



# **BRIDGING THE GAP 2010:**

## **INVESTIGATING SOLUTIONS FOR TRANSPORTATION FUNDING ALTERNATIVES IN THE ATLANTA REGION**

**PRESENTED BY  
POLICY & INTERMODAL PLANNING  
TRANSPORTATION PLANNING DIVISION  
ATLANTA REGIONAL COMMISSION**

**UPDATED  
JULY 2010**



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## Executive Summary

The United States has experienced dwindling transportation funding at all levels of government over the past 15 years as revenues from taxes—that in many cases are not indexed for inflation—have failed to keep up with population and economic growth. Recently the Highway Trust Fund (HTF), the primary transportation funding organ on the Federal level that is supported by the Federal motor fuel tax, has been approaching the brink of insolvency—compelling Congress to grant two large cash infusions from the Congressional General Fund Budget in the past year. On the state level, Georgia is the third fastest-growing state in the nation, but yet ranks 49<sup>th</sup> in transportation spending per capita. The Atlanta Region in particular struggles to prioritize diminishing levels of transportation funding in the face of a rapidly growing metropolis that added 890,000 new residents in the years 2000-2007 alone.

This report is intended to help evaluate and estimate potential revenue from financial alternatives available at the Federal, State, Regional, and local levels that could be available to fund the Plan 2040 RTP. The revenue estimates that are presented in this report are based on the latest data available, and in some cases, involve documented assumptions. In addition, no attempt has been made to predict the elasticity impact of multiple taxation (i.e., would an increase in auto registration fees depress auto sales and impact gas tax receipts and other revenue sources). As additional information is received during the planning process, and assumptions refined, financial forecasts will be updated. In the end, the results of this analysis serve to advance the discussion surrounding aspirations-based planning.

This section provides a summary of the findings of this report. For a more detailed analysis and explanation of the findings, we urge you to read the full report.

## Current Transportation Funding Sources

### Federal

On August 10, 2005, the current transportation authorization bill--*Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users* (SAFETEA-LU), Pub. L. No. 109-59, 119 Stat. 1144--was signed into law. SAFETEA-LU enhances existing innovative finance programs and makes it easier and more attractive for the private sector to participate in highway infrastructure projects. The bill was set to expire in September 2009; however, on October 1, 2009 President Obama signed a bill to extend the Federal highway and transit programs for one month. Overall, SAFETEA-LU is expected to be extended for an additional 18 months through legislation. Federal surface transportation dollars are channeled through two arms of the US Department of Transportation (USDOT)—Federal Highway Administration (FHWA) and Federal Transit Administration (FTA).

Title I apportionments from the FHWA are divided among more than 100 individual programs, each having their own formula for distributing funding between the states or to individual

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projects. The majority of transportation funding is generated by the Federal motor fuel tax of 18.4 cents-per-gallon on gasoline and 24.4 cents-per-gallon on diesel fuel. A state can only obligate a certain percentage, typically about 90% of the amount of Federal aid in any one year. These restrictions are referred to as obligation authority. In FY 2009, the FHWA authorized \$40.7 billion from the HTF under Title I funds—**of which Georgia was granted \$1.1 billion in obligation authority in FY 2009.**

FTA funding is different in nature in comparison to that from FHWA—in that the majority of Federal transit funds are allocated directly to recipient operators of transit rather than being provided to the state. In FY 2009, over \$10 billion was apportioned or allocated nationally—**of which \$110 million was apportioned to the Atlanta Region through MARTA and other regional transit operators.**

### State

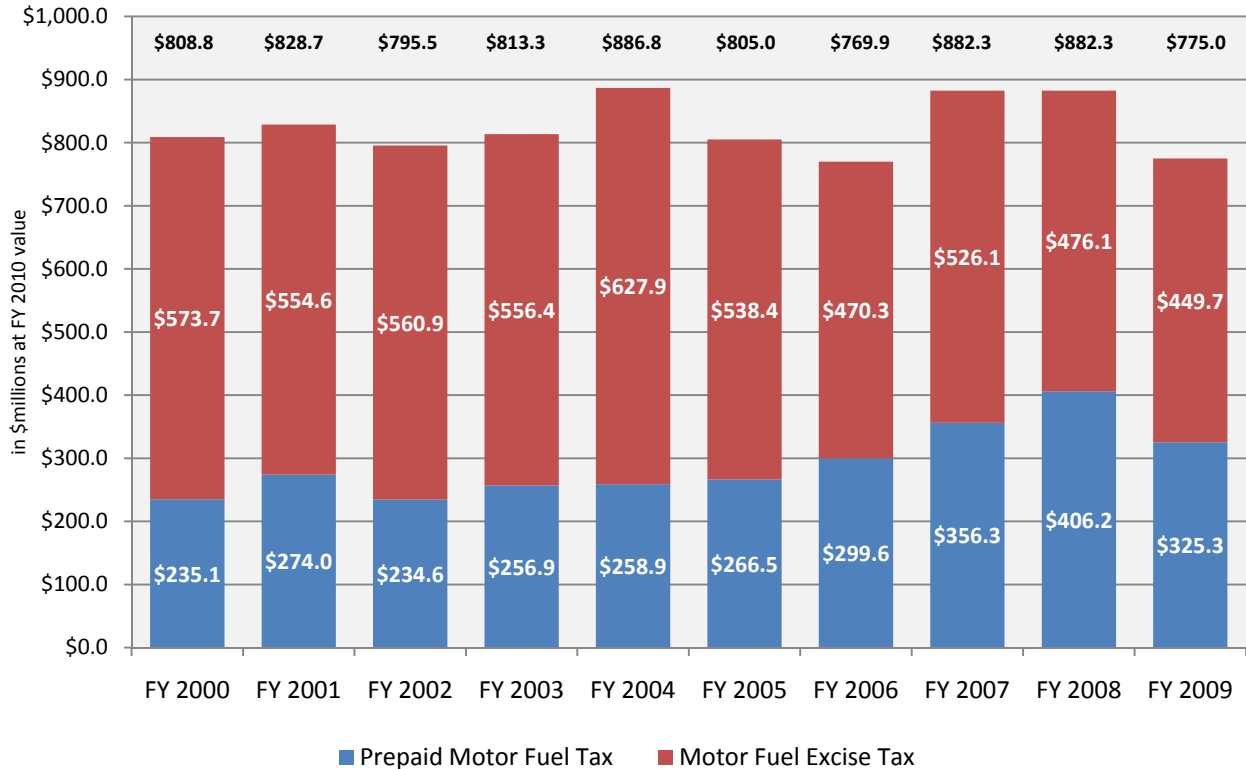
The majority of the State revenue available for transportation purposes is obtained from six different revenue generators: the motor fuel tax, license tag fees, title registration fees, motor carrier tax, personal property tax, and the MARTA sales and use tax. Of these 6 sources, the motor fuel tax generates the most revenue. The State of Georgia levies two types of motor fuel taxes:

- **Motor Fuel Excise Tax:** This is a tax based on the volume (gallons) of fuel purchased. The amount of the excise tax on gasoline is 7.5 cents per gallon, which has been used since 1971 and is not indexed for inflation. Improved engine technology and higher fuel efficiency of vehicles has counteracted the efficacy of this tax.
- **Prepaid Motor Fuel Sales Tax:** Georgia also collects a 4-percent sales tax on the average retail price of fuel, known as the Prepaid Motor Fuel Sales Tax. Three percent is dedicated to transportation and the remaining 1 percent is allocated to the State General Fund. Revenues from this tax rise and fall with the price of gasoline. The Prepaid Motor Fuel Sales Tax is collected on a cent-per-gallon rate that is set using a weighted average indexed retail sales price for each type of fuel.

When summing the rates of the two State motor fuel taxes, Georgia maintains the third lowest rate of motor fuel taxation in the US. Despite having such a low level of taxation, the total revenue generated by the two taxes has remained stable over the past few years. However, the stability in revenue is making it increasingly difficult to meet the needs of a rapidly growing population in Georgia, an in the Atlanta Region in particular. The following table illustrates revenues generated from State motor fuel taxes in the years 2000-2009.



**Total State Revenue from Motor Fuel Taxes (FY 2010 value)—FY 2000-FY 2009**



Sources: Georgia Department of Revenue/Bureau of Labor Statistics Consumer Price Index

Senate Bill 57 Article 3, which was part of the legislative package that formed the Georgia Regional Transportation Authority (GRTA), significantly affects how transportation services are delivered in Georgia. Based on Georgia Code 32-5-30, congressional district balancing is currently based on a 5-year period beginning on January 1, 2007. Includes all state public transportation funds plus Federal funds used for public road and other public transportation purposes.

State law also requires that 85 percent of Federal and state capital investment be divided equally among the 13 congressional districts, one-third of the remainder must be for “economic development purposes” statewide. The remainder is flexible as long as any district does not receive 20 percent more than any other district. Current excluded from the accounting are maintenance and operations, MARTA, GRTA, the Georgia Ports Authority and improvements on the Development Highway System.

**Regional/Local**

The robust growth that has characterized the Atlanta Region over the past four decades has contributed to intense patterns of development in the urbanized area, as well as in formerly rural, peripheral counties. The rezoning and development of former agricultural property in the

suburbs, as well as infill and brownfield development of former industrial property in the core counties, have increased the value of county digests two and three-fold—and in some cases, even seven-fold. As illustrated in the following table—which sums the assessed value (40 percent of appraised value) of property (minus exemptions) in the 18-county region and provides the gross digest amount by property type in the Region—the total tax digests in the 18-county region have increased by 274% in the 18-year period of 1990-2008.

**Property Tax Digest of 18-County Region (Total Assessed Value): 1990-2008**

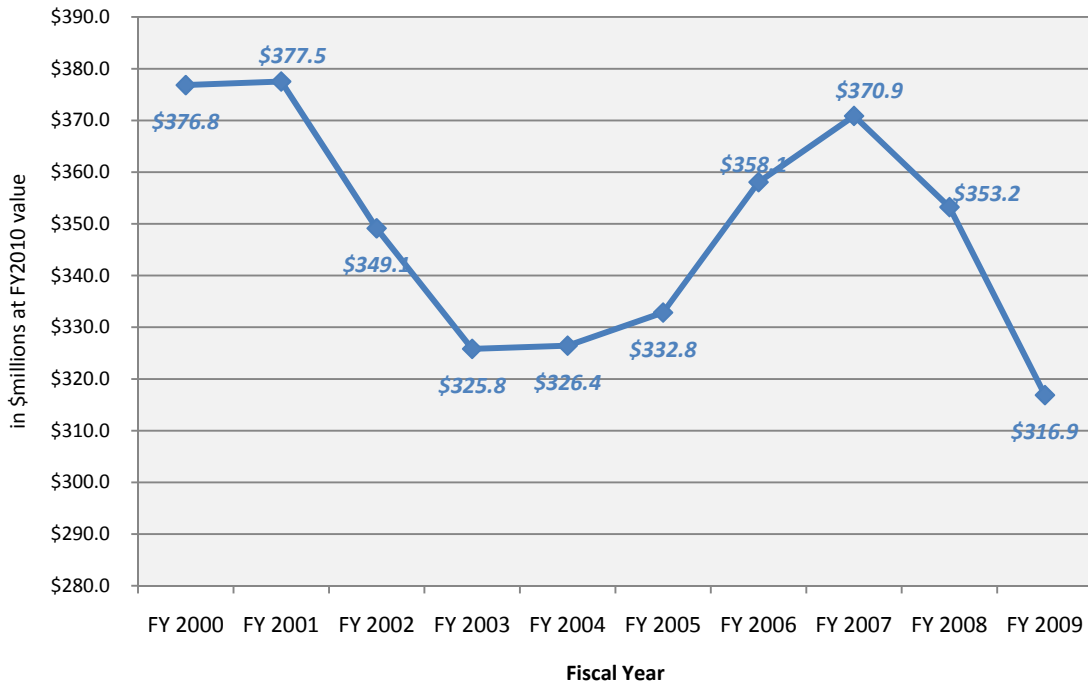
	1990	2000	2008
<b>Net M&amp;O Digest</b>	\$53,249,901,994	\$108,605,428,117	\$199,135,737,380
<b>Vehicle</b>	\$4,910,603,656	\$10,222,769,888	\$12,887,682,014
<b>Industrial</b>	\$3,964,965,040	\$6,977,773,402	\$10,835,904,568
<b>Commercial</b>	\$19,916,945,491	\$37,584,426,592	\$62,097,747,684
<b>Residential</b>	\$26,869,836,168	\$60,117,406,229	\$133,171,906,867

Sources: Georgia Department of Revenue/ARC

Note: Fulton County 2008 numbers were estimated based on recent growth rates.

MARTA receives proceeds from the collections of a one-percent sales and use tax under the Rapid Transit Contract and Assistance Agreement with the City of Atlanta and the Counties of Fulton and DeKalb. According to State law, no more than 50 percent of the annual sales and use tax proceeds can be used to subsidize the net operating costs of the system, exclusive of depreciation and amortization. These spending constraints have made it increasingly difficult for MARTA to keep pace with increasing operating costs—resulting in a funding crisis that compelled the ARC Board to allocate \$26 million of Federal ARRA funds to MARTA in April 2009 in order to fulfill the agency’s funding gap. In return, MARTA agreed to use its capital funds for infrastructure improvements that complement local transportation infrastructure in its service area. However, MARTA still faces financial hardship, despite a fare increase of 25 cents, due to the current economic downturn and the weakening dollar, as illustrated in the following chart.

### Historical Real Value (FY 2010) of MARTA Sales Tax Receipts: FY 2000-FY 2009



Source: Georgia Department of Revenue/ARC

### Forecast of Future Funding from Existing Sources

The following funding forecasts are based on conservative assumptions, in that they do not anticipate any increases in the current level of taxes or user fees.

#### Federal

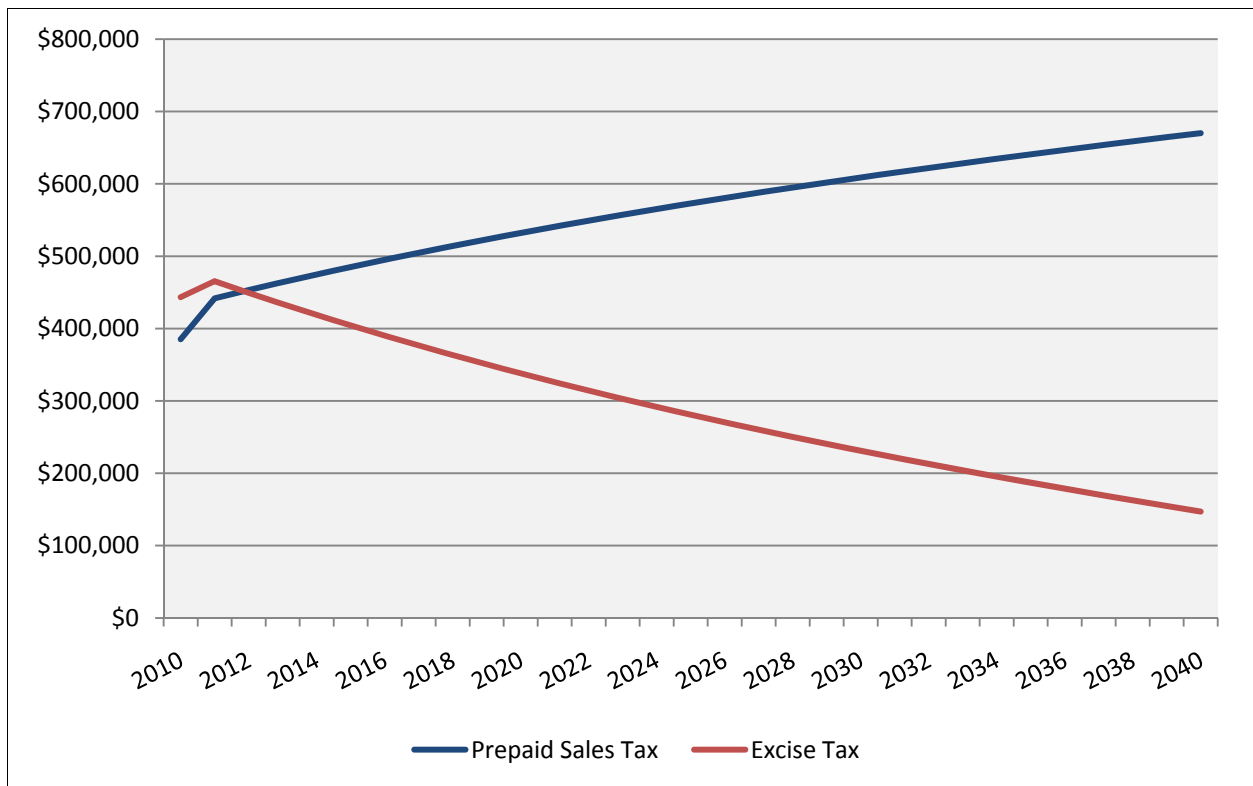
The Congressional Budget Office and the Office of Management and Budget forecast the growth rate of Federal transportation funding in the coming years to be at 2.5%. In turn, ARC has made conservative Federal funding forecasts based on historical obligation limitation trends—that is money actually received from the Federal government and budgeted—rather than the maximum levels of apportionments permitted under Congressional authorization. As the Federal Highway Trust Fund (HTF) teeters towards potential insolvency, **the level of funding apportioned to Georgia and the Atlanta Region by the FHWA is expected to remain constant in regards to real value—growing at an average annual rate of 0.1 percent for the State of Georgia and 0.5 percent for the Atlanta Region over the next thirty years.**

## State

As mentioned earlier, the rate of increase in fuel consumption is expected to slow in the coming decades as consumers purchase vehicles with higher fuel efficiencies or that operate on alternative fuels. Additionally changing land use patterns allowing households greater choice in transportation modes has contributed to lower fuel consumption overall.

