

FINAL REPORT



Successful Transit Tax Referendums

Leadership APTA Class of 2014

September 2014

TABLE OF CONTENTS

Section 1 Introduction	1
Overview	1
Section 2 Process for Selecting Study Referendums	2
How Did We Select Communities Studied?	2
Section 3 Key Findings	6
Building Coalitions.....	6
Right Face of the Campaign.....	9
Right Timing.....	11
Framing the “Ask”	14
Section 4 Lessons Learned	16
What Did We Learn?	16
Section 5 Study Conclusions	19
What Are the Key Take-Aways?	19
Section 6 Study References	20
Materials Used.....	20

LIST OF TABLES

Table 2 - 1	4
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LIST OF FIGURES

Figure 2-1	4
Figure 3-2	8
Figure 3-3	8
Figure 3-4	12
Figure 3-5	15

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Section 1 | Introduction



Overview

This paper examines the tax referendum process as a means to secure sustained funding to help fill the gap between transit agencies' revenues and the increasing needs of the community. According to *TransForm*, in 2013, Americans took more than 10.7 billion trips on transit, the highest levels in 57 years. However, in spite of this increase in ridership, only 17.7% of federal transportation funding dollars go to public transit and those funds are largely used to fund capital expenses (mostly purchasing new buses), not operating expenses. Transit districts across the United States are struggling to meet the demands of increased ridership and community needs with dwindling or neutral revenues.

The focus of this project was to gather information from a variety of transit agencies that have recently pursued a tax referendum, either successfully or unsuccessfully. To ensure diversity among the study, candidates' metrics such as agency size, geographic regions and type of referendums were analyzed. Using the Center for Transportation Excellence (CTEs) "Eleven Keys to Success" as a framework, interviews were conducted with General Managers/Chief Executive Officers (CEOs) and Board members from multiple states with diverse political leanings and a mix of rural and urban populations.

This paper includes lessons learned, practical advice from transit professionals and tools for organizing and initiating a successful referendum process. This report includes a quick reference guide (in the form of flow charts) that leaders of transit agencies can use when considering a future tax referendums in their communities. Section 5 includes a summary of our conclusions.

This paper examines the tax referendum process as a means to secure sustained funding to help fill the gap between transit agencies' revenues and the increasing needs of the community.

As Acting Federal Transit Administrator Therese McMillan stated in a March, 2014 Administration press release: "...we must continue investing together, in our nation's public transportation infrastructure, so future generations have the mobility they will need to succeed."

Section 2 | Process for Selecting Study Referendums



How Did We Select Communities Studied?

The process started by identifying available literature and research on the subject. The Center for Transportation Excellence has various materials on local tax initiatives, one of which was the “Eleven Keys to Success.” Using this document as a framework, we became familiar with various factors that could result in a successful transit tax referendum and set out to determine if these factors held true in the communities we identified.

Subsequently, we surveyed communities across the country that have held tax referendums within the last five years. We found the following:

- Twenty-five states have conducted transit referendums in their respective communities between 2009 and 2014. These referendums were led by the local municipalities, regional planning organization or in partnerships between transit agencies and local stakeholders (cities, counties, etc.).
- These 25 states had different political leanings: 11 republican-leaning states and 13 democratic-leaning states (at the time of the elections).
- A total of 144 tax measures were placed on the ballot in these 25 states, with many of them in the state of Michigan (total of 65 measures).
- These 144 tax measures were split as follows:
 - Bond: 12 measures
 - Gas Tax: 1 measure
 - Property Tax: 88 measures
 - Sales Tax: 34 measures
 - Vehicle Fee: 7 measures
 - *Other: 2 measures

*Others refer to referendums to form a Regional Transit Authority (RTA) or decision to join/opt-out of an existing RTA.

Further, we determined the percentage of wins and losses out of the 144 measures. Seventy-six percent of the 144 measures passed. A closer examination of more recent referendums in 2012 and 2013 revealed similar passing percentages as follows:

- 2012 Referendum:
 - 20 States
 - 67 Measures (51 wins)
 - 76% success rate
- 2013 Referendum:
 - 10 States
 - 17 Measures (13 wins)
 - 76% success rate

Between 2009 and 2014, a total of 144 measures were place on ballots in 25 States. 76% of the measures passed!

In 2014, between January and May, we found the following:

- 5 States
- 7 Measures (4 wins)
- 57% success rate

Having established a base understanding of national trends, our team proceeded to interview executives or the agency designated staff across a diverse set of transit agencies to identify lessons learned and best practices. Using the following factors, we interviewed 14 transit/transportation agencies (See **Figure 2-1**) across the United States:

- Geographic spread of the referendums (East, Midwest, Southeast, Central, West, etc.)
- Geographic locations of the communities (Urban versus Rural)
- Political leanings of the communities (Red versus Blue States)
- Types of referendums (Property tax, Sales tax, Gas tax, etc.)
- Size of the agency (large sized versus mid-sized or small sized based on annual ridership).

