund transit services for Monterey County senior citizens, veterans, and people with disabilities.	Passed
CA	San Benito County	Renewed additional vehicle registration fees to fund the removal of wrecked, abandoned, and non-operational vehicles.	Passed
CA	San Francisco	Charter amendment to require an increase in the base contribution to the San Francisco Municipal Transportation Agency.	Passed
CA	San Francisco	Would have amended ordinances relating to parking and parking meters.	Failed
CA	Santa Clarita	Would have adopted a development agreement with the Los Angeles County Metropolitan Transportation Authority to remove advertising structures within the city and to construct and operate three digital billboards along freeways.	Failed
FL	Alachua County	Would have authorized a 1% sales tax to pay for transportation improvements.	Failed
FL	Pinellas County	Would have authorized a 1% sales tax to fund transit projects, including light rail, bus rapid transit, and expanded bus lines.	Failed
GA	Clayton County	Authorized a 1% sales tax to allow the County to join the MARTA system, and to restart bus service.	Passed
KS	Wichita	Five-year sales tax increase to fund public transit and other projects.	Failed
NC	Charlotte	Authorized issuance of a bond for transportation infrastructure improvements.	Passed
TX	Austin	Would have authorized issuance of a bond for light rail construction.	Failed
WA	King County	Would have imposed a vehicle fee and a temporary sales tax increase to fund bus service, road safety, and transportation improvements.	Failed (April 2014 election)
WA	Seattle	Adds a 0.1% sales and use tax, to prevent cuts to bus services.	Passed (November 2014 election)

Nine of these measures related to consumer taxes or fees: Alachua County, Alameda County, Clayton County, Monterey-Salinas Transit District, Pinellas County, San Benito County, Seattle, Wichita, and King County. While the sole state-level proposal for a transportation-related tax increase failed this year (Missouri), five of the local tax or fee proposals passed (Alameda County, Clayton County, Monterey-Salinas Transit District, San Benito County, and Seattle). Two of these approvals continued existing taxes, while three (Clayton County, Monterey-Salinas, and Seattle) approved a new tax for a limited purpose.

Despite the mixed result for transportation initiatives with direct price tags, transportation initiatives made strong gains in the 2014 elections, with 75% of state proposals and nearly 60% of local ballot measures passing.

FUEL TAX UPDATE

State legislatures tackled transportation issues during their 2013-14 sessions, and fuel taxes garnered particular interest. Such taxes are the source of a [substantial part](#) of state transportation funds, but [changes in driving habits](#)—including a shift to more fuel-efficient vehicles—are making many states rethink their tax models.

Effective December 24, 2013, the District of Columbia [changed](#) how it calculates its fuel taxes. Instead of quoting the tax as a certain amount per gallon, the tax is now 8.3% of the district-wide average wholesale price of a gallon of fuel. Pennsylvania also [changed](#) its fuel tax from a cents-per-gallon formula to an increased oil company franchise tax, effective

November 25, 2013. Vermont [decreased](#) its cents-per-gallon tax, but imposed an additional 4% tax on the average retail price of gasoline. That change was effective July 1, 2014. Meanwhile, the Rhode Island General Assembly [passed a law](#) indexing the state's gasoline tax to inflation, starting on July 1, 2015.

With fuel efficiency pressures, the future of the traditional fuel tax is uncertain. Some legislatures are working to adapt to that uncertainty. For example, a law passed in [Indiana](#) requires the Department of Transportation to commission a study on alternative transportation funding mechanisms. More changes in taxes to fund transportation can be expected, especially as the old funding model based on the amount of fuel sold continues to generate less revenue.