Approximately 6.5 billion gallons of motor fuel were consumed in the state of Georgia in 2008, and forecasts indicate a steady decline in motor fuel consumption annually over the next 30 years. The following exhibit illustrates motor fuel consumption and State revenue generated by state motor fuel taxes. If the current rates over the 30-year period hold, the real value of annual revenue generated from State motor fuel taxes (in FY2010 dollars) would decline slightly from \$828.6 million in 2010 to \$817.4 million by 2040—an average annual growth rate of -0.5%.

**Forecasted Revenue from State Motor Fuel Taxes: 2000-2040**



Sources: Georgia Department of Revenue/ARC

## Summary of Potential Funding Alternatives Forecasts

The following table shows the potential yield of various funding alternatives. These figures are a work in progress, and will be updated as new and updated information is received in the Plan 2040 planning process. Currently the ARC Board supports a regional sales tax for transportation projects (TSPLOST). However the Board also recognizes that this mechanism will only partially fulfill the Region’s transportation needs; thus underlining the urgent need to identify other potential funding sources for our region’s transportation infrastructure.

### Potential Funding Sources for Transportation (FY 2010 Value)—2010-2040

Potential Funding Mechanism	Tax Levied	Revenue Generated (2010-2040)
<b>Motor Fuels Excise Tax Rate Increases</b> (additional <i>State</i> revenue)		
	1-cent	\$1.2 billion
	2-cent	\$2.4 billion
	3-cent	\$3.6 billion
<b>Prepaid Motor Fuel Sales Tax Increases</b> (additional <i>State</i> revenue)		
	1% Increase	\$5.8 billion
	2% Increase	\$11.6 billion
	4% Increase	\$23.3 billion
<b>Regional Vehicle Registration/License Plate Fees</b>		
	5-Dollar Fee	\$650.8 million
	10-Dollar Fee	\$1.3 billion
<b>Regional Commission TSPLOST (10-County ARC/2013-2022)</b>	1% Sales Tax	\$7.9 billion
<b>Regional Millage Rate Increase</b>		
Net M&O	(0.5 Mills/1 Mil)	\$3.9 billion/\$7.9 billion
Industrial	(1 Mil/2 Mills)	\$417 million/\$833 million
Commercial	(1 Mil/2 Mills)	\$2.2 billion/\$4.4 billion
<b>Regional Vehicle Ad Valorem Tax Increase</b>	(1 Mil/2 Mills)	\$513million/\$1.0 billion
<b>Regional Income Tax Increase</b> (levied by MPO counties)	0.5% Increase	
If Incomes Grow at 1% Annually		\$12.3 billion
If Incomes Grow at 2% Annually		\$18 billion
If Incomes Grow at 3% Annually		\$26.8 billion
<b>Statewide Income Tax Increase--Regional Share</b>	0.5% Increase	
If Incomes Grow at 1% Annually		\$11.4 billion
If Incomes Grow at 2% Annually		\$16.8 billion
If Incomes Grow at 3% Annually		\$25.3 billion
<b>Regional Vehicle Miles Traveled Tax</b>		
	1.5 Cents/Mile	\$25.3 billion
	2 Cents/Mile	\$33.7 billion
<b>Parking Fees*</b> (Annually for 20 Years in <i>City of Atlanta</i> )		
Transactional Tax	(\$1 x 200,000 spaces)	\$75.9 million-\$181.1 million
Ownership Tax	(10% for 50,000 spaces at \$90/month)	\$5.4 million-\$13.4 million

Note: In this analysis, the term “regional” refers to the 18-county Atlanta MPO planning area unless otherwise noted.

\*Parking fees revenues are illustrated in their nominal value.



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## Introduction

The United States has experienced dwindling transportation funding at all levels of government over the past 15 years as revenues from taxes—that in many cases are not indexed for inflation—has failed to keep up with population and economic growth. Recently the Highway Trust Fund, the primary transportation funding organ on the Federal level that is supported by the Federal motor fuel tax, has been approaching the brink of insolvency—compelling Congress to grant two large cash infusions from the Congressional General Fund Budget in the past year. On the state level, the state of Georgia is the third fastest-growing state in the nation, but yet ranks 49<sup>th</sup> in transportation spending per capita. The Atlanta Region in particular struggles to prioritize diminishing levels of transportation funding in the face of a rapidly growing metropolis that added 890,000 new residents in the years 2000-2007 alone.

The following analysis is intended to help evaluate and estimate potential revenue from financial alternatives available at the Federal, State, Regional, and local levels that could be available to fund the Plan 2040 RTP.

The revenue estimates that are presented in this report are based on the latest data available, and in some cases, involve documented assumptions. In addition, no attempt has been made to predict the elasticity impact of multiple taxation (i.e., would an increase in auto registration fees depress auto sales and impact gas tax receipts and other revenue sources). As additional information is received during the planning process, and assumptions refined, financial forecasts will be updated.

The alternatives discussed here represent the options most likely to yield significant amounts of additional revenue that could be available to the region pending public acceptance and, in some cases, voter approval. However, Federal law requires that all funding sources used to financially balance the Plan 2040 RTP be *reasonably available*. Thus the results of this analysis serve to advance the discussion surrounding aspirations-based planning.





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## Current Transportation Funding Sources

### Overview of Federal Transportation Project Finance

#### SAFETEA-LU Transportation Authorization Bill

On August 10, 2005, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), Pub. L. No. 109-59, 119 Stat. 1144 was signed into law. SAFETEA-LU enhances existing innovative finance programs and makes it easier and more attractive for the private sector to participate in highway infrastructure projects.

#### Authorizations and Guaranteed Spending Levels

SAFETEA-LU continued the TEA-21 concept of guaranteed funding, keyed to Highway Trust Fund (Highway Account) receipts. The guaranteed amount is a floor -- it defines the least amount of the authorizations that may be spent. Federal-aid Highway program (FAHP) authorizations in SAFETEA-LU total \$193.1 billion (net of an \$8.5 billion rescission scheduled for September 30, 2009). Adding in the \$100 million per year authorized in title 23 for Emergency Relief, authorizations for the FAHP total \$193.6 billion. Within total authorizations, the amount guaranteed for the FAHP is estimated to be \$193.2 billion.

Assuming overall discretionary budget caps were in place, highway and highway safety programs are protected by a "firewall" from having to compete with other discretionary programs for room within those caps. The highway category firewall is established based on assumptions about future receipts to the Highway Account of the Highway Trust Fund. Beginning with FY 2007, when newer projections of receipts and actual receipts become available, the highway category firewall is adjusted accordingly. To smooth out the effects of any adjustments, the calculated adjustment will be split over two years. When the firewall is adjusted, equal adjustments are made to highway contract authority (called Revenue Aligned Budget Authority) and the Federal-aid highway obligation limitation. Revenue Aligned Budget Authority (RABA).

Beginning in FY 2007, authorizations for Federal-aid highway and highway safety construction programs funded from the Highway Account of the Highway Trust Fund and the Motor Carrier Safety Assistance Program (MCSAP) were adjusted when the highway "firewall" amount is adjusted to reflect changed estimates of Highway Account receipts. These additional authorizations are called RABA because they serve to align budget authority with the revised revenue. The adjustments to authorizations are made in the same amounts and in the same years as the adjustments to the firewalls.

If the adjustment is an increase, a portion of the increase in authorizations is reserved for the Federal-aid highway and highway safety construction programs allocated by the Secretary of Transportation-programs that are not apportioned by statutory formula-and for the Motor Carrier Safety Assistance Program. The remainder of the increased funding is distributed to the States proportional to their shares of Federal-aid highway and highway safety construction

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apportionments from the Highway Account. If the RABA is positive, the first call on the additional funds will be to increase States' return on contributions to the Highway Account of the Highway Trust Fund.

### **Obligation Ceiling**

SAFETEA-LU establishes an annual obligation limitation, for the purpose of limiting highway spending each year. The highway obligation limitation applies to all programs within the overall Federal-aid highway program except Emergency Relief, \$639 million per year of the Equity Bonus, and funds for certain projects in legislation before 1998. A portion of each year's limitation is reserved, or set aside, for administrative expenses and certain allocated programs, with the balance of the limitation being distributed to the States. Limitation set aside each year for certain programs—High Priority (demonstration) Projects, the Appalachian Development Highway System, Projects of National and Regional Significance, National Corridor Infrastructure Improvement program, Transportation Improvements, designated bridge projects, and \$2 billion of the Equity Bonus—does not expire if not used by the end of the fiscal year, but instead is carried over into future years. The portion of the limitation set aside for research and technology programs may also be carried over, but only for three years.

### **Equity Bonus**

Federal-aid highway funds for individual programs are apportioned by formula using factors relevant to the particular program. After those computations are made, additional funds are distributed to ensure that each State receives an amount based on equity considerations. In SAFETEA-LU, this provision is called the Equity Bonus (replaces TEA-21's Minimum Guarantee) and ensures that each State will be guaranteed a minimum rate of return on its share of contributions to the Highway Account of the Highway Trust Fund, and a minimum increase relative to the average dollar amount of apportionments under TEA-21, and that certain States will maintain the share of total apportionments they each received during TEA-21. An open-ended authorization is provided, ensuring that there will be sufficient funds to meet the objectives of the Equity Bonus.

### **Relative Rate of Return**

Each state's share of apportionments from the Interstate Maintenance (IM), National Highway System (NHS), Bridge, Surface Transportation (STP), Highway Safety Improvement (HSIP), Congestion Mitigation and Air Quality Improvement (CMAQ), Metropolitan Planning, Appalachian Development Highway System, Recreational Trails, Safe Routes to School, Rail-Highway Grade Crossing, Coordinated Border Infrastructure programs, the Equity Bonus itself, along with High Priority Projects will be at least a specified percentage of that State's share of contributions to the Highway Account of the Highway Trust Fund. The specified percentage, referred to as a relative rate of return, is 90.5% for 2005 and 2006, 91.5% for 2007, and 92% for 2008 and 2009.

States with certain characteristics (e.g., low population density or total population, low median household income, high Interstate fatality rate, high indexed state motor fuel rate) are

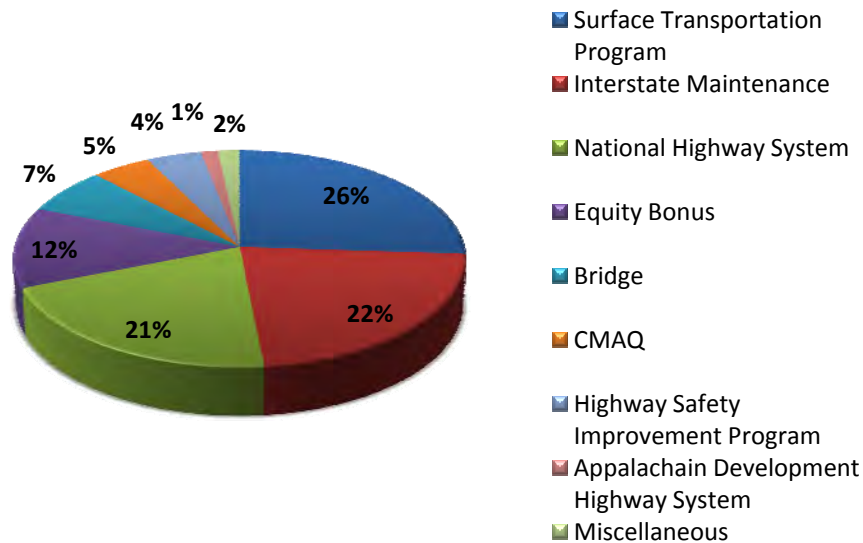
guaranteed a share of apportionments and High Priority Projects not less than the State's average annual share under TEA-21. In any given year, no State is to receive less than a specified percentage (117% for 2005, 118% for 2006, 119% for 2007, 120% for 2008, and 121% for 2009) of its average annual apportionments and High Priority Projects under TEA-21.

### Federal Highway Administration

Federal funding for transportation is authorized through periodic transportation bill authorizations for a 5-year period. The last transportation bill, the *Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU)*, authorized the collection and expenditure of funds for transportation through September 30, 2009. The \$286 billion program, which has been the law since 2005, will continue through temporary extensions until a major reauthorization is approved.

Title I apportionments are divided among more than 100 individual programs, each having their own formula for distributing funding between the states or to individual projects. A state can only obligate a certain percentage, typically about 90% of the amount of Federal aid in any one year. These restrictions are referred to as obligation authority. Figure 1 illustrates historical Federal Highway Trust Fund expenditures in the State of Georgia based on Federal Highway Administration (FHWA) Statistics for FY 2008.

**Figure 1: FHWA Title I Apportionments for Georgia: FY2008**



Source: Federal Highway Administration

In FY 2009, \$40.7 billion in obligation authority, or spending, was authorized from the Highway Trust Fund (HTF) under Title I funds, the highway capital program. The majority of Federal transportation revenues are generated from the Federal motor fuel tax (18.4 cents per gallon on gasoline and 24.4 cents on diesel fuel). Title I authorizations are appropriated by Congress on an annual basis. The amount appropriated may be less than the authorized amount of Federal aid that can be obligated in any particular year, depending upon budget issues.

Major Federal-aid funding categories cover a broad area of assistance:

- Interstate Maintenance (IM)
- Bridge Rehabilitation (BR)
- Congestion Mitigation and Air Quality (CMAQ)
- High Priority (HPP) projects
- Appalachian Development Highway System (ADHS) work, and other categories
- National Highway System (NHS)
- Surface Transportation Program (STP)
- Enhancements and Safety

States receive most funding for these programs based on formulas that are supplemented by other programs, such as Equity Bonus, to bring a minimum level of return of motor fuel paid into the HTF. For the state of Georgia, obligation authority provided in FY 2009 was \$1,143,842,745 (see Table 1).

**Table 1: Georgia FY 2009 Obligation Limitation Distribution**

Category	Amount
Formula Obligation Limitation	\$1,028,970,116
Equity Bonus	\$103,782,070
Appalachia	\$11,090,559
<b>Total</b>	<b>\$1,143,842,745</b>

Source: FHWA: <http://wwwcf.fhwa.dot.gov/legsregs/directives/notices/n4520201t1.htm>

While most Federal funding is appropriated for a particular use and/or individual project, a percentage of funding is available on a “flexible” basis. Flexible funds are specified funds that may be used for transit or highway purposes. In urbanized areas with more than 200,000 in population, such as Atlanta, the decision on the transfer of flexible funds is made by the Metropolitan Planning Organization (MPO), (ARC is the MPO for the Atlanta Urbanized Area) in consultation with its state, regional and Federal planning partners through the Federally-mandated transportation planning process.

## Federal Transit Funding Sources

Similar to funds from FHWA, the Federal Transit Administration (FTA) provides funding for transportation projects. Each year Congress passes legislation which, when signed by the President, appropriates funds for the Department of Transportation and related agencies. The annual Notice published in the Federal Register contains a comprehensive list of apportionments and allocations based on these funds for the various Federal Transit Administration programs.

FTA funding is different in nature in comparison to that from FHWA—in that the majority of Federal transit funds are allocated directly to recipient operators of transit rather than being provided to the state. In FY 2009, over \$10 billion was apportioned or allocated nationally (see Table 2).

**Table 2: FY 2009 Appropriations and Apportionments for Grant Programs**

<b><u>FORMULA AND BUS GRANTS</u></b>	
Section 5303 Metropolitan Transportation Planning Program	\$93,626,320
Section 5304 Statewide Transportation Planning Program	\$20,348,334
Section 5307 Urbanized Area Formula Program	\$4,138,765,570
Section 5308 Clean Fuels Program	\$51,500,000
Section 5309 Bus and Bus Facility Program	\$875,160,000
Section 5309 Fixed Guideway Modernization	\$1,650,085,466
Section 5310 Special Needs of Elderly Individuals and Individuals with Disabilities Program	\$135,823,746
Section 5311 Non-urbanized Area Formula Program	\$438,480,226
Section 5311(b)(3) Rural Transit Assistance Program (RTAP)	\$7,905,016
Section 5311(c) Public Transportation on Indian Reservations	\$15,024,797
Section 5316 Job Access and Reverse Commute Program	\$183,103,175
Section 5317 New Freedom Program	\$100,859,585
Section 5320 Paul S. Sarbanes Transit in Parks Program	\$26,765,500
Section 5339 Alternative Analysis Program	\$25,000,000
Section 5340 Growing States and High Density States Formula	\$465,000,000
Over-the-Road Bus Accessibility Program (Pub. L. 105-85, Section 3038)	\$8,800,000
<b>subtotal</b>	<b>\$8,236,247,735</b>
<b><u>CAPITAL INVESTMENT GRANTS</u></b>	
<b>Section 5309 New Starts</b>	<b>\$1,791,157,500</b>
<b><u>RESEARCH</u></b>	
<b>Section 5314 National Research Program</b>	<b>\$67,000,000</b>
<b><u>TOTAL APPORTIONMENT/ALLOCATION</u></b>	<b>\$10,094,405,235</b>

Source: FTA: [http://www.fta.dot.gov/funding/apportionments/grants\\_financing\\_9562.html](http://www.fta.dot.gov/funding/apportionments/grants_financing_9562.html)

The Atlanta Region receives direct funding to support transit programs from a variety of FTA sources. In FY 2009, this amount totaled almost \$110 million (see Table 3).

**Table 3: FTA Funding -- Atlanta Formula Based Apportionments/Allocations**

Apportionment/Allocation	Amount
Section 5307 and Section 5340 Urbanized Area Apportionments	\$66,182,684
Section 5309 Fixed Guideway Modernization Apportionments	\$36,710,131
Section 5309 Bus and Bus Facility Allocations	\$3,777,200
Section 5316 Job Access and Reverse Commute Apportionments	\$1,800,110
Section 5317 New Freedom Apportionments	\$1,106,929
<b>Totals</b>	<b>\$109,577,054</b>

Source: FTA: [http://www.fta.dot.gov/funding/apportionments/grants\\_financing\\_9562.html](http://www.fta.dot.gov/funding/apportionments/grants_financing_9562.html)

## State Funding Sources

Transportation programs in Georgia are funded in part from State user taxes and fees collected and distributed by the Georgia Department of Revenue. The majority of the State revenue available for transportation purposes is obtained from six different revenue generators: the motor fuel tax, license tag fees, title registration fees, motor carrier tax, personal property tax, and the MARTA sales and use tax. Of these 6 sources, the motor fuel tax generates the most revenue.

### Motor Fuel Tax

Revenue from the State's motor fuel taxes are the primary funding mechanism for transportation at the State level—contributing to over 96 percent of total revenues from State sources in GDOT's budget for FY 2009. However the State Constitution prohibits the use of motor fuel tax revenues for transportation infrastructure other than roads and bridges—meaning that use of motor fuel funds on public transportation is prohibited. In FY 2009, these taxes generated approximately \$775 million (FY 2010 value). These use restrictions limit the ability of the state to act in a flexible manner to address transportation needs. The State of Georgia collects two types of taxes on motor fuels to help fund transportation investments:

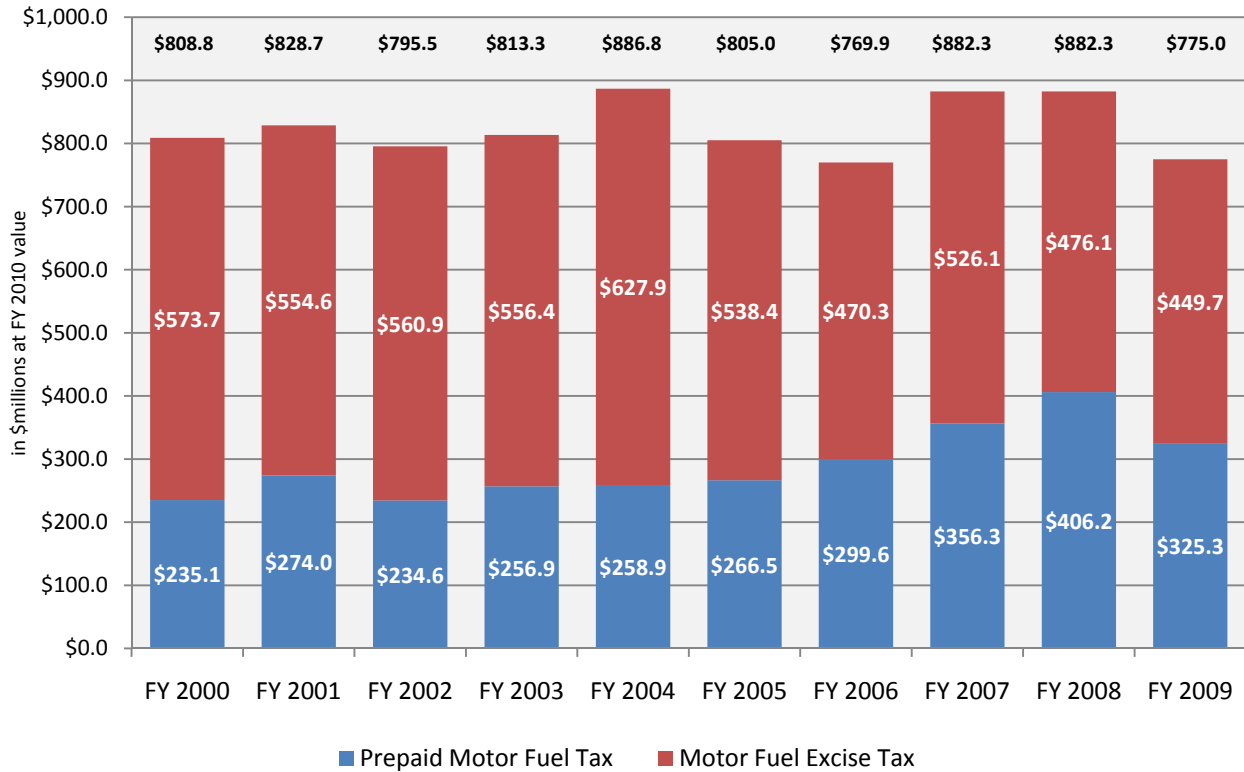
- Motor Fuel Excise Tax:** This is a tax based on the volume (gallons) of fuel purchased. The amount of the excise tax on gasoline is 7.5 cents per gallon, which has been used since 1971 and is not indexed for inflation. Since this tax is based solely on the volume of gasoline sold, revenues are strongly correlated with vehicle-miles traveled and the fuel economy of motor vehicles traveling on roads in the state. However improved engine technology and higher fuel efficiency of vehicles has counteracted the efficacy of this tax.

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- **Prepaid Motor Fuel Sales Tax:** Georgia also collects a 4-percent sales tax on the average retail price of fuel, known as the Prepaid Motor Fuel Sales Tax. Three percent is dedicated to transportation and the remaining 1 percent is allocated to the State General Fund. Revenues from this tax rise and fall with the price of gasoline. However, frequent fluctuations in the revenue stream are minimized by the method that the State collects the sales tax. The Prepaid Motor Fuel Sales Tax is collected on a cent-per-gallon rate that is set using a weighted average indexed retail sales price for each type of fuel. The weighted indexed retail sales price is determined and published in the months of November and May in order that they are enacted at the beginning and mid-point of each fiscal year.

The counteracting effects of the two fuel taxes have contributed to a steady level of total fuel tax revenue over the past ten years. However, this stability in revenue is making it increasingly difficult to meet the needs of a rapidly growing population in Georgia—and more specifically Metro Atlanta, which added over 890,000 new residents in the years 2000-2007. The real value of the revenues generated by the Motor Fuel Excise Tax has dropped dramatically as motor vehicles have become more fuel efficient and rising gas prices have reduced the level of demand—dropping -21.6 percent in the 2000-2009 period (an average annual rate of -2.6 percent).

Conversely, the real value of the Prepaid Motor Fuel Sales Tax portion of total revenue has steadily increased during the same time period by 38.4 percent (an average annual rate of 3.7%)—given that it is based on a percentage rather than a flat rate. Unlike the Motor Fuel Excise Tax, rising fuel prices contributed to revenue generated from this source to peak in FY 2008; however revenue from the Prepaid Motor Fuel Sales Tax began to decline the following year as fuel prices dropped and the national economy sank further into recession (see Figure 2).

**Figure 2: Total State Revenue from Motor Fuel Taxes (FY 2010 value)--FY 2000-2009**



Sources: Georgia Department of Revenue/Bureau of Labor Statistics Consumer Price Index

The volatility of motor fuel tax receipts is impacted by changing fuel types. Higher fuel prices, coupled with significant increases in fuel economy standards for light-duty vehicles (LDVs) and investments in alternative fuels infrastructure, have had a dramatic impact on development and sales of alternative-fuel and advanced-technology LDVs. An increase is expected in the sales of unconventional vehicle technologies<sup>1</sup>, such as flex-fuel, hybrid, and diesel vehicles. Hybrid vehicle sales of all varieties are forecast to increase from 2 percent of new LDV sales in 2007 to 40 percent in 2030. Sales of plug-in hybrid electric vehicles (PHEVs) are forecast to grow to almost 140,000 vehicles annually by 2015, supported by tax credits enacted in 2008, accounting for 2 percent of all new LDV sales in 2030. Diesel vehicles are forecasted to account for 10 percent of new LDV sales in 2030, while flex-fuel vehicles (FFVs) will account for 13 percent.

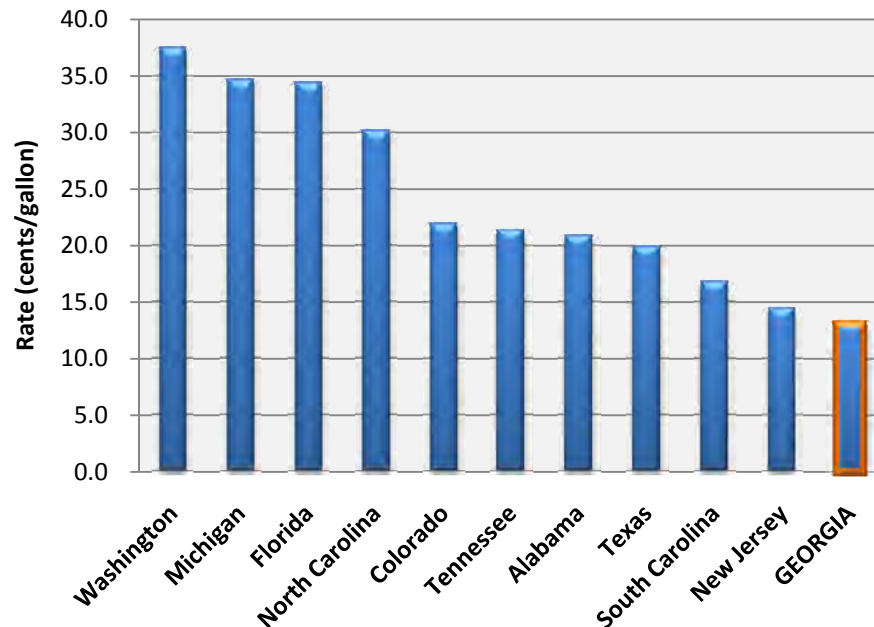
In addition to the shift to unconventional vehicle technologies, forecasts reveal a shift in the LDV sales mix between cars and light trucks. Driven by rising fuel prices and the cost of CAFE compliance, the sales share of new light trucks will decline by 2030. In 2007, light-duty truck sales accounted for approximately 50 percent of new LDV sales. In 2030, their share is forecasted to decrease to 36 percent—mostly because of a shift in LDV sales from sport utility vehicles to mid-size and large cars.

<sup>1</sup> As indicated in the Energy Information Administration’s report *Annual Energy Outlook 2009*.



Overall, Georgia’s motor fuel taxes are among the lowest in the country. Even when the two motor fuel taxes are combined, the State of Georgia has the third-lowest motor fuel taxation in the United States. Georgia’s motor fuel tax rate in comparison to neighboring states and selected peer states is shown in Figure 3.

**Figure 3: Motor Fuel Tax Rates in Selected States—July 2009**



Source: American Petroleum Institute

### State Congressional Balancing

Senate Bill 57 Article 3, which was part of the legislative package that formed the Georgia Regional Transportation Authority (GRTA), significantly affects how transportation services are delivered in Georgia.

This provision requires that certain expenditures by GDOT be divided equally among the state’s congressional districts. The Article specified both state and Federal transportation funds used for highway capital improvements – thus excluding maintenance, operations, GRTA, the Georgia Ports Authority and MARTA. The “accounting period” for determining adherence to the law was five years (thus, individual annual programs could be unbalanced, as long as a year program was equally divided). The GDOT Board has authority to waive the balancing requirement.

Based on Georgia Code 32-5-30, congressional district balancing is currently based on a 5-year period beginning on January 1, 2007. Includes all state public transportation funds plus Federal funds used for public road and other public transportation purposes. For public-private partnerships, bond, GARVEE, Federal or state funds used for a project are be included in

balancing – but private funding would not be included. Actual expenditures are reviewed annually, and programmed projects within the remaining years of the 5-year balancing period are adjusted to meet congressional district balancing requirements.

State law also requires that 85 percent of Federal and state capital investment be divided equally among the 13 congressional districts, one-third of the remainder must be for “economic development purposes” statewide. The remainder is flexible as long as any district does not receive 20 percent more than any other district. Current excluded from the accounting are maintenance and operations, MARTA, GRTA, the Georgia Ports Authority and improvements on the Development Highway System.

There are several hurdles to successful balancing by Congressional Districts. There has been no complete 5-year reporting period since the inception of balancing. Since the original requirements in 1999, several changes in balancing law have occurred—including changes in balancing requirements, exemptions to balancing requirements and changes in Congressional district boundaries (see Figure 4).

**Figure 4: Congressional District Balancing History**

Bill	Date	Requirement	Congressional Districts	Exemptions
<a href="#"><u>SB 57</u></a>	July 1999	100% balancing in 3 years	11	GRTA, CMAQ, MARTA, Ports
<a href="#"><u>HB 1553</u></a>	July 2000	85% balancing in 5 years	11	GRTA, CMAQ, MARTA, Ports, GRIP (Governor's Road Improvement Program)
<a href="#"><u>HB 1553</u></a>	January 2003	85% balancing in 5 years	13	GRTA, CMAQ, MARTA, Ports, GRIP
<a href="#"><u>SB 4</u></a>	July 2005	80% balancing in 5 years	13	Federal Earmarks
<a href="#"><u>SB 4</u></a>	January 2007	80% balancing in 5 years	13 realigned	Federal Earmarks

Sources: GDOT/ARC

### License Tag and Title Registration Fees

The State of Georgia’s license tag and title registration fees are referred to as motor vehicle fees. Receipts from motor vehicle fees go directly to the general fund where they are apportioned out to support transportation investments. Although the receipts received from these fees are much lower than receipts from the motor fuel tax, the revenue from these fees remains significant. In FY 2008, these taxes generated approximately \$295 million.

Georgia’s motor vehicle license tag fee was enacted in 1910. In addition, the license tag fee increased from \$8 to \$20 for passenger cars; these two factors contributed to a notable jump in revenue in 1993. Table 4 shows the numbers of registered motor vehicles in the Atlanta region in 2008.

The motor vehicle title law enacted in 1963 requires a title to be secured on the motor vehicle at the time of purchase. Titles must be purchased for vehicles built from the 1986 model year to the current model year. The basic title registration fee is \$18.

**Table 4: 2009 Registered Motor Vehicles (40% O&M)**

County	Passenger Vehicles	Trucks	Trailers	Motorcycles	Buses	Other	Total
Barrow	40,449	18,394	10,191	2,207	205	1	71,447
Bartow	54,654	27,763	16,118	3,266	409	0	102,210
Cherokee	125,423	40,298	24,508	6,463	634	2	197,328
Clayton	152,600	34,060	17,948	2,795	1,033	6	208,442
Cobb	422,003	87,324	43,231	12,854	2,221	32	567,665
Coweta	67,955	26,049	15,690	3,536	410	1	113,641
DeKalb	381,123	57,321	23,130	6,589	2,211	7	470,381
Douglas	70,182	23,199	12,267	3,188	500	1	109,337
Fayette	72,639	21,178	12,679	2,792	435	2	109,725
Forsyth	103,498	30,189	19,648	4,538	577	3	158,453
Fulton	510,845	77,195	28,982	8,925	4,717	24	630,688
Gwinnett	466,778	104,733	44,719	12,560	2,700	7	631,497
Henry	111,034	38,566	21,827	4,781	587	1	176,796
Newton	60,248	23,310	12,838	2,447	317	2	99,162
Paulding	70,686	28,212	15,857	4,167	429	3	119,354
Rockdale	45,150	15,286	8,679	1,771	326	3	71,215
Spalding	35,741	15,580	8,594	1,574	193	0	61,682
Walton	48,841	24,325	15,828	2,447	287	2	91,730
<b>18 County Region</b>	<b>2,839,849</b>	<b>692,982</b>	<b>352,734</b>	<b>86,900</b>	<b>18,191</b>	<b>97</b>	<b>3,990,753</b>
<b>Rest of Georgia</b>	<b>2,516,916</b>	<b>1,196,616</b>	<b>661,027</b>	<b>109,154</b>	<b>19,659</b>	<b>103</b>	<b>4,503,475</b>
<b>Total</b>	<b>5,356,765</b>	<b>1,889,598</b>	<b>1,013,761</b>	<b>196,054</b>	<b>37,850</b>	<b>200</b>	<b>8,494,228</b>
<b>% in 18 County Region</b>	<b>53.0%</b>	<b>36.7%</b>	<b>34.8%</b>	<b>44.3%</b>	<b>48.1%</b>	<b>48.5%</b>	<b>47.0%</b>

Source: Georgia Department of Revenue

## Regional/Local Funding Sources

### Property Tax Revenue

The robust growth that has characterized the Atlanta Region over the past four decades has contributed to intense patterns of development in the urbanized area, as well as in formerly rural, peripheral counties. The rezoning and development of former agricultural property in the suburbs, as well as infill and brownfield development of former industrial property in the core counties, have increased the value of county digests two and three-fold—and in some cases, even seven-fold. The following table illustrates the strong growth rate of county tax digests, which sums the assessed value (40 percent of appraised value) of property—minus exemptions—in the 18-county region. The total tax digests in the 18-county region have increased by 274% in the 18-year period of 1990-2008 (see Table 5).

**Table 5: Net M&O - Property Tax Digest of 18-County Region (40% O&M): 1990-2008**

County	1990	2000	2008	% Growth 1990-2008
Barrow	\$357,433,168	\$813,990,370	\$1,909,685,506	434%
Bartow	\$869,651,809	\$1,948,026,554	\$3,260,821,740	275%
Cherokee	\$1,162,074,138	\$3,777,014,391	\$8,595,242,973	640%
Clayton	\$3,659,180,880	\$5,317,871,888	\$8,566,561,443	134%
Cobb	\$8,216,214,330	\$16,829,176,962	\$27,597,125,819	236%
Coweta	\$702,457,765	\$1,828,442,682	\$4,058,742,761	478%
DeKalb	\$10,080,567,559	\$15,975,580,837	\$25,197,674,686	150%
Douglas	\$1,083,479,300	\$1,964,686,277	\$4,300,264,819	297%
Fayette	\$1,186,078,260	\$2,951,571,187	\$5,431,100,479	358%
Forsyth	\$1,124,055,763	\$3,650,330,005	\$8,890,399,061	691%
Fulton	\$14,371,524,633	\$27,536,421,462	\$50,240,329,331*	250%
Gwinnett	\$6,311,487,651	\$16,574,007,854	\$29,804,680,832	372%
Henry	\$970,284,340	\$2,853,164,273	\$6,776,901,378	598%
Newton	\$523,720,009	\$1,259,121,595	\$2,955,354,830	464%
Paulding	\$503,246,995	\$1,475,101,188	\$4,301,640,779	755%
Rockdale	\$927,093,104	\$1,556,441,608	\$2,885,675,074	211%
Spalding	\$623,556,235	\$1,008,409,691	\$1,482,154,458	138%
Walton	\$577,796,055	\$1,286,069,293	\$2,881,381,411	399%
Grand Total	<b>\$53,249,901,994</b>	<b>\$108,605,428,117</b>	<b>\$199,135,737,380</b>	<b>274%</b>

Source: Georgia Department of Revenue

Note: \* Fulton County 2008 numbers were estimated based on recent growth rates.