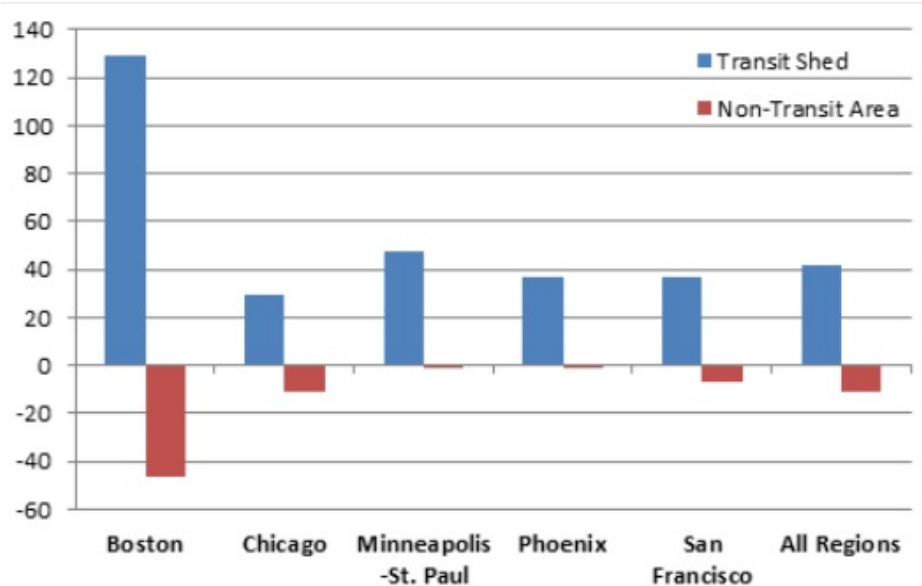
TRANSPORTATION AND THE HOME-BUYER

Over the past several years, access to transportation—especially efficient public transit—proved to have an overall [positive impact on real estate values](#). Buyers willingly pay a premium for a home located near transit. At least [one study](#) found a price increase even with just the announcement of a future transit project.

The premium buyers will pay is often substantial—one noted 2002 study showed that the [premium for location near a transit station in San Diego County](#) ranged from 10% to 46%. This effect was borne out by later studies as well. A [study done for NAR by the Center for Neighborhood Technology](#) on residential real estate prices in five markets—Boston, Chicago, Minneapolis-St. Paul, Phoenix, and San Francisco—showed

that the price for homes near transit increased by an average of 41% between 2006 and 2011. The highest increase was in Boston, where the average price increase was 129%.

Percent change in average residential real estate prices relative to the region, 2006-2011



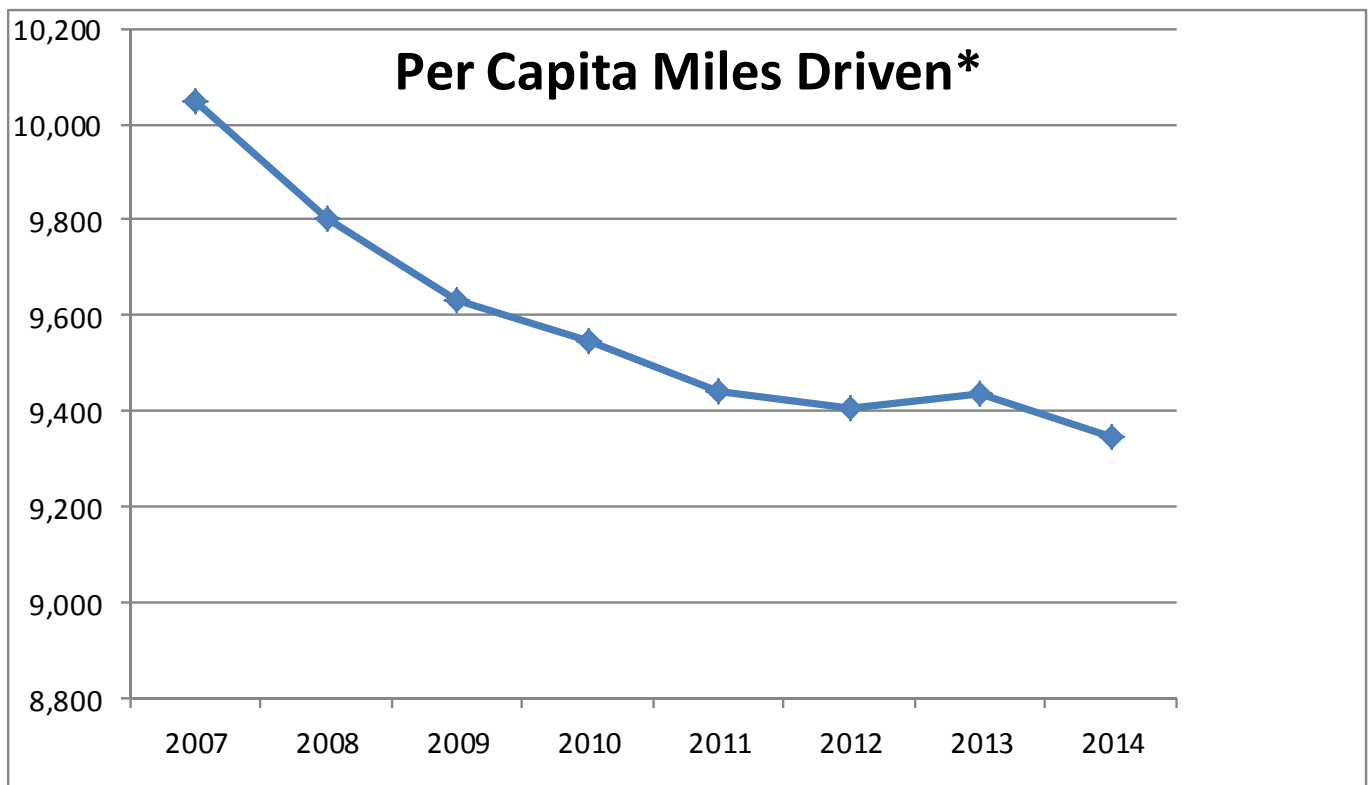
(Source: [The New Real Estate Mantra: Location Near Public Transportation](#), Center for Neighborhood Technology, March 2013)