As mentioned earlier, counties on the periphery of the Atlanta Region have experienced the fastest growth rates in the tax digests. Counties such as Paulding, Forsyth, and Cherokee Counties have experienced over a 600 percent increase in valuations since 1990, or over double the regional average of 274 percent. Conversely, only Clayton, Spalding, and DeKalb experienced a growth rate less than 200 percent in the period.

As illustrated in Table 6, motor vehicles comprise an important part of all local property tax valuations. Total motor vehicle valuations, as a percent of the total tax digest, ranges from a high of 9.4 percent in Barrow County to a low of 6.4 percent in Forsyth County. The State, county, and local millage rates are levied on registered motor vehicles in the form of an ad valorem tax (a duty based upon the vehicle's value) and must be paid when an application is made for tag renewal. The statewide-assessed valuation standard is 40 percent of the fair market value of the vehicle (value is based on make, model, and year).

**Table 6: Motor Vehicles & Net Digest of Atlanta Regional Counties (40% O&M): FY 2008**

County	# Motor Vehicles	Total Motor Vehicle Assessed Value	% of Net Digest	Net M&O Digest
Barrow	64,189	\$179,364,080	9.4%	\$1,909,685,506
Bartow	89,374	\$248,881,139	7.6%	\$3,260,821,740
Cherokee	155,119	\$568,174,540	6.6%	\$8,595,242,973
Clayton	195,366	\$714,384,220	8.3%	\$8,566,561,443
Cobb	542,478	\$2,023,639,229	7.3%	\$27,597,125,819
Coweta	99,477	\$317,301,160	7.8%	\$4,058,742,761
DeKalb	430,081	\$1,453,041,610	5.8%	\$25,197,674,686
Douglas	93,840	\$297,451,900	6.9%	\$4,300,264,819
Fayette	109,361	\$390,440,270	7.2%	\$5,431,100,479
Forsyth	135,460	\$565,960,660	6.4%	\$8,890,399,061
Fulton*	494,161	\$2,155,700,310	4.5%	\$50,240,329,331*
Gwinnett	586,565	\$2,203,612,510	7.4%	\$29,804,680,832
Henry	153,864	\$504,161,380	7.4%	\$6,776,901,378
Newton	84,822	\$236,558,960	8.0%	\$2,955,354,830
Paulding	103,051	\$331,469,330	7.7%	\$4,301,640,779
Rockdale	66,357	\$218,008,610	7.6%	\$2,885,675,074
Spalding	53,897	\$128,525,790	8.7%	\$1,482,154,458
Walton	87,923	\$243,221,300	8.4%	\$2,881,381,411
<b>Grand Total</b>	<b>3,545,385</b>	<b>\$12,779,896,998</b>	<b>6.5%</b>	<b>\$199,135,737,380</b>

Source: Georgia Department of Revenue

Note: \*Fulton County 2008 numbers were estimated based on recent growth rates.

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The growth in the vehicle portion of local tax digests reflects the region's growth patterns since 1990. In comparison to the regional increase in valuations of 162 percent, Forsyth County's vehicle valuations increased over 500 percent, while Barrow, Newton, Henry, and Paulding all realized increases of more than 300 percent. The slowest regional growth rates in vehicle valuations were in DeKalb County with 57 percent growth (see Table 7).

**Table 7: Vehicles - Property Tax Digest of 18-County Region (40% O&M): 1990-2008**

County	1990	2000	2008	% Growth 1990-2008
Barrow	44,554,648	103,038,795	179,364,080	303%
Bartow	82,387,063	198,544,585	248,881,139	202%
Cherokee	157,796,470	395,675,674	568,174,540	260%
Clayton	361,103,880	606,261,422	714,384,220	98%
Cobb	865,387,211	1,671,831,059	2,023,639,229	134%
Coweta	84,095,451	209,818,644	317,301,160	277%
DeKalb	922,786,749	1,748,258,545	1,453,041,610	57%
Douglas	117,039,855	232,943,949	297,451,900	154%
Fayette	131,776,403	289,824,476	390,440,270	196%
Forsyth	90,305,787	335,842,219	565,960,660	527%
Fulton	931,062,826	1,786,306,330	2,263,485,326	143%
Gwinnett	652,834,449	1,558,056,857	2,203,612,510	238%
Henry	101,709,807	300,432,618	504,161,380	396%
Newton	55,000,642	147,114,858	236,558,960	330%
Paulding	67,176,988	187,773,868	331,469,330	393%
Rockdale	112,745,261	185,492,276	218,008,610	93%
Spalding	71,016,635	116,010,249	128,525,790	81%
Walton	61,823,531	149,543,464	243,221,300	293%
Grand Total	<b>4,910,603,656</b>	<b>10,222,769,888</b>	<b>12,887,682,014</b>	<b>162%</b>

Source: Georgia Department of Revenue

Note: \* Fulton County 2008 numbers were estimated based on recent growth rates.

The industrial and commercial tax digests are of importance because of their use as the basis to establish potential community improvement districts (CIDs) at the local level. Many CIDs focus their work programs on transportation improvements at employment centers in the region such as Perimeter, Cumberland, and the US 78 corridor in Gwinnett County.

Commercial property receipts have increased 212 percent during the period. This growth reflects the rapid economic development of the region since 1990. Commercial property valuations in Henry County have increased over a staggering 1100 percent in the period, with Paulding and Cherokee experiencing over an 800 percent increase. DeKalb and Clayton Counties had the region's slowest growth in commercial tax digest at below 100 percent (see Table 8).

**Table 8: Commercial - Property Tax Digest of 18-County Region (40% O&M): 1990-2008**

County	1990	2000	2008	% Growth 1990-2008
Barrow	63,447,876	155,580,887	274,897,457	333%
Bartow	165,852,302	319,643,995	585,883,427	253%
Cherokee	120,117,106	537,557,377	1,198,212,207	898%
Clayton	1,481,626,289	2,215,322,594	2,949,414,096	99%
Cobb	3,624,326,864	6,638,248,023	10,749,275,628	197%
Coweta	125,285,920	352,232,607	719,644,946	474%
DeKalb	3,884,642,101	5,118,720,245	7,033,412,933	81%
Douglas	265,944,777	568,345,052	1,118,921,626	321%
Fayette	125,704,891	493,257,443	905,584,898	620%
Forsyth	153,060,982	452,445,142	1,270,065,103	730%
Fulton	7,272,279,660	12,534,561,234	20,919,066,823	188%
Gwinnett	1,972,962,530	6,653,816,120	10,883,546,419	452%
Henry	111,207,397	440,427,927	1,339,313,469	1104%
Newton	118,996,675	151,658,236	331,212,524	178%
Paulding	53,557,383	164,679,510	491,818,984	818%
Rockdale	168,708,917	367,475,810	625,074,677	271%
Spalding	136,593,949	240,901,130	310,492,628	127%
Walton	72,629,872	179,553,260	391,909,839	440%
<b>Grand Total</b>	<b>19,916,945,491</b>	<b>37,584,426,592</b>	<b>62,097,747,684</b>	<b>212%</b>

Source: Georgia Department of Revenue

Note: \* Fulton County 2008 numbers were estimated based on recent growth rates.

The industrial digest has grown 173 percent since 1990, with the highest increases in Cherokee, Paulding, Henry, and Forsyth Counties— exceeding 600 percent in overall growth. Both DeKalb and Clayton Counties experienced increases below 100% during the period, reflecting the effect that urbanization has had in those counties in driving up land values past the maximum threshold for new industrial development (see table 9).



**Table 9: Industrial - Property Tax Digest of 18-County Region (40% O&M): 1990-2008**

County	1990	2000	2008	% Growth 1990-2008
Barrow	37,694,444	84,923,838	225,009,650	497%
Bartow	115,943,821	392,513,812	503,961,309	335%
Cherokee	26,969,279	145,571,754	234,112,030	768%
Clayton	382,596,313	650,860,881	896,346,295	134%
Cobb	94,819,193	137,703,573	286,061,580	202%
Coweta	88,918,670	198,666,614	301,585,588	239%
DeKalb	955,634,992	890,055,259	1,314,542,936	38%
Douglas	59,629,976	122,262,655	332,960,913	458%
Fayette	86,166,197	189,357,308	315,091,695	266%
Forsyth	107,957,370	496,454,910	812,606,970	653%
Fulton	593,024,930	982,744,246	2,093,336,380	253%
Gwinnett	957,644,550	1,287,966,670	1,373,443,675	43%
Henry	130,367,136	486,844,286	1,011,167,096	676%
Newton	67,141,439	282,590,940	380,948,010	467%
Paulding	6,684,713	18,715,171	55,243,198	726%
Rockdale	149,706,588	336,267,308	295,135,656	97%
Spalding	51,625,627	191,834,805	224,072,983	334%
Walton	52,439,802	82,439,372	180,278,604	244%
<b>Grand Total</b>	<b>3,964,965,040</b>	<b>6,977,773,402</b>	<b>10,835,904,568</b>	<b>173%</b>

Source: Georgia Department of Revenue

Note: \* Fulton County 2008 numbers were estimated based on recent growth rates.

### MARTA Sales and Use Tax

MARTA receives proceeds from the collections of a sales and use tax under the Rapid Transit Contract and Assistance Agreement with the City of Atlanta and the Counties of Fulton and DeKalb. The sales tax is levied at a rate of one percent.

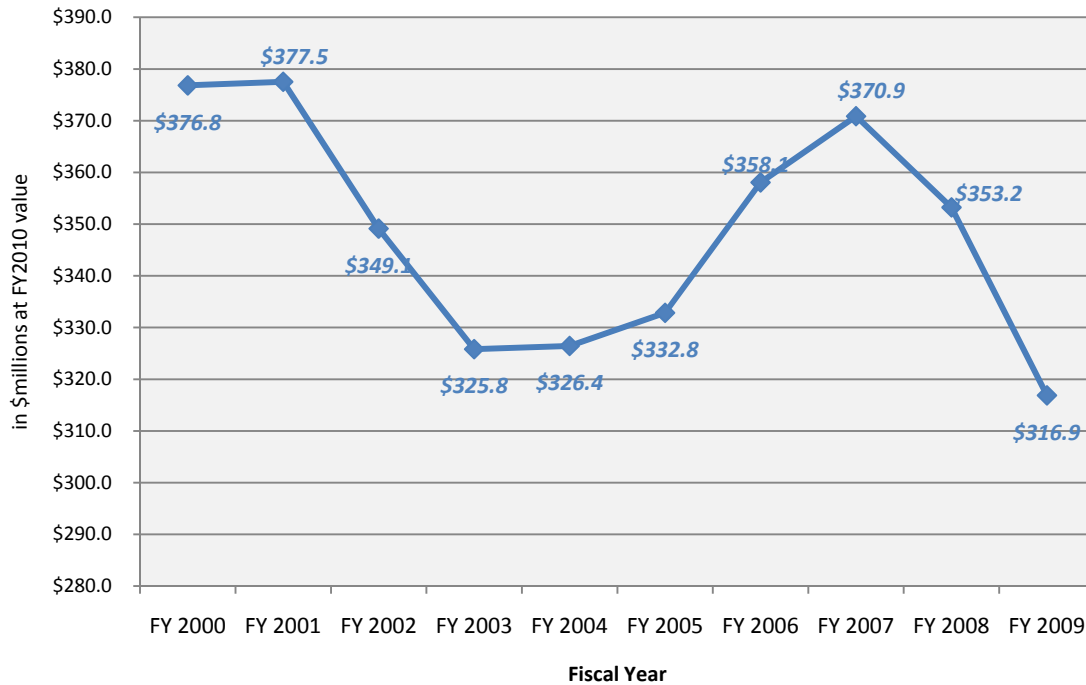
Under the law authorizing the levy of the sales and use tax, MARTA is restricted as to its use of the tax proceeds. No more than 50 percent of the annual sales and use tax proceeds can be used to subsidize the net operating costs of the system, exclusive of depreciation and amortization, including other costs and charges as defined in Section 25(l) of the MARTA Act.

The restrictions placed on the use of revenues have severely impacted MARTA's Operating Budget recently. In FY 2009, MARTA made a public declaration that its Operating Budget shortfall has deteriorated to crisis proportions and subsequently proposed drastic cuts in service—including suspending all operations for one day per week. In response to this crisis, the ARC Board voted to allocate \$26 million in Federal ARRA funds to MARTA in April 2009 to fulfill the transit agency's operations funding gap. In return, MARTA agreed to use its capital

funds for infrastructure improvements that complement local transportation infrastructure in its service area. However, MARTA still faces financial hardship, despite a fare increase of 25 cents, due to the current economic downturn—which has affected the volume of retail sales—as well the weakening dollar. Figure 5 illustrates the historical real value (FY 2010 value of the dollar) of the sales tax receipts MARTA has received between FY2000 and FY2009. However the ARRA funding arrangement was only effective for one year as the public transit authority is now poised to exhaust its reserves by FY 2011 according to preliminary estimates by the agency itself.

Further aggravating MARTA’s financial woes is the State Constitution’s de facto prohibition of using State motor fuel tax revenue for public transportation—thus MARTA is the only major public transportation agency in the nation that does not receive state funding.

**Figure 5: Historical Real Value (FY 2010) of MARTA Sales Tax Receipts: FY 2000-FY 2009**



Source: Georgia Department of Revenue/ARC

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## Forecast of Future Funding from Existing Sources

This section provides funding forecasts for both State and Federal funding mechanisms at their current levels. This section is conservative, as it does not anticipate any increases in the current level of taxes or user fees.

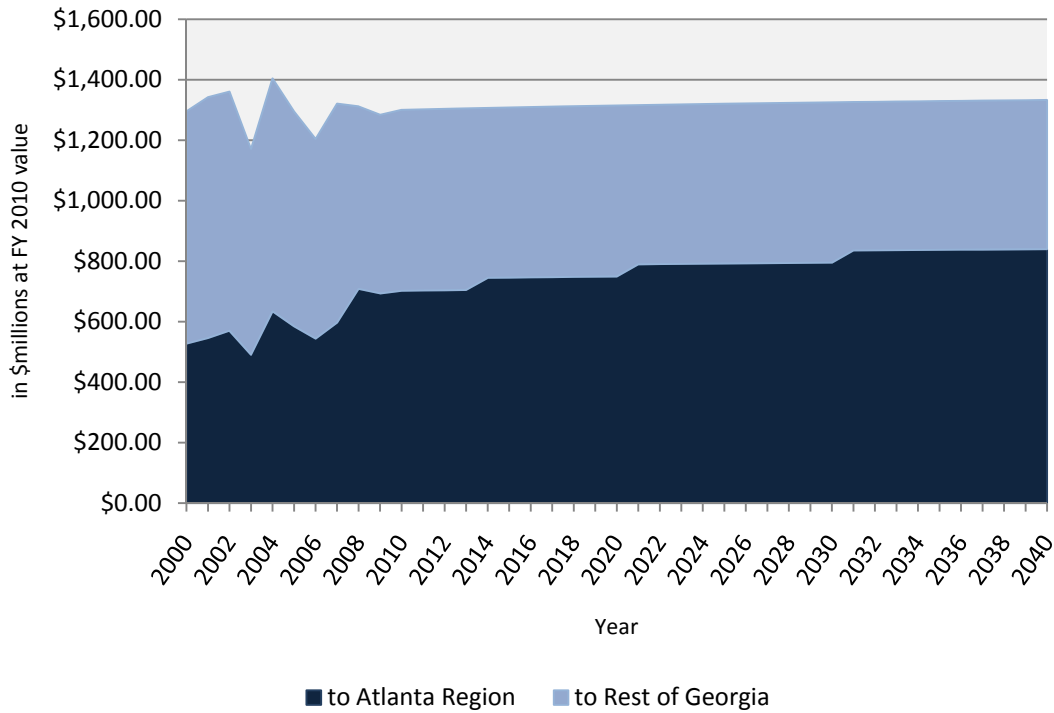
### Federal Forecasts Based on Historical Trends

No Federal funding for transportation is guaranteed past FFY 2009. However, Federal transportation funding has become such an integral part of State/MPO capital programs that most experts are confident of its continuing role in funding transportation.

Federal aid for highways (Title I) has increased an average of 5.73 percent annually since 1965. However, it is likely that the growth of the Highway Trust Fund will be less in the future as the Federal Highway Trust Fund (HTF) teeters towards potential insolvency. Thus the level of funding apportioned to Georgia and the Atlanta Region by the FHWA is expected to remain constant in regards to real value (see Figure 6). Over the next thirty years (2010-2040), funding by the FHWA to the State of Georgia will remain constant with a negligible average annual rate of growth of 0.1 percent. Given that population growth in the Atlanta Region is forecasted to be the main driver behind statewide population growth overall, the Region's portion of FHWA funding—per Congressional Balancing guidelines—is forecasted to grow at a slightly higher average annual growth rate of 0.5 percent.

Figure 6 illustrates the forecasted levels of funding in real value that will be allocated to the Atlanta Region and areas of the state outside of the Region. Between 2010 and 2040, the State of Georgia is forecasted to receive \$40.9 billion in FHWA funding with \$24.4 billion, or 59.5 percent, being allocated to the Atlanta Region.

**Figure 6: Real Value of Forecasted FHWA Funding to Georgia and the Atlanta Region: 2000-2040 (FY 2010 value)**



Sources: FHWA/ARC/US Consumer Price Index

ARC has made conservative Federal funding forecasts based on historical obligation limitation trends—that is money actually received from the Federal government and budgeted—rather than the maximum levels of apportionments permitted under Congressional authorization. The fact that Federal reauthorization legislation is expected to be delayed until 2011 highlights the importance of using conservative forecasts, as future trends in funding and priorities stemming from the next Federal transportation bill are currently unknown.

### State

The largest funding sources at the State level are motor fuel taxes and the motor vehicle registration fees. However due to the fact that historical data regarding motor vehicle registration fees is unavailable for several years, this section focuses on the motor fuel taxes.

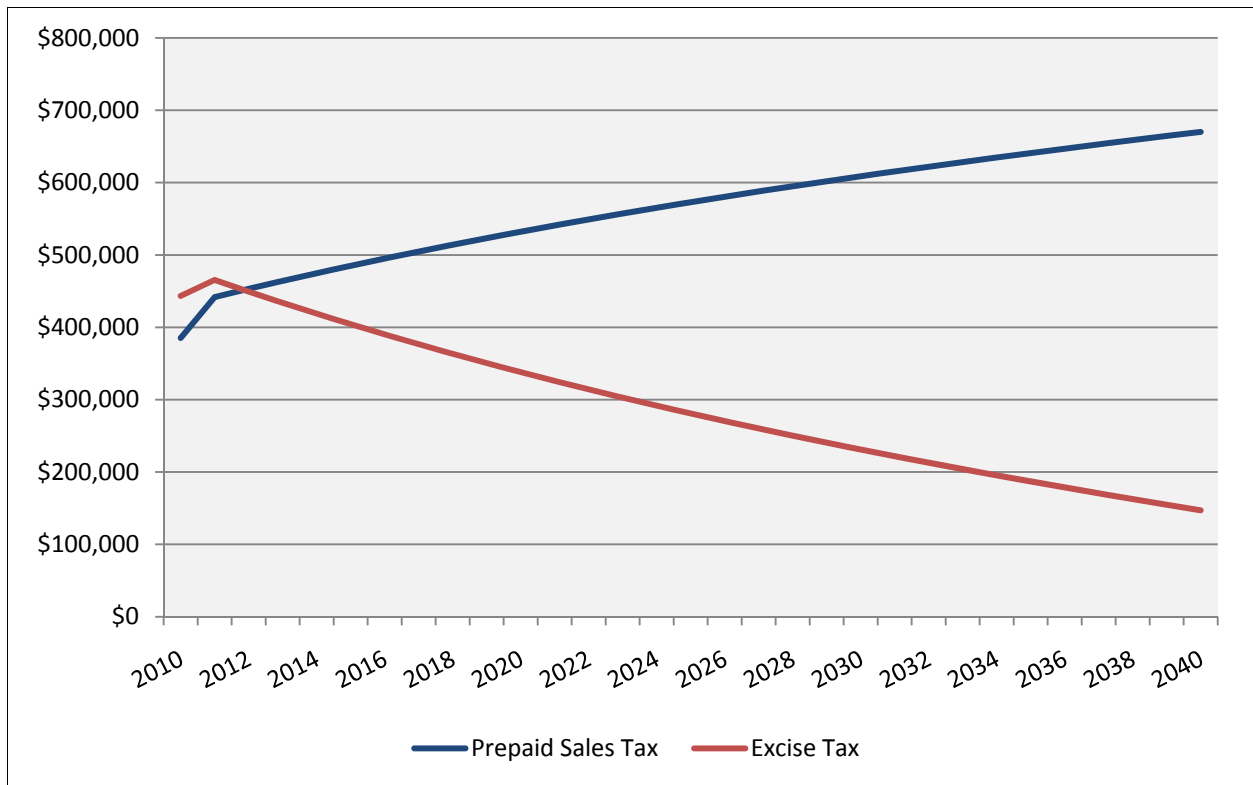
#### Motor Fuel Tax

Georgia has historically experienced a sharply increasing rate of fuel consumption due to the rapidly growing population and the preference of many motorists for less efficient SUVs and light trucks. As mentioned earlier, the rate of increase in fuel consumption is expected to slow in the coming decades as consumers purchase vehicles with higher fuel efficiencies or that

operate on alternative fuels. Additionally changing land use patterns allowing households greater choice in transportation modes has contributed to lower fuel consumption overall.

Approximately 6.3 billion gallons of motor fuel were consumed in the state of Georgia in 2009 – representing a 3-percent drop in motor fuel consumption from the prior year. Subsequently, forecasts by leading researchers in the energy industry indicate a gradual decline in motor fuel consumption over the next 30 years due to the growing number of consumers purchasing motor vehicles that operate at higher fuel efficiencies or with alternative fuel technology. The following exhibit illustrates the impact of this trend, as well as that of the current economic downturn, on state motor fuel tax revenue over the next 30 years. If the current rates over the 30-year period hold, annual revenue generated from State motor fuel taxes (in FY2010 dollars) would decrease from \$828.6 million in 2010 to \$817.4 million by 2040—an average annual growth rate of -0.5% (see Figure 7). A driving factor for this declining trend is the excise tax, due to the fact that the relatively low rate of 7.5-cents per gallon loses significant value each year as a result of inflationary pressures.

**Figure 7: Forecasted Revenue from State Motor Fuel Taxes: 2010-2040 (FY 2010 value)**



Sources: Georgia Department of Revenue/ARC



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## Financial Options and Alternatives

There is a wide array of potential revenue sources for infrastructure finance from both public and private sector sources. In the public sector, the availability of funding for specific transportation projects depends largely on the source of that revenue. The following section reviews potential transportation revenue strategies:

- Innovative Federal options
- Local motor fuel tax
- State motor fuel tax
- Vehicle registration fee
- Local sales tax
- Local accommodations tax
- Local property tax
- Vehicle property tax
- Public-private partnerships

The alternatives presented in this section of the report are not proposed in the interests of advocacy, rather they only serve to identify and highlight potential sources of transportation funding.

### Innovative Federal Options

#### New Starts Program

The Federal Transit Administration New Start Program provides funding for the construction of new fixed guideway systems and extensions (major capital investments or “new starts”) made available through 49 United States Code (U.S.C.), Section 5309. This is a potential funding source for regional transit. The steps of the New Starts project evaluation process are summarized below.

- Local funding sources must be identified.
- The project must be included in the RTP.
- The project is moved into the Transportation Improvement Program (TIP) for preliminary engineering (PE) activities.
- Project is evaluated as required by 49 U.S.C. Section 5309(e) (6) – the Federal Transit Administration will make a decision on whether or not to advance the project to preliminary engineering. This does not constitute a funding commitment.
- Full National Environmental Policy Act (NEPA) documentation will be included as part of the PE activities.

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- Local financial commitment will be reviewed and assessed during PE.
  - Initiation of final design, right of way acquisition, and utility relocations begins once all NEPA processes are complete.
  - Local financial commitment is evaluated to make the required approvals for entry into final design in order to execute a Full Funding Grant Agreement (FFGA) and make annual funding recommendations to Congress.
  - Rating criteria are applied to the proposed project (only financial criteria are documented in this report).

Additional key points for the local financial plan include: how costs overruns are accommodated in the plan; and the role of “overmatch” funds (funds that can be used to leverage additional dollars).

### **Transportation Infrastructure Finance and Innovation Act (TIFIA)**

Authorized in 1998, TIFIA is a form of credit, not “new” money, established under TEA-21. TIFIA financing can only equal up to 33 percent of the total project costs and offers three types of financing: 1) direct Federal loans, 2) loan guarantees, and 3) supplemental lines of credit. To be eligible for TIFIA the project must:

- Cost at least \$100 million or 50 percent of the state's annual apportionment of Federal aid funds.
- Be supported in whole or part by user charges or other non-Federal funds.
- Be included in the State Transportation Improvement Program (STIP).

TIFIA assistance is awarded on a competitive basis. Applications are solicited annually. Projects are graded based on evaluation and ranking of such criteria as economic benefit, private capital and innovative technology. Once approved, the project must obtain the necessary permits such as the environmental Record of Decision.

Regardless of the instrument chosen (direct loan, loan guarantee or line of credit), the maximum maturity for TIFIA credits is 35 years after the substantial completion of the project. Although the TIFIA financing might be less than any other type of financing, the credit agreement will specify that the U.S. Department of Transportation (U.S. DOT) has pledged security along the same line as any other creditor in the event of a default. Different funding instruments are secured loans, loan guarantees, and lines of credit.

### **Grant Anticipation Revenue Vehicles (GARVEEs)**

A GARVEE is a debt-financing instrument that permits the pledge of future Federal highway funds to repay investors. A state may use future obligations of Federal-aid funds to reimburse



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the retirement of principal and payment of interest, issuance, insurance, and associated other costs for the sale of an eligible debt-financing instrument. The use of a GARVEE bond enables states to assemble up-front capital without pledging or affecting the state's creditworthiness. Because GARVEEs allow a State to acquire construction financing at once, project construction can begin as fast as the state can line up contractors.

Once a project is selected for GARVEE financing and its costs are estimated, the project must be approved as an Advance Construction (AC) project by the FHWA/FTA. Advanced construction is a procedure used when a letting-ready project technically qualifies for Federal aid, however no present or future Federal funds are available to be committed to the project. AC provisions allow a state to move forward on a project and then later convert the project to "active" status when Federal apportionment is available. No Federal obligation is created until the project is converted to a regular Federal aid project. In this case, the AC designation preserves the project's future eligibility for Federal assistance. The amount of the AC designation should coincide with the Federal share (typically 80 percent) of the debt-related costs to be reimbursed during the life of the bonds. An up-front match, based on the state's share (typically 20 percent) is required. This is of particular use when the project is started during the last year of an authorization bill so the state can proceed immediately. Requirements for AC include:

- Must be in the State Transportation Improvement Program.
- State has obligated the funds or used its obligating authority.
- Must meet all the tests of fiscal constraint.

Eligible projects include:

- National Highway System
- Interstate Substitute
- Congestion Mitigation and Air Quality Improvement Program
- Surface Transportation Program
- Bridge Replacement and Rehabilitation
- State Planning and Research and Metropolitan Planning.

When a GARVEE is issued, the main form of security backing this debt-financing instrument is the state's obligation of future Federal-aid apportionments. The state would designate an Advanced Construction (AC) amount up-front, and subsequently, obligate funds in each succeeding year in order to partially convert the designated AC amount. Each year, the issuer (state, state infrastructure bank or other agency) would pay periodic debt service by receiving payments from FHWA for the Federal share of the expenditure.

Another potential use of this financing vehicle would be to repay short-term borrowing by using a single AC conversion upon project completion with the resulting liquidating cash used to help take out construction financing. GARVEEs could also be used to treat future Federal obligations

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as a secondary, rather than primary, source of repayment. The purpose of a "secondary GARVEE" would be to enhance the creditworthiness of obligations backed by other revenue sources.

GARVEE bonds have the following advantages when compared to other funding sources:

- A state may be unwilling or unable to support a particular issue with its full faith and credit as required with highly rated General Obligation (GO) bonds.
- Some states may actually get higher ratings with GARVEEs than with GO bonds due to the proportion of Federal aid to the amount of debt incurred.
- GARVEEs eliminate the need for revenue bonds where a revenue stream does not exist to support the project.

GARVEE types are as follows:

- **Short-Term GARVEEs:** backed by future obligations of currently authorized Federal aid funds. For example, assuming that a state issued the GARVEEs in the second year of a five-year authorization period, the term of the notes, or at least that portion backed by Federal funds, could not exceed four years. With regard to the adequacy of future Federal-aid obligations and payments to service the debt, the only risk presented by a short-term GARVEE is whether the annual U.S. DOT appropriations acts will provide sufficient obligation authority to cover the portion of debt service to be supported by Federal funds. This is known as appropriations risk.
- **Long-Term GARVEEs:** debt instruments that are backed by future obligations of Federal-aid funds for a term that extends beyond the current authorization period. In addition to appropriations risk, long-term GARVEEs also present the risk that the Federal-aid program will not be reauthorized beyond the end of the current authorization period. This is known as authorization risk.

On a final note, all bond-related costs authorized by Title 23 are eligible.

### **Reimbursement for Bond Issue Projects - Apportionment Conversion**

Apportionment conversion allows states to convert their Federal-aid apportionment into state dollars to pay the principal and interest on bonds at their maturity. The provision is used for projects built to Federal standards using state-issued bonds, allowing the states to "cash in" their apportionment for costs (principal and interest) incurred. The states must submit a program of projects to be financed by bonds to the FHWA / FTA the same as for regular Federal-aid projects. On all roadways other than interstates, the funds are subject to a 36-month reimbursable schedule upon conversion to regular Federal-aid financing.

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### **Interstate System Construction Toll Pilot Program**

Under the new Interstate System Construction Toll Pilot Program, the Secretary may permit a State or compact of States to collect tolls on an Interstate highway, bridge, or tunnel for the purpose of constructing Interstate highways. This program is limited to 3 projects in total (nationwide), and prohibits a participating State from entering into an agreement with a private person, which would prevent the State from improving adjacent public roads to accommodate diverted traffic.

### **Interstate System Reconstruction and Rehabilitation Toll Pilot Program**

The Interstate System Reconstruction and Rehabilitation Toll Pilot Program was established in the Transportation Equity Act for the 21st Century (TEA-21) to allow up to 3 Interstate tolling projects for the purpose of reconstructing or rehabilitating Interstate highway corridors that could not be adequately maintained or improved without the collection of tolls. SAFETEA-LU does not revise the program, therefore it continues without change.

### **Value Pricing Pilot Program**

The Value Pricing Pilot Program is continued, funded at \$59 million through 2009, to support the costs of implementing up to 15 variable pricing pilot programs nationwide to manage congestion and benefit air quality, energy use, and efficiency. A new set-aside totaling \$12 million through 2009 must be used for projects not involving highway tolls.

### **Express Lanes Demonstration Program**

The new Express Lanes Demonstration Program will allow a total of 15 demonstration projects through 2009, of which one is the current I-85 HOV-to-HOT project, to permit tolling to manage high levels of congestion, reduce emissions in a nonattainment or maintenance area, or finance added Interstate lanes for the purpose of reducing congestion. A State, public authority, or public or private entity designated by a State may apply. Eligible toll facilities include existing toll facilities, existing High Occupancy Vehicle (HOV) facilities, and a newly created toll lane. Tolls charged on HOV facilities under this program must use pricing that varies according to time of day or level of traffic; for non-HOV, variable pricing is optional. Automatic toll collection is required, and the Secretary must promulgate a final rule specifying requirements, standards, or performance specifications to ensure interoperability within 180 days of enactment.

### **Private Activity Bonds**

To provide the opportunity for new sources of investment capital to finance our nation's transportation infrastructure system, SAFETEA-LU expands bonding authority for private activity bonds by adding highway facilities and surface freight transfer facilities to a list of other activities eligible for exempt facility bonds. Qualified projects, which must already be receiving Federal assistance, include surface transportation projects eligible under Title 23, international bridge or tunnel projects for which an international entity authorized under Federal or State law is responsible, and facilities for the transfer of freight from truck to rail or rail to truck (including any temporary storage facilities related to the transfers). These bonds are not

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subject to the general annual volume cap for private activity bonds for State agencies and other issuers, but are subject to a separate National cap of \$15 billion.

### **Transportation Infrastructure Finance and Innovation Act (TIFIA)**

The TIFIA program provides Federal credit assistance to nationally or regionally significant surface transportation projects, including highway, transit, and rail. This program was established in TEA-21 to fill market gaps and leverage substantial private co-investment by providing projects with supplemental or subordinate debt. SAFETEA-LU authorizes a total of \$610 million through 2009 to pay the subsidy cost (similar to a commercial bank's loan reserve requirement) of supporting Federal credit under TIFIA. To encourage broader use of TIFIA financing, the threshold required for total project cost is lowered to \$50 million (\$15 million for ITS projects), and eligibility is expanded to include public freight rail facilities or private facilities providing public benefit for highway users, intermodal freight transfer facilities, access to such freight facilities and service improvements to such facilities including capital investment for Intelligent Transportation Systems (ITS).

### **State Infrastructure Banks (SIBS)**

SAFETEA-LU establishes a new SIB program which allows all States, including, Puerto Rico, the District of Columbia, American Samoa, Guam, the Virgin Islands, and the Commonwealth of the Northern Mariana Islands, to enter into cooperative agreements with the Secretary to establish infrastructure revolving funds eligible to be capitalized with Federal transportation funds authorized for fiscal years 2005-2009. This program gives States the capacity to increase the efficiency of their transportation investment and significantly leverage Federal resources by attracting non-Federal public and private investment.

### **Toll Credits**

SAFETEA-LU revised 23 USC 120(j) to permit toll credits to be earned for any toll revenues that are generated and used by public, quasi-public, and private agencies to build, improve, or maintain highways, bridges, or tunnels that serve the public purpose of interstate commerce. Previously, toll credits could only be earned from expenditures of toll revenues on projects that were completed entirely without Federal funds. Note that the other provisions of section 5 of this manual still apply (e.g., Maintenance of Effort, Revenues Must Be Spent on Eligible Expenses, etc.).