The premium for transportation access extends beyond public transit. Homes in highly walkable neighborhoods (defined as having typical consumer destinations within walking distance) also command [higher prices](#) than comparable homes in less walkable communities.

The price increases are not uniform for all cities and all transit developments. The amount of the price differential [depends on factors](#) such as the type of transit system and the destinations served. And there is no premium for houses that lie [too close to a transit station](#). Noise and nuisance appear to outweigh convenience and accessibility.

Many [factors](#) make buyers willing to pay a premium. Communities with transportation options other than private automobiles may be perceived as more vibrant or cohesive. Since 2007, Americans are driving their cars less, and are relying on other transportation options (see Per Capita Miles Driven graph on page 5). Environmentally-minded buyers often prefer to live in a neighborhood that allows them to [significantly reduce their carbon footprint](#). There are also [health benefits](#) from transit use that some buyers appreciate. Plus, rail transit projects in some areas [eliminate neighboring land uses that depress home prices](#).

As usual, though, the most important reason may be pure economics. Residents of neighborhoods with access to public transportation have the option to reduce their transportation costs. Although the cost dropped in 2014, [AAA](#) reports that it still costs an average of \$8,876 per year to own and operate a sedan, assuming the owner drives 15,000 miles per year. The typical family living in an “[auto-dependent exurb](#)” spends 25% of its income on transportation. Multiple-car households could [save an average of \\$3,500 per year](#) for each vehicle they are able to eliminate.



* The Federal Highway Administration reports total vehicle miles traveled, but does not release an official per capita figure. The figures used here are based on the FHWA's year-to-date totals for September of each year, divided by the US Census Bureau's estimate for total U.S. population as of September 30 of each year. The 2014 population figure is based on the estimate of U.S. population on December 16, 2014, less 410,400 (net population growth since September 30, 2014).

Households that use public transit for commuting cut their transportation costs significantly. The [American Public Transportation Association estimates](#) that a person who uses public transportation instead of driving a car can save an average of \$9,635 per year in transportation costs. A [comparison of city transit styles](#) makes the case: in 2007, 31% of New York City area commutes used transit, and the average household spent 16% of its income on transportation. In Tampa, however, only 4% of commutes were by transit, while the average household spent 25% of its income on transportation.

Buyers anticipate higher prices for homes near transit will be [offset by their savings in transportation costs](#). Over the last several years, transit use increased to its [highest level since 1956](#), and buyers now see transit as an amenity. Home buyers ask, “Where is the transit station?” in addition to asking about the schools.

THE “BEST” TRANSIT?

What kind of public transit is the best? Is rail transit all it is promised to be, or are buses better? Or is it some combination of the two? As with every judgment call, the answer depends on our definitions—and those definitions will vary according to the goals of the public transit system.

If the goal is to build the least expensive system, then buses win, hands down. Operating buses on existing streets is the most economical way to build a transit system. Buses cost [an average of \\$0.97 per passenger mile](#), including capital expenses. Light rail, on the other hand, costs an average of \$2.14 per passenger mile. Building a new light rail system is also expensive. Since 1990, the [costs of building a new “starter” light rail system](#) ran between \$26.8 million per mile in Baltimore and \$185.6 million per mile in Seattle.