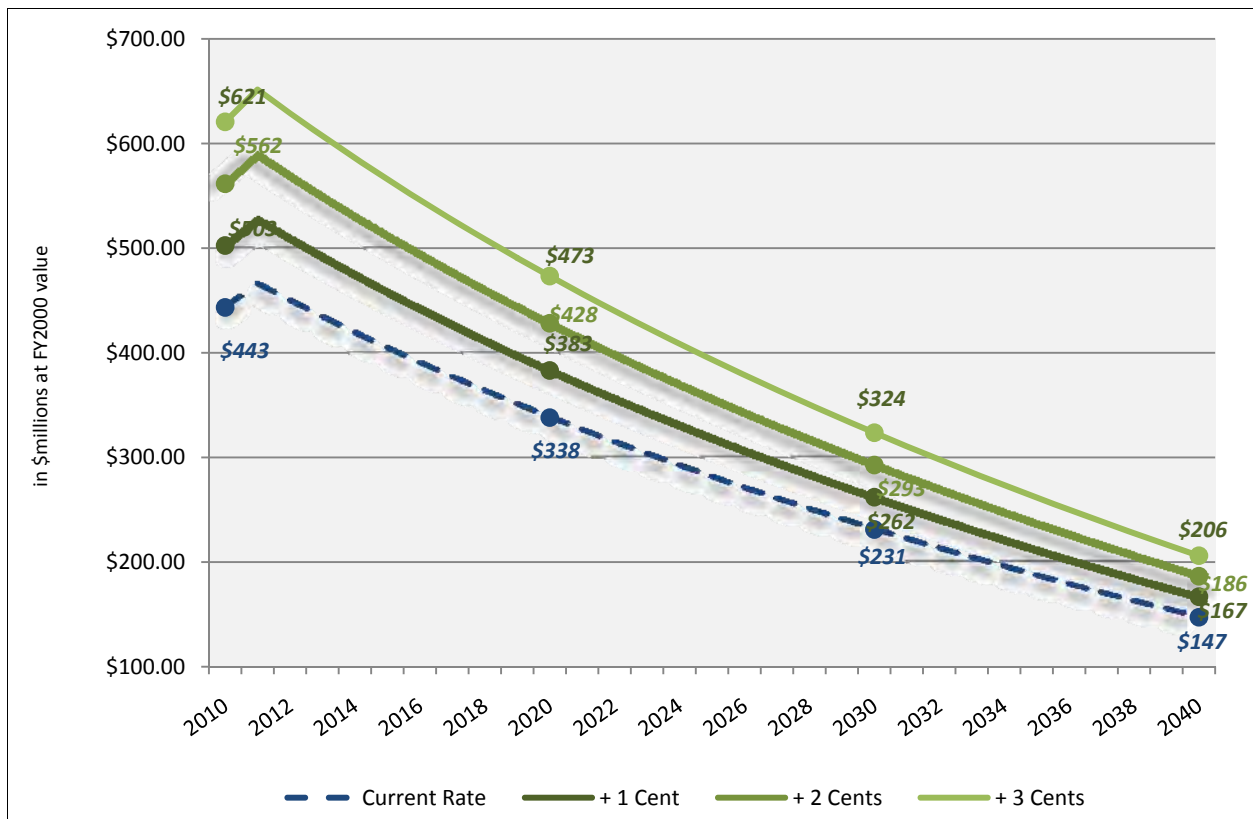
## State / Local

### State Motor Fuel (Gas) Tax

As illustrated in the previous section, forecasted revenues generated by the State Motor Fuel Excise Tax will decline given technological advancement in automobile fuel efficiency, as well as changing land use patterns that increases the selection of modal choices for households.

Nonetheless, a forecast was performed for different scenarios involving a one-cent, two-cent, and three-cent increase in the Excise Tax rate over the next 30 years—as illustrated in Figure 8.

**Figure 8: Forecasted Revenues from Increases in State Motor Fuel Excise Tax Rate (FY 2010 value): 2010-2040**



Sources: Georgia Department of Revenue/ARC

If the assumptions hold, a one-cent increase in the Excise Tax rate would generate an additional \$20 million (FY2010 value) in annual revenue by 2040—versus an additional \$39 million from a two-cent increase and an additional \$59 million from a three-cent increase. As shown in the following table, a one-cent increase would generate 13.3 percent more total revenue over the thirty-year period between 2010 and 2040—versus an additional 26.7 percent from a two-cent increase and an additional 40 percent from a three-cent increase (see Table 10).

**Table 10: Total Forecasted Revenues State Motor Fuel Excise Tax Rate Increases: 2010-2040**

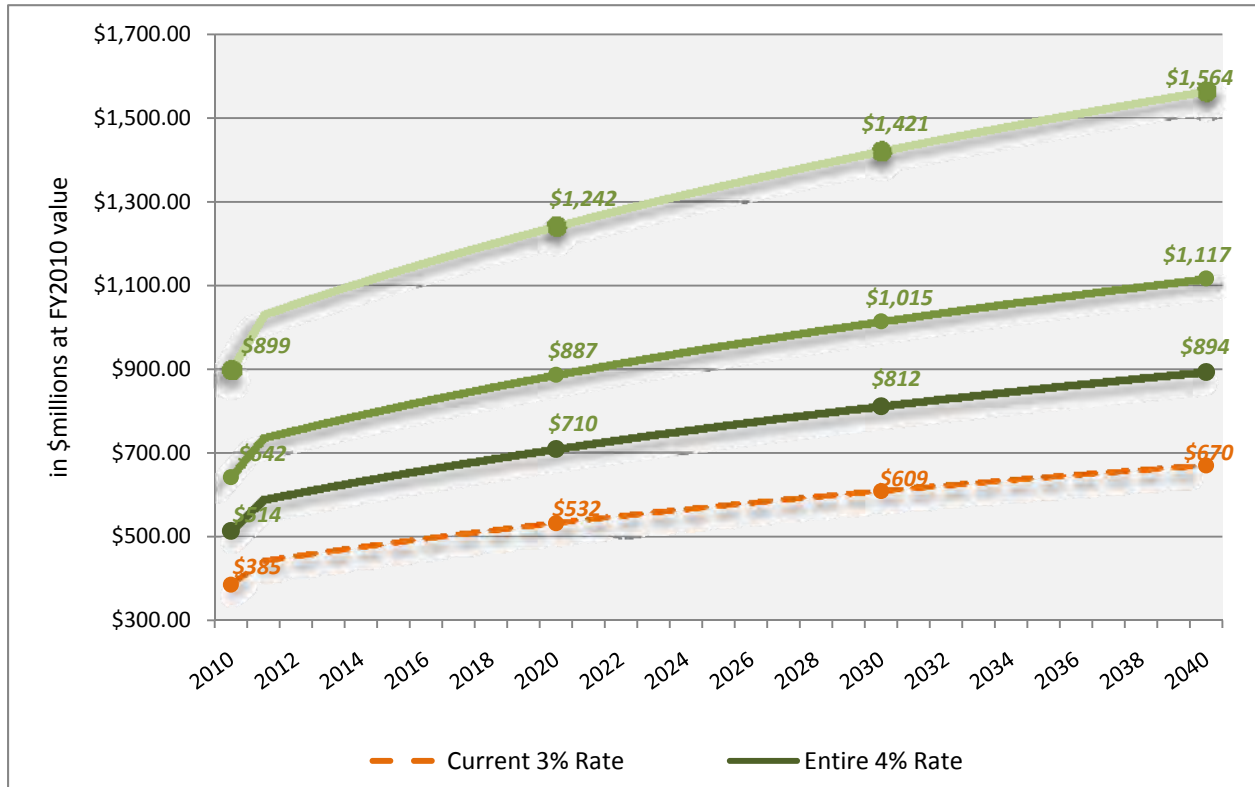
	Total Revenue (2010-2040)	Additional Revenue	% Current Rate Revenue
(in \$000s at FY2010 value)			
Current Rate (\$.075)	\$9,036,799		N/A
+ 1 Cent	\$10,241,706	\$1,204,907	13.3%
+ 2 Cents	\$11,446,612	\$2,409,813	26.7%
+ 3 Cents	\$12,651,519	\$3,614,720	40.0%

Sources: Georgia Department of Revenue/ARC

### Prepaid Motor Fuel Sales Tax

As stated earlier, revenue generated by the Prepaid Motor Fuel Sales Tax will provide an increasing proportion of the State’s fuel-tax revenue, as it is less dependent on the volume of fuel consumed and more dependent on the price of fuel itself. Currently three points of the total four-percentage point sales tax is dedicated towards transportation while the remaining one percentage point is dedicated to the State General Fund. The additional revenue that could be generated from this one-percent portion of the Prepaid Motor Fuel Sales Tax could potentially be allocated towards public transit services in the state through enabling legislation since it is already used for purposes not related to transportation. Figure 9 illustrates this scenario (indicated as the *Entire 4% Rate* in the chart’s legend), as well as two other scenarios depicting sales tax rates of 5 percent and 7 percent respectively.

**Figure 9: Total Forecasted Revenues from Various Potential Prepaid Motor Fuel Sales Tax Rates (FY 2010 value): 2010-2040**



Sources: Georgia Department of Revenue/ARC

Dedicating the fourth percent to transit would generate an additional \$223 million in annual revenue by the year 2040. If the rate was increased to 5 or 7 percent (of which all revenue would be allocated towards transportation), the State would see estimated increases in annual revenue of \$447 million and \$894 million respectively. As depicted in Table 11, the total revenue generated by using the entire 4-percent rate would yield an additional \$5.8 billion (FY2010 dollars) in revenue (the entire additional revenue to be allocated towards transit)—versus an additional \$11.6 billion and \$23.3 billion generated by a potential 5-percent and 7-percent rate respectively.

**Table 11: Total Forecasted Revenues for Potential Prepaid Motor Fuel Sales Tax Rates: 2010-2040**

Potential Prepaid Motor Fuel Sales Tax Rates	Total Revenue (2010-2040)	Additional Revenue
(in \$000s at FY2010 value)		
Current 3% Rate	\$17,467,968	
Entire 4% Rate	\$23,290,625	\$5,822,656
5% Rate	\$29,113,281	\$11,645,312
7% Rate	\$40,758,593	\$23,290,625

Sources: Georgia Department of Revenue/ARC

### Vehicle Registration/License Plate Fee

Over the next 30 years, the number of registered vehicles in the Atlanta Region is forecasted to increase 79 percent—an additional 3.2 million registered vehicles. Table 12 illustrates the forecasted revenue that would be generated by a 5-dollar plate fee and a 10-dollar plate fee in the years 2010-2040. If a regional 5-dollar plate fee were to be implemented, it would generate \$650.8 million in revenue (FY 2010 dollars) over the next 30 years—versus \$1.3 billion if a 10-dollar plate fee were to be implemented.

Numerous states already implement license plate fees to generate additional revenue for transportation, while others offer specialty plates at a higher fee to generate additional funding. However given the growing funding gap that is hampering transportation infrastructure maintenance and development in Georgia, the impact that a 5-dollar plate fee would have as an additional funding source would be minimal. Additionally the regressive nature of plate fees would place a burden on vehicle owners who are already burdened by existing ad valorem taxes placed on motor vehicles by the State and local governments.



**Table 12: Forecasted Revenue from Potential Regional License Plate Fees—2010-2040**

Year	# Vehicles	5 Dollar Fee		10-Dollar Fee	
		Nominal Value	Real Value (2010)	Nominal Value	Real Value (2010)
2010	4,068,638	\$20,343,188	\$20,343,188	\$40,686,376	\$40,686,376
2011	4,148,042	\$20,740,211	\$20,320,145	\$41,480,422	\$40,640,289
2012	4,228,996	\$21,144,982	\$20,305,657	\$42,289,965	\$40,611,314
2013	4,311,531	\$21,557,653	\$20,299,368	\$43,115,307	\$40,598,737
2014	4,395,676	\$21,978,378	\$20,300,951	\$43,956,756	\$40,601,902
2015	4,481,463	\$22,407,314	\$20,310,105	\$44,814,628	\$40,620,210
2016	4,568,924	\$22,844,621	\$20,326,557	\$45,689,242	\$40,653,113
2017	4,658,093	\$23,290,463	\$20,350,054	\$46,580,925	\$40,700,109
2018	4,749,001	\$23,745,005	\$20,380,368	\$47,490,011	\$40,760,735
2019	4,841,684	\$24,208,419	\$20,417,285	\$48,416,838	\$40,834,570
2020	4,936,175	\$24,680,877	\$20,460,613	\$49,361,754	\$40,921,225
2021	5,032,511	\$25,162,555	\$20,510,172	\$50,325,111	\$41,020,345
2022	5,130,727	\$25,653,635	\$20,565,802	\$51,307,269	\$41,131,603
2023	5,230,860	\$26,154,298	\$20,627,351	\$52,308,595	\$41,254,702
2024	5,332,946	\$26,664,732	\$20,694,683	\$53,329,463	\$41,389,367
2025	5,437,026	\$27,185,128	\$20,767,674	\$54,370,255	\$41,535,347
2026	5,543,136	\$27,715,680	\$20,846,208	\$55,431,359	\$41,692,416
2027	5,651,317	\$28,256,586	\$20,930,181	\$56,513,172	\$41,860,363
2028	5,761,610	\$28,808,049	\$21,019,499	\$57,616,098	\$42,038,998
2029	5,874,055	\$29,370,275	\$21,114,075	\$58,740,549	\$42,228,150
2030	5,988,695	\$29,943,473	\$21,213,830	\$59,886,945	\$42,427,660
2031	6,105,571	\$30,527,857	\$21,318,695	\$61,055,715	\$42,637,389
2032	6,224,729	\$31,123,647	\$21,428,604	\$62,247,294	\$42,857,208
2033	6,346,213	\$31,731,064	\$21,543,502	\$63,462,128	\$43,087,004
2034	6,470,067	\$32,350,336	\$21,663,338	\$64,700,672	\$43,326,675
2035	6,596,339	\$32,981,694	\$21,788,066	\$65,963,387	\$43,576,131
2036	6,725,075	\$33,625,373	\$21,917,647	\$67,250,746	\$43,835,294
2037	6,856,323	\$34,281,615	\$22,052,047	\$68,563,229	\$44,104,094
2038	6,990,133	\$34,950,664	\$22,191,237	\$69,901,327	\$44,382,474
2039	7,126,554	\$35,632,770	\$22,335,192	\$71,265,540	\$44,670,385
2040	7,265,638	\$36,328,188	\$22,483,893	\$72,656,377	\$44,967,785
<b>Total</b>		<b>\$855,388,729</b>	<b>\$650,825,985</b>	<b>\$1,710,777,458</b>	<b>\$1,301,651,970</b>

Sources: Georgia Department of Revenue/ARC

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## Sales Tax

Special Purpose Local Option Sales Taxes (SPLOSTs) have proved to be popular among local governments in Georgia as a vehicle for raising capital funds dedicated to infrastructure and facilities construction and improvements. Over the past four years, the idea of creating a regional transportation SPLOST (TSPLOST) has been proposed and advocated by regional leaders and stakeholders in order to close the transportation funding gap in the Atlanta Region. In order to illustrate the benefit of a regional TSPLOST, the following table shows that a one-percent sales tax levied on the 10-county region (Atlanta RDC) would yield approximately **\$7.9 billion** to the Atlanta region between 2013 and 2022 (assuming a 1% growth rate) (see Table 13).

In order to avoid having to roll back local, non-educational property taxes, the Georgia Legislature would have to approve a county-wide referendum to establish a regional transportation authority similar to the “MARTA Act” of 1973. While the MARTA sales tax is just collected in Fulton and DeKalb Counties, the citizens of the 10-county region could potentially vote on a similar type of referendum to fund regional transportation. In a hypothetical situation, a regional vote could empower a resulting transportation “authority” that would have jurisdiction and revenue collection ability. However, TSPLOST legislation that would grant the 10-county Atlanta Regional Development Center (RDC) the right to tax itself has been defeated in the 2008 and 2009 State Legislature sessions.

**Table 13: Forecasted Revenue from a 1-Percent T-SPLOST: 2013-2022 (\$000s)**

County	Total (nominal value)	Real Value (2010)
Cherokee	\$342,493	\$308,212
Clayton	\$600,682	\$540,559
Cobb	\$1,486,867	\$1,338,043
DeKalb	\$1,097,724	\$987,850
Douglas	\$257,355	\$231,595
Fayette	\$228,842	\$205,937
Fulton	\$2,640,322	\$2,376,047
Gwinnett	\$1,597,377	\$1,437,492
Henry	\$332,777	\$299,468
Rockdale	\$174,452	\$156,990
<b>TOTAL</b>	<b>\$8,758,890</b>	<b>\$7,882,194</b>

*Sources: ARC/GSU Fiscal Research Center/Philadelphia Federal Reserve Bank/Georgia Department of Revenue*

Another important fact to consider is that existing State law does not allow sales tax within any county to exceed seven percent. Thus the enabling legislation for a TSPLOST would have to include a provision that increases this “ceiling”.

Advantages include:

- Potential to generate significant transportation funds at a low per resident cost or impact
- Revenues would be able to keep pace with regional growth
- Use of an existing collection mechanism

Disadvantages include:

- Historically not well received and politically difficult to implement, especially at a local level
- Concerns with regional development patterns due to businesses and residents choosing to live outside of the transportation sales tax area
- Potentially regressive in nature
- Dependant on economic conditions

### Property Tax for All Property Types

According to ARC forecasts, the 2010 assessed property values for the 18-county Atlanta Region will total approximately \$204.3 billion. A **0.5-mil increase** in property taxes (in the 18-county region) would yield approximately **\$3.95 billion in additional revenues between 2010 and**

**2040**, while a **1-mil increase** would generate an **additional \$7.9 billion** in revenue during the same 30-year period (see Table 14).

**Table 14: Revenues from Additional Millage Levied on All Taxable Property in 18-County Region—2010-2040**

Year	Forecasted 18-County Net M&O Digest	0.5 Mills		1 Mil	
		Nominal	Real Value (2010)	Nominal	Real Value (2010)
2010	\$204,343,497,637	\$102,171,749	\$102,171,749	\$204,343,498	\$204,343,498
2011	\$212,894,509,849	\$106,447,255	\$104,389,854	\$212,894,510	\$208,779,708
2012	\$221,445,522,061	\$110,722,761	\$106,508,567	\$221,445,522	\$213,017,134
2013	\$229,996,534,273	\$114,998,267	\$108,555,279	\$229,996,534	\$217,110,559
2014	\$238,547,546,486	\$119,273,773	\$110,534,364	\$238,547,546	\$221,068,729
2015	\$247,098,558,698	\$123,549,279	\$112,449,854	\$247,098,559	\$224,899,708
2016	\$255,649,570,910	\$127,824,785	\$114,305,471	\$255,649,571	\$228,610,942
2017	\$264,200,583,122	\$132,100,292	\$116,104,659	\$264,200,583	\$232,209,318
2018	\$272,751,595,334	\$136,375,798	\$117,850,609	\$272,751,595	\$235,701,218
2019	\$281,302,607,546	\$140,651,304	\$119,546,279	\$281,302,608	\$239,092,559
2020	\$289,853,619,759	\$144,926,810	\$121,194,420	\$289,853,620	\$242,388,840
2021	\$298,404,631,971	\$149,202,316	\$122,797,587	\$298,404,632	\$245,595,175
2022	\$306,955,644,183	\$153,477,822	\$124,358,164	\$306,955,644	\$248,716,328
2023	\$315,506,656,395	\$157,753,328	\$125,878,372	\$315,506,656	\$251,756,743
2024	\$324,057,668,607	\$162,028,834	\$127,360,284	\$324,057,669	\$254,720,568
2025	\$332,608,680,819	\$166,304,340	\$128,805,841	\$332,608,681	\$257,611,681
2026	\$341,159,693,031	\$170,579,847	\$130,216,856	\$341,159,693	\$260,433,712
2027	\$349,710,705,244	\$174,855,353	\$131,595,031	\$349,710,705	\$263,190,062
2028	\$358,261,717,456	\$179,130,859	\$132,941,960	\$358,261,717	\$265,883,919
2029	\$366,812,729,668	\$183,406,365	\$134,259,140	\$366,812,730	\$268,518,281
2030	\$375,363,741,880	\$187,681,871	\$135,547,980	\$375,363,742	\$271,095,960
2031	\$383,914,754,092	\$191,957,377	\$136,809,802	\$383,914,754	\$273,619,605
2032	\$392,465,766,304	\$196,232,883	\$138,045,855	\$392,465,766	\$276,091,709
2033	\$401,016,778,516	\$200,508,389	\$139,257,312	\$401,016,779	\$278,514,624
2034	\$409,567,790,729	\$204,783,895	\$140,445,282	\$409,567,791	\$280,890,564
2035	\$418,118,802,941	\$209,059,401	\$141,610,812	\$418,118,803	\$283,221,625
2036	\$426,669,815,153	\$213,334,908	\$142,754,892	\$426,669,815	\$285,509,783
2037	\$435,220,827,365	\$217,610,414	\$143,878,455	\$435,220,827	\$287,756,911
2038	\$443,771,839,577	\$221,885,920	\$144,982,389	\$443,771,840	\$289,964,777
2039	\$452,322,851,789	\$226,161,426	\$146,067,530	\$452,322,852	\$292,135,061
2040	\$460,873,864,002	\$230,436,932	\$147,134,675	\$460,873,864	\$294,269,351
<b>Grand Total</b>		<b>\$5,155,434,553</b>	<b>\$3,948,359,325</b>	<b>\$10,310,869,105</b>	<b>\$7,896,718,650</b>

Sources: Georgia Department of Revenue/ARC

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Advantages include:

- Broad tax base, providing the potential to generate significant transportation funds at a low cost per resident or impact
- The impacts of new development on existing transportation infrastructure would be funded in part by the property tax
- The ability to capture a portion of the rise in property values of adjacent land to a new transportation facility

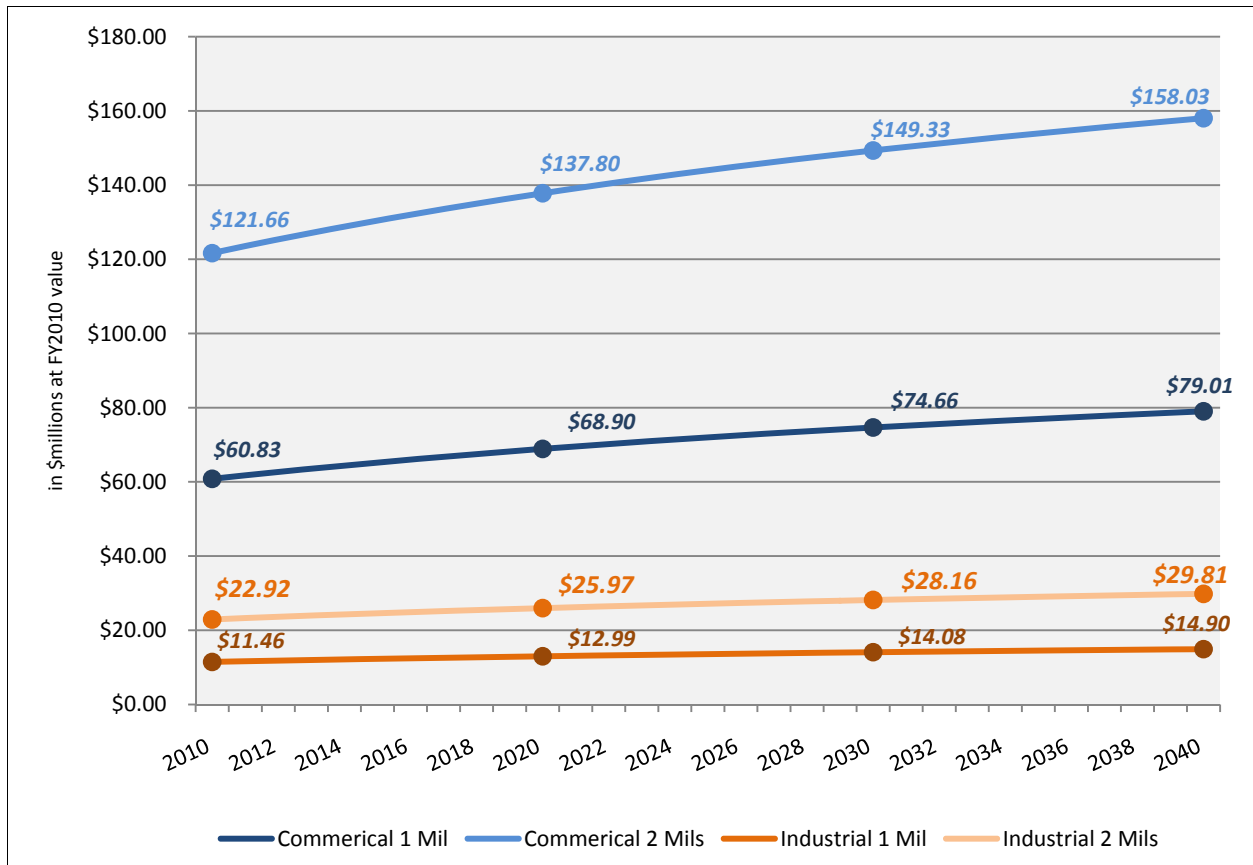
Disadvantages include:

- Public acceptance. A real estate property tax is one of the most unpopular taxes, and it has been the focus of voter resistance. Local residents may view this as an unfair burden to pay for facilities that should be shared with non-residents.
- Subject to fluctuations in the real estate market
- Potential impact on residential and commercial location decisions

### **Commercial & Industrial Property Tax**

According to the Georgia Department of Revenue, the 2009 assessed commercial and industrial property values in the 18-county Atlanta Region totaled approximately \$63.4 billion and \$11.1 billion respectively. A 1-mil increase in overall commercial or solely industrial property taxes for the 18-county area would generate annual revenues of \$60.8 million and \$11.5 million respectively in 2010—increasing to annual revenues (in FY2010 dollars) of \$79.0 million and \$14.9 million respectively by 2040. An additional 2 mils levied on overall commercial property or solely on industrial property would yield annual revenues of \$121.7 million and \$22.9 million respectively in 2010. By 2040, a 2-mil tax in either scenario would generate annual revenues of \$158.0 million, if levied on all commercial property in the 18-county region, and \$29.8 million if levied solely on industrial property (see Figure 10).

**Figure 10: Potential Revenue from Commercial & Industrial Property Taxes in 18-County Atlanta Region (FY 2010 value): 2010-2040**



Sources: Georgia Department of Revenue/ARC

The Table 15 illustrates the total revenue generated over the next thirty years for scenarios regarding a 1-mil and 2-mil increase on either property types. **In the years 2010-2040, a 1-mil increase on commercial property in the 18-county region would generate \$2.2 billion in revenue while a 2-mil increase would generate \$4.4 billion. In the same time period, a 1-mil increase on industrial property alone would generate \$416.5 million while a 2-mil increase would generate \$833.1 million.**

**Table 15: Total Forecasted Revenue from Millage Rate Increase on Commercial & Industrial Property in 18-County Atlanta Region: 2010-2040**

	<u>Commercial</u>	<u>Industrial</u>
(in \$millions at FY 2010 value)		
<b>1 Mil</b>	\$2,209	\$416.5
<b>2 Mils</b>	\$4,419	\$833.1

Sources: Georgia Department of Revenue/ARC

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Advantages include:

- Broad tax base, providing the potential to generate significant transportation funds at a low per resident cost or impact
- Provide additional revenue to address transportation needs and issues that arise from new large-scale commercial development projects

Disadvantages include:

- Impacts on business. While prominent members of the Metro Atlanta business community have been more vocal about the need to find additional sources of transportation funding, they may be hostile to a tax that seemingly targets solely them as it would increase commercial rents
- Potential impact on regional commercial location decisions

### Regional Vehicle Ad Valorem Tax

The vehicle ad valorem tax that is collected by the State and local governments is a type of property tax that generates revenues for the general funds of state and local governments—rather than a user fee that generates revenue for transportation. Elsewhere in the US, the vehicle ad valorem tax is also generally considered a non-user fee; however the courts in California and Washington have fairly recently interpreted such revenue streams as user fees. Other states are beginning to recognize the funding potential of vehicle ad valorem taxes, such as Arizona, which dedicated about one-third of a similar tax to state highways. From a political perspective, using existing vehicle ad valorem taxes, or imposing a small millage rate on motor vehicles, has the potential to be an easier sell to voters and constituents as it can be justified as a user fee.

Table 16 illustrates the revenue generated by a potential 1-mil and 2-mil vehicle ad valorem tax in the 18-county region. A **1-mil ad valorem rate** levied on motor vehicles would yield approximately **\$512.6 billion** to the Atlanta Region between 2010 and 2040, while **2 mils** would yield **\$1.03 billion** over the same 30-year period.

**Table 16: Forecasted Revenue from Potential Vehicle Ad Valorem Tax Increases in the 18-County Atlanta Region: 2010-2040**

Year	Forecasted Vehicle Tax Digest	1 Mil		2 Mils	
		Nominal	Real Value (2010 \$s)	Nominal	Real Value (2010 \$s)
2010	\$14,369,845,476	\$14,369,845	\$14,369,845	\$28,739,691	\$28,739,691
2011	\$14,868,026,207	\$14,868,026	\$14,566,893	\$29,736,052	\$29,133,787
2012	\$15,366,206,939	\$15,366,207	\$14,756,264	\$30,732,414	\$29,512,527
2013	\$15,864,387,671	\$15,864,388	\$14,938,409	\$31,728,775	\$29,876,819
2014	\$16,362,568,403	\$16,362,568	\$15,113,749	\$32,725,137	\$30,227,498
2015	\$16,860,749,134	\$16,860,749	\$15,282,670	\$33,721,498	\$30,565,340
2016	\$17,358,929,866	\$17,358,930	\$15,445,530	\$34,717,860	\$30,891,059
2017	\$17,857,110,598	\$17,857,111	\$15,602,660	\$35,714,221	\$31,205,320
2018	\$18,355,291,329	\$18,355,291	\$15,754,369	\$36,710,583	\$31,508,739
2019	\$18,853,472,061	\$18,853,472	\$15,900,944	\$37,706,944	\$31,801,888
2020	\$19,351,652,793	\$19,351,653	\$16,042,650	\$38,703,306	\$32,085,300
2021	\$19,849,833,525	\$19,849,834	\$16,179,736	\$39,699,667	\$32,359,472
2022	\$20,348,014,256	\$20,348,014	\$16,312,434	\$40,696,029	\$32,624,868
2023	\$20,846,194,988	\$20,846,195	\$16,440,961	\$41,692,390	\$32,881,921
2024	\$21,344,375,720	\$21,344,376	\$16,565,518	\$42,688,751	\$33,131,036
2025	\$21,842,556,451	\$21,842,556	\$16,686,296	\$43,685,113	\$33,372,592
2026	\$22,340,737,183	\$22,340,737	\$16,803,472	\$44,681,474	\$33,606,944
2027	\$22,838,917,915	\$22,838,918	\$16,917,213	\$45,677,836	\$33,834,426
2028	\$23,337,098,647	\$23,337,099	\$17,027,676	\$46,674,197	\$34,055,352
2029	\$23,835,279,378	\$23,835,279	\$17,135,007	\$47,670,559	\$34,270,015
2030	\$24,333,460,110	\$24,333,460	\$17,239,346	\$48,666,920	\$34,478,692
2031	\$24,831,640,842	\$24,831,641	\$17,340,823	\$49,663,282	\$34,681,646
2032	\$25,329,821,573	\$25,329,822	\$17,439,560	\$50,659,643	\$34,879,121
2033	\$25,828,002,305	\$25,828,002	\$17,535,675	\$51,656,005	\$35,071,349
2034	\$26,326,183,037	\$26,326,183	\$17,629,276	\$52,652,366	\$35,258,551
2035	\$26,824,363,769	\$26,824,364	\$17,720,466	\$53,648,728	\$35,440,933
2036	\$27,322,544,500	\$27,322,545	\$17,809,345	\$54,645,089	\$35,618,691
2037	\$27,820,725,232	\$27,820,725	\$17,896,005	\$55,641,450	\$35,792,010
2038	\$28,318,905,964	\$28,318,906	\$17,980,533	\$56,637,812	\$35,961,066
2039	\$28,817,086,695	\$28,817,087	\$18,063,013	\$57,634,173	\$36,126,025
2040	\$29,315,267,427	\$29,315,267	\$18,143,523	\$58,630,535	\$36,287,046
<b>Grand Total</b>		<b>\$677,119,250</b>	<b>\$512,639,862</b>	<b>\$1,354,238,500</b>	<b>\$1,025,279,725</b>

Sources: Georgia Department of Revenue/ARC



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Advantages include:

- Tax assessment and collection during the vehicle registration process.
- Low collection and administration costs.
- Tax is progressive and based on vehicle value, which often correlates to household income.
- Tax is highway-related and would be responsive to changes in the economy.
- Tax revenue would increase as the value and cost of vehicles increase.

Disadvantages include:

- Local residents would bear the burden. There would be no impact on non-residents and/or tourists

### Special Resident Assessments

Many states utilize a special or resident assessment program to finance part or all of proposed improvements to local roads. These assessments are charges to the owner of a property that benefits from an improved transportation facility. The charge can be based on frontage, value, or a combination of factors. They can also be used to support bond issues although special legislation is usually required. This assessment can be a one-time lump sum payment or a series of payments spread over five to 10 years.

The advantage of special assessments is that costs are shifted to a group of property owners in return for special benefits that accrue to their property as a result of nearby, publicly constructed physical improvements. Cost may be shifted only to the extent of the benefits received. Unfortunately, enabling legislation is required for the creation of special benefit assessment districts. Furthermore, property owners frequently challenge the establishment of special benefits assessment districts in court.

Advantages include:

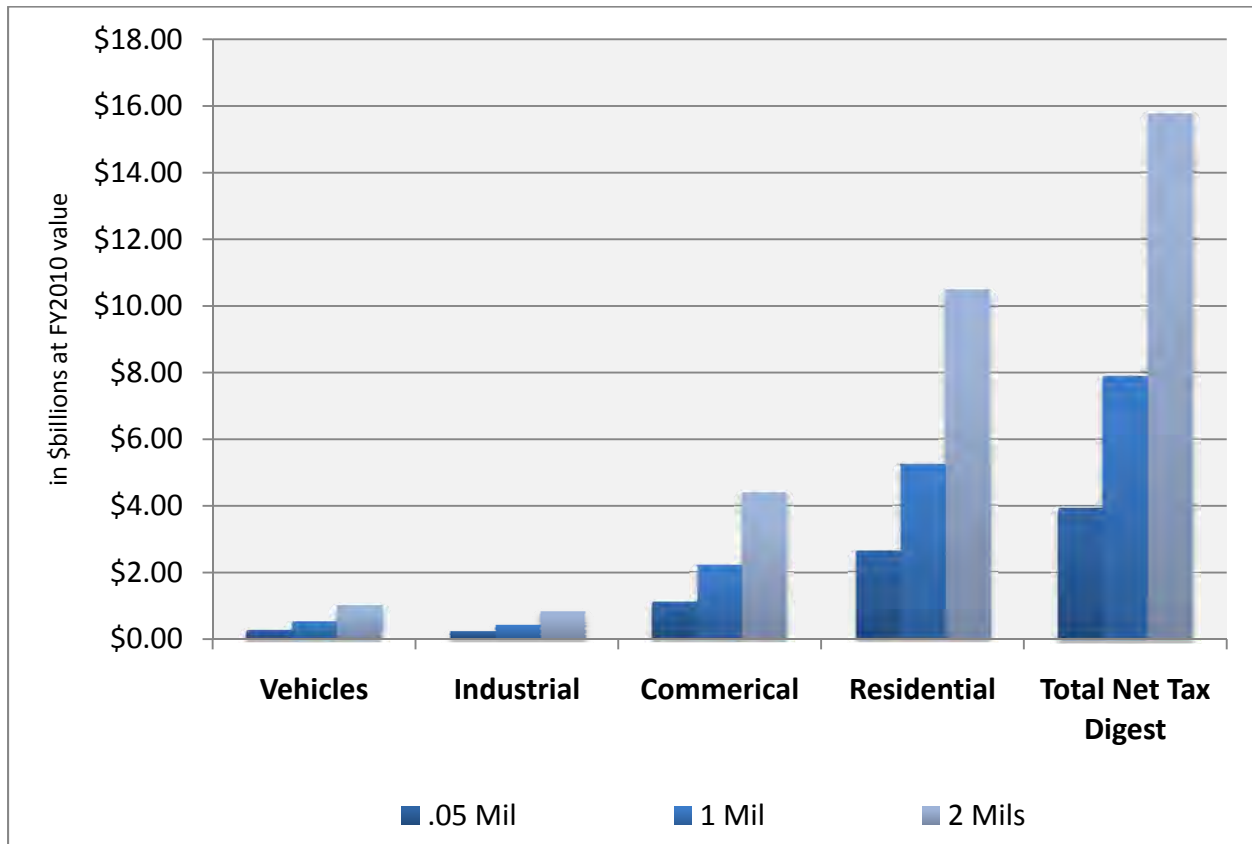
- The burden of the tax is upon the landowners who benefit from the improvement
- The tax would be equated to the benefit
- The ability to capture a portion of the rising property value of land adjacent to new transportation facilities

Disadvantages include:

- Enabling legislation is required
- Historically not well received. May not be viewed as just and/or equitable.
- Potentially regressive in nature

Figure 11 summarizes the potential revenue generated from millage rate increases on different property types, as well as on all taxable value, in the 18-county region in the years 2010-200.