If the focus is on environmental issues, rail transit holds the [clear advantage](#). Besides reducing energy use and emissions, rail transit also helps [reduce congestion](#) on roads and highways.

Cost savings and the environment are two common goals for transit, but many communities hope to spur development with their systems. A [report](#) from the Institute for Transportation & Development Policy indicates that bus corridors boost development, but that local government support is ultimately more important to the realization of development goals than the specific type of transit used.

Of course, the real question may really be, which type of transit do people prefer? In that case, the prize goes to [rail transit](#), preferred by a sizeable majority of the populace.

TRAINS VERSUS “RAIL”

There are three main types of rail transit systems: light rail, heavy rail, and commuter rail. The terms are used often, but what are the actual differences?

According to the [Federal Highway Administration](#), “light rail” is “a streetcar-type vehicle operated on city streets, semi-exclusive rights-of-way, or exclusive rights-of-way. Service may be provided by step-entry vehicles or by level boarding.” Examples of light rail systems include the [TriMet MAX](#) in Portland and the [METRORail](#) in Houston.

Heavy rail systems are electric railways able to transport a heavy volume of passenger traffic. They are “characterized by exclusive rights-of-way, multicar trains, high speed, rapid acceleration, sophisticated signaling, and high-platform loading.” The [New York subways](#) and Atlanta’s [MARTA](#) are examples of heavy rail.

Commuter rail is passenger train service that operates between a city and adjacent suburban areas. Commuter rail often shares rights-of-way with other passenger and freight trains. The [Rail Runner Express](#) in Albuquerque and the [VRE](#) in Northern Virginia are commuter rail systems.

WHO USES TRANSIT?

Transit users tend to be young, according to a [survey by the TransitCenter](#). In cities with well-established transit systems, 43% of participants under 30 reported riding transit at least once a week. Only 12% of respondents between 30 and 60 rode at least weekly.

People in the lowest income group represented in the survey (under \$25,000/year) were most likely to use transit. This group was surprisingly followed by the highest income group (over \$150,000 per year) as the next most likely to use transport systems.

PLANNING FOR TRANSPORTATION—2014 AND BEYOND

In the 20th century, transportation planning in the United States mainly focused on building highways. The first federal legislation dealing with highway construction was passed in 1916. After the Second World War, the [Interstate Highway System](#) made “freeways” commonplace. Over this period, there was no corresponding government interest in public transit, largely because public transit was owned and operated by private companies. The federal government had [minimal involvement](#) with local transit planning until 1961, when the Federal Housing Act established a modest low-interest loan program for mass transit systems.

In the wake of the highway-intensive era, attention is now moving away from the private automobile model. The number of miles per capita driven by Americans has [decreased every year since 2004](#). Increasingly, people live in urban areas, with [large cities growing faster](#) than small cities or suburbs. Transportation planning must adapt to these trends.

The U.S. Environmental Protection Agency identified [four contemporary transportation strategies](#) that will enhance Americans’ quality of life by making transportation more efficient and by protecting health and the environment:

- Smart and sustainable street design;
- Transit-oriented development;
- Parking management; and
- Sustainable transportation planning.

Smart and sustainable street design strategies include [Complete Streets](#), which accommodate all different users (cars, pedestrians, bicycles), and [context-sensitive solutions](#), an approach that integrates transportation facilities into the existing environment while preserving and enhancing the area. [Sustainable parking management](#) represents a shift towards flexible parking requirements for builders and developers that take into account local parking patterns and the actual demand for parking, rather than [requiring parking according to a pre-determined formula](#).

[Sustainable transportation planning](#) is an integrated, holistic approach to planning. It considers not just the mechanics of transportation, but also looks at environmental, economic, and social concerns implicated by transport. Different modes of transportation, including [bicycling and walking](#), may form a part of a sustainable plan.

The trend towards smart, sustainable transportation planning fits well with the growing [preference for more compact communities](#). Smaller neighborhoods allow residents to be less dependent on automobiles, so planning can be more flexible. It is far too early to proclaim the demise of American car culture, but the days when unchecked highway construction [shaped or destroyed communities](#) seem to be behind us.

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Aдрианн Муравски
State & Local Government Affairs Representative
500 New Jersey Avenue, NW
[Washington](#), DC 20001
amurawski@realtors.org
202-383-1068

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