**Figure 11: Forecasted Property Tax Revenue Totals by Type and Millage (FY 2010 value): 2010-2040**



Sources: Georgia Department of Revenue/ARC

Note: The Net Digest totals include any exemptions, while the industrial, commercial, and residential totals do not.

### Local Income Tax

A number of states, such as Maryland and Pennsylvania, permit local governments to levy a local income tax to raise funds for transportation projects. Here in Georgia, under State law, a county or local government has the option of levying either a SPLOST or local income tax to raise funds for capital projects. Implementing either of these options require citizen approval through a referendum.

The opportunities presented by this option are underlined by the fact that household income in the Atlanta MSA has traditionally grown at a faster rate than in the US as a whole. For the State of Georgia, the Department of Revenue, reports an annual average growth rate of 5.6% in the 18-county region’s net taxable income in the years 1998 – 2006. However due to the severe impact of the current economic downturn, economists have forecasted a slower rate of growth in incomes over the next 30 years. Additionally, economists differ in regards to determining when the economy will rebound back to the level it was in the year 2006.

The forecasted household population numbers are based on the Atlanta Regional Commission's demographic datasets. The net taxable income used is the 2006 total net taxable income as reported by the Department of Revenue at \$79.4 billion for the 18-county Atlanta region. The following table illustrates the most recent data available for current taxable income and tax liability in the Atlanta Region (see Table 17).

**Table 17: CY 2006 Individual Income Tax Data by County of Residence**

County	Net Taxable Income (in \$000s)	Total Tax Liability	%
Barrow	\$739,169	\$39,864	5.4%
Bartow	\$1,104,280	\$59,745	5.4%
Cherokee	\$3,352,188	\$196,642	5.9%
Clayton	\$1,931,489	\$98,918	5.1%
Cobb	\$13,602,721	\$766,402	5.6%
Coweta	\$1,617,084	\$88,705	5.5%
DeKalb	\$10,784,090	\$598,926	5.6%
Douglas	\$1,480,852	\$80,258	5.4%
Fayette	\$2,231,096	\$126,166	5.7%
Forsyth	\$3,496,776	\$198,905	5.7%
Fulton	\$25,511,902	\$1,469,083	5.8%
Gwinnett	\$11,595,384	\$642,450	5.5%
Henry	\$2,389,910	\$130,204	5.4%
Newton	\$978,148	\$52,425	5.4%
Paulding	\$1,564,024	\$84,626	5.4%
Rockdale	\$943,421	\$51,146	5.4%
Spalding	\$569,419	\$30,210	5.3%
Walton	\$1,039,389	\$56,864	5.5%
<b>Grand Total</b>	<b>\$79,431,095,722</b>	<b>\$3,113,928,488</b>	<b>5.6%</b>
<b>% of Georgia</b>	<b>59.9%</b>	<b>60.7%</b>	
<b>Rest of Georgia</b>	<b>\$53,076,169,562</b>	<b>\$2,012,062,145</b>	<b>3.8%</b>
<b>State Total</b>	<b>\$132,507,265,284</b>	<b>\$5,125,990,633</b>	<b>3.9%</b>

Sources: Georgia Department of Revenue/ARC

In the interests of brevity and allowing room for error, a range of income growth rates from 1 to 3 percent were analyzed. There are numerous regional, economic, and technological changes that can occur over the next thirty years that may shift the income growth rate one way or another; in addition, individual counties may be impacted differently from such changes.

As shown in the Table 18, a Regional Income Tax of 0.5% would have the potential of generating between \$12 billion and \$27 billion in revenue for the Atlanta Region over the next 30 years.

**Table 18: Estimated Revenue Generated from a 0.5% Regional Income Tax in 3 Growth Rate Scenarios**

	<b>1% Growth Rate (\$000s)</b>	<b>2% Growth Rate (\$000s)</b>	<b>3% Growth Rate (\$000s)</b>
Net Taxable Income	\$3,193,407,809	\$4,779,804,693	\$7,304,960,213
0.5% Tax Liability Estimate	\$15,967,039	\$23,899,023	\$36,524,801
<b>Real Value (FY2010)</b>	<b>\$12,293,759</b>	<b>\$17,953,261</b>	<b>\$26,814,344</b>

Sources: Georgia Department of Revenue/ARC

Should a statewide income tax be levied at 0.5 percent, the Atlanta Region would capture a smaller portion of the generated revenue due to Congressional Balancing law—as well as the fact that incomes overall are higher on average in the Atlanta Region than they are elsewhere in Georgia. The following table displays the likely results of this scenario.

**Table 19: Atlanta Region's Estimated Share of a 0.5% Statewide Income Tax--2010-2040**

	<b>1% Growth Rate (000s)</b>	<b>2% Growth Rate (000s)</b>	<b>3% Growth Rate (000s)</b>
Net Taxable Income	\$5,002,999,684	\$7,488,351,880	\$11,444,424,209
0.5% Tax Liability Estimate	\$25,014,998	\$37,441,759	\$57,222,121
Atlanta Region's Share	\$14,952,222	\$22,562,431	\$34,734,162
<b>Real Value (FY2010)</b>	<b>\$11,431,976</b>	<b>\$16,838,450</b>	<b>\$25,349,112</b>

Sources: Georgia Department of Revenue/ARC

As illustrated in Table 19, over the next thirty years the Atlanta Region would collect \$861 million less in revenue from a 0.5-percent statewide income tax should statewide incomes grow at an average annual rate of one percent—versus \$1.1 billion less should incomes grow annually at two percent and \$1.5 billion less should incomes grow annually at three percent. An income tax can be tailored into a progressive tax; however, to achieve this complexity of the tax code would become burdensome. Also, as with the sales tax, the individuals who pay, often are not those who benefit.

Advantages include:

- Large tax base; enabling tax rate to be lower than other potential fund generators
- Since the tax is waged based, it should keep pace with inflation

Disadvantages include:

- Enabling legislation may be required
- Burden of the tax may not fall on those who benefit
- Potential to encourage residential development outside of the local income tax area

### Regional Vehicle Miles of Travel (VMT) Tax

Federal planning discussions point the likelihood of mileage-based VMT tax as becoming the predominant funding mechanism of transportation improvements of the next decade. While the discussions on the VMT tax will evolve over the coming decade, several options are under discussion regarding the implementation of this funding mechanism by 2020.

As the new mileage-based fee system is implemented, the Federal government would reduce—and ultimately eliminate—the current Federal motor fuel tax, as well as other vehicle-related charges, as the primary mechanism for funding the surface transportation system. Most discussions at the national level focus on adding a 1.5 cent to 2 cent per mile VMT tax. For the Atlanta region, this funding source would have the potential to generate \$25 billion to \$34 billion over the next thirty years. However if the rate is not indexed to inflation—as is the situation of current Federal and State motor fuel taxes—average annual revenue would decline by at least \$46 million in real value by 2040 (see Table 20).

**Table 20: Potential Sources of Revenue per Year - VMT Tax (FY 2010 value)**

	Miles	1.5-Cent Rate	2-Cent Rate
Average Daily VMT 2010-2040	194,147,256		
Average Annual Revenue from VMT Tax		\$1,062,956,226	\$1,417,274,968
2010-2040 Total Revenue		\$32,951,643,000	\$43,935,523,999
<b>2010-2040 Total Revenue Real Value (2010)</b>		<b>\$25,250,206,169</b>	<b>\$33,666,941,559</b>

Source: Atlanta Regional Commission

### Local Business License Tax

Another alternative financing measure is a business license tax, which is a levy on county business revenues. Several counties and municipalities in Georgia currently use a business license tax as a source of revenue.

An advantage associated with the business license tax is that it is responsive to changes in inflation and fluctuations in the local economy. Since many businesses rely on the quality of the local transportation infrastructure, a case can be made for businesses to assist in their maintenance.

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A disadvantage with this type of tax is that businesses usually increase their costs to compensate. If the tax burden is too heavy, especially for smaller, less stable businesses, it makes them less competitive and could force them out of the market. To compound this problem, most counties do not have an established collection system, and large start-up and implementation costs would be required.

Advantages include:

- Responsive to changes in inflation and fluctuation in the local economy

Disadvantages include:

- Potential to force smaller businesses out of the market
- Potential for large start-up and implementation costs

### Public-Private Partnerships

Generally, public-private partnerships can take one of four forms:

- Developer financing
- Negotiated investments
- Private ownership
- Private donation.

Developer financing involves the payment of capital transportation improvement costs by private developers in return for dedicated land, construction of specific facilities, traffic control measures, changes in existing zoning and building regulations, or subsidized facilities. Such financing can be voluntary or required by law. It can also result in the reduction of public expenditures but can be inequitable to developers. The developer is directly responsible for assisting in providing roadway improvements for at least part of the traffic from the development. Furthermore, the developer may have some voice concerning the improvements that are selected.

Negotiated investments involve contributions by private developers to the cost of public transportation improvements in return for changes in existing zoning and building regulations. The revenue potential may be limited by growth, construction rate, mobility requirements, and location desirability. Unfortunately, legal issues can arise concerning the extent to which a governmental body can attach conditions to zoning approvals.

Private ownership includes the sharing of ownership costs between transportation agencies and private entrepreneurs, employer subsidies for transportation, or development of a private consortium with authority to finance, construct, and charge fees to provide transportation. Such ownership is eligible for specific depreciation, investment tax credit or tax deductions. Private donations involve land or capital contributions by business and private citizens for

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improvements that have strong private interests. It provides a means to complete infrastructure improvements on a timely basis and is eligible for specific depreciation, investment tax credit or tax deductions.

Despite the potential for public-private partnerships, total ownership and operation of transportation facilities by the private sector will continue to be a small part of the solution to the funding issue. Donations and joint development can be greatly enhanced by overcoming the governmental and institutional barriers through such concepts as nonprofit transportation corporations. Federal legislative proposals to allow private contributions to count as the state or local match on Federal-aid highway projects could make this revenue option more desirable to local officials.

### Local Accommodations Tax

It is possible that a significant revenue stream can be associated with accommodations taxes. The State of Georgia already imposes a two percent accommodations tax. The revenue generated by this tax is collected by the State and (minus administration fees) distributed back to the entity from which it was collected, up to \$400,000. The State also requires that counties allocate the funds for special purposes. The first \$25,000 must be allocated to the general fund and can be used at the county's discretion. Twenty-five percent of the remainder must be allocated to a special fund for advertising and promotion of tourism. The remaining balance can be used for tourism-related projects including transportation in the area that generated the revenue.

Since visitors place a burden on local services (including local road maintenance), there is a rationale for this type of tax. Because there is no current local option for an accommodations tax, this would require an amendment of the State Constitution's Home Rule Charter.

Research into this tax identified that Atlanta already imposes some of the highest accommodations taxes in the southeast. Additionally, portions of these taxes already go to fund substantial regional investments such as the Georgia Dome and the World Congress Center. Research also failed to identify any circumstances where an accommodations tax was used to pay for an infrastructure improvement that was not directly related to the hospitality industry such as access to new convention or tourist destinations.

Advantages include:

- No significant adverse effect on the local tourism industry
- Should be accepted by local residents
- Ease of application and collection

Disadvantages Include:

- Atlanta already imposes high accommodations taxes
- Historically, accommodation tax funds have been applied exclusively for the benefit of the hospitality industry
- Requires an amendment to the State Constitution's Home Charter

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## Privatization

There are several examples of transit or highway privatization in the U.S., and there is no assurance regarding their success. The facility is assumed to be revenue generating through fare box and toll recovery, built with some combination of public and private funding. At least part of the capital cost is debt-financed, so fare box recovery tolls are required to retire the debt.

Privatization requires a willing operator, first and foremost, that has some ability to generate revenues to retire bonds at an attractive rate. The facility must generate considerable ridership early in order to establish a viable revenue stream. Finally, a government guarantor to assure the public of a “fallback” position must back this concept.

## Parking Fees

Parking in public spaces and facilities is an activity undertaken by the vast majority of motorists in the Atlanta Region—whether parking in their office’s parking deck or using a parking lot in front of the supermarket. Proponents of using parking fees as a source for transportation revenue argue that due to this behavior, parking facilities would make a logical point-of-collection for fees from users of the Region’s transportation infrastructure. Additionally, Atlanta has one of the lowest costs of parking in an urban center in the nation—averaging \$90 per month.

The two most prominent, yet basic, collection options are the following:

- **Transactional Tax:** This is the most commonly used collection technique in the United States and involves a scenario where a fee would be collected at every transaction made for parking as a percentage of the overall parking cost. This bears a resemblance to a sales tax on parking. However a major drawback to this method is that there are a number of free parking spaces offered to motorists and commuters in Atlanta, such as parking at workplaces and at private residences—thus mitigating the incentives that a motorist would have for utilizing another mode of transportation. The City of Atlanta has estimated that if a \$1 daily surcharge was levied on transactions for 200,000 parking spaces inside of the city (including an indexing the charge to an inflation rate of 1 percent annually), it would generate \$75.9 million in its first year of implementation—eventually increasing to \$181.1 million annually by 2030.
- **Ownership Tax:** This collection option refers to taxing an owner of a parking space through yearly billing on a per-space basis. Most likely, the owner of the space would pass on the cost to the user thus generating revenue for the owner to pay the tax. The City of Atlanta has estimated that instituting a 10-percent tax rate on 50,000 spaces in the city that average \$90 per month, \$5.4 million in revenue would be generated in its first year—subsequently increasing to \$13.4 million annually by 2030.



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Overall parking fees would be the most useful at the major regional activity centers in the Atlanta Region and would be most likely collected by local governments rather than a regional entity. The advantage for this form of generating revenue is that the burden of maintenance and operation is dispersed amongst all users of the local transportation network rather than solely being placed on local residents. Additionally parking fees are more of a user-fee based mechanism which may be less controversial to enact than a more conventional tax increase.

## Summary of Potential Funding Alternatives Forecasts

Table 21 shows the potential yield of various funding alternatives. These figures are a work in progress, and will be updated as new and updated information is received in the Plan 2040 planning process. Currently the ARC Board supports a regional sales tax for transportation projects (TSPLOST). However the Board also recognizes that this mechanism will only partially fulfill the Region’s transportation needs; thus underlining the urgent need to identify other potential funding sources for our region’s transportation infrastructure.

**Table 21: Potential Funding Sources for Transportation (FY 2010 Value)—2010-2040**

Potential Funding Mechanism	Tax Levied	Revenue Generated (2010-2040)
<b>Motor Fuels Excise Tax Rate Increases</b> (additional <i>State</i> revenue)		
	1-cent	\$1.2 billion
	2-cent	\$2.4 billion
	3-cent	\$3.6 billion
<b>Prepaid Motor Fuel Sales Tax Increases</b> (additional <i>State</i> revenue)		
	1% Increase	\$5.8 billion
	2% Increase	\$11.6 billion
	4% Increase	\$23.3 billion
<b>Regional Vehicle Registration/License Plate Fees</b>		
	5-Dollar Fee	\$650.8 million
	10-Dollar Fee	\$1.3 billion
<b>Regional Commission TSPLOST (10-County ARC/2013-2022)</b>	1% Sales Tax	\$7.9 billion
<b>Regional Millage Rate Increase</b>		
Net M&O	(0.5 Mils/1 Mil)	\$3.9 billion/\$7.9 billion
Industrial	(1 Mil/2 Mils)	\$417 million/\$833 million
Commercial	(1 Mil/2 Mils)	\$2.2 billion/\$4.4 billion
<b>Regional Vehicle Ad Valorem Tax Increase</b>	(1 Mil/2 Mils)	\$513 million/\$1.0 billion
<b>Regional Income Tax Increase</b> (levied by MPO counties)	0.5% Increase	
If Incomes Grow at 1% Annually		\$12.3 billion
If Incomes Grow at 2% Annually		\$18 billion
If Incomes Grow at 3% Annually		\$26.8 billion
<b>Statewide Income Tax Increase--Regional Share</b>	0.5% Increase	
If Incomes Grow at 1% Annually		\$11.4 billion
If Incomes Grow at 2% Annually		\$16.8 billion
If Incomes Grow at 3% Annually		\$25.3 billion
<b>Regional Vehicle Miles Traveled Tax</b>		
	1.5 Cents/Mile	\$25.3 billion
	2 Cents/Mile	\$33.7 billion
<b>Parking Fees* (Annually for 20 Years in City of Atlanta)</b>		
Transactional Tax	(\$1 x 200,000 spaces)	\$75.9 million-\$181.1 million
Ownership Tax	(10% for 50,000 spaces at \$90/month)	\$5.4 million-\$13.4 million

Note: In this analysis, the term “regional” refers to the 18-county Atlanta MPO planning area unless otherwise noted.

\*Parking fees revenues are illustrated in their nominal value.