Figure 2-1



Using (CTEs) “Eleven Keys to Success” as a framework we developed interview questions based on each key as shown in Table 2-1 below:

Table 2 - 1

CTE – ELEVEN KEYS TO SUCCESS	QUESTIONS
DEVELOPING THE PLAN: <ul style="list-style-type: none"> • Specific Plan: have a specific plan in place to be prepared to handle the upcoming election. • Simple Issue. Make sure the issue is a simple issue, not too complicated to comprehend. • Clear Benefit: Make sure there are clear benefits to the voters. “What’s in it for them?” Clearly answer this question. • Regional Balance: Your plan should include a regional balance of transportation options. • Governance/Accountability: Your plan should be responsible and show accountability. No “blank check” proposals. • Creative Solutions: Be creative in deciding the proposal you plan to put before voters. Ensure that you have considered all options. • Adequate Funding. Make sure your proposal will provide adequate funding for your project or your proposal. 	<ul style="list-style-type: none"> • Why did you decide to move forward with a tax referendum? • As a General Manager, what were the key decision points that you identified as you worked through the process? • What kind of tax referendum did you move forward with, sales or property tax? • How did you determine the specific ballot requirements (i.e., capital vs. O&M, list of projects to complete, time period)? • How did you define the amount of funding that would be raised from your tax referendum (i.e., did you assume bonding or pay-go, did you include finance charges, how did you split between capital and O&M)? • What limitations did you have in terms of supporting the tax referendum (i.e., any state laws that impacted the process)? How did

CTE – ELEVEN KEYS TO SUCCESS	QUESTIONS
	<p>you address those limitations?</p> <ul style="list-style-type: none"> • What was the biggest challenge you faced in supporting your tax referendum? • If there is one piece of advice you would offer to a General Manager who is considering a tax referendum, what would it be? • What other lessons learned could you share from your successful/unsuccessful campaign?
<p>OUTREACH:</p> <ul style="list-style-type: none"> • Timing: make sure timing is appropriate to have a local election. • Champion(s): Identify a champion or someone local in charge of the campaign voters can connect with. • Public Involvement: It's essential that there is public involvement plan that is strategic and inclusive. • Listen to Community: Keep your eyes and ears open throughout the election process. Be prepared to answer the concerns of the community quickly. 	<ul style="list-style-type: none"> • How did you gain consensus with your community leaders, elected officials, private sector businesses, etc. to move forward with an election? • How was the campaign funded – how much did it cost?

Section 3 | Key Findings



The following section includes a discussion of the key findings from our study, including:

- Building coalitions for the referendum;
- Identifying the right face of the campaign;
- Deciding on the right time for the referendum; and
- Framing the “ask” appropriately.

Building Coalitions

Develop Community Coalitions. Developing strong coalitions with community members is essential to running a successful tax referendum. Transit agencies engage daily with broad and diverse populations of customers and stakeholders. Each of these customer or stakeholder groups brings unique perspectives and desires related to a potential tax referendum. For example, customers may be focused more on the potential impacts of the referendum on the quality and timeliness of their transit service, while some stakeholders may be more concerned about the potential impacts of construction in their neighborhoods. What we identified during our research was that many agencies that held successful tax referendums not only identified each of these customer and stakeholder groups early, but developed specific “value propositions” for each of these groups. The specific value propositions varied depending on the type of tax initiative and the location and makeup of the customers and stakeholders. For example, a value proposition for your customers could relate to increases in service, but a value proposition for your stakeholders might relate to reducing congestion on the roads so they have less traffic when driving.

Be Visible In Your Community. Another key to building coalitions is for the General Manager/CEO of the transit agency to be very visible in the community, engaging directly with customers and stakeholders to develop trust. He or she needs to provide accurate, timely information when asked and must be comfortable engaging with both supporters and opponents in the community. Most of the successful tax referendums we researched began developing coalitions several years in advance. For example when The Rapid, in Grand Rapids, Michigan lost a tax referendum in 2009, they immediately started developing a comprehensive Transit Master Plan to answer the question “What is in it for me?” for their customers and stakeholders. This helped the organization pursue a successful follow-up tax referendum in 2011.

David Armijo former Hillsborough Area Regional Transit (HART) CEO stated that it is important to build coalitions early enough in the process and to remember that politics regarding transit referendums are local. Having the best interest of the business community is important during the process and an initial coalition must include leaders who know their community. Local unions are also an important part of the process as they can be strong advocates for the referendum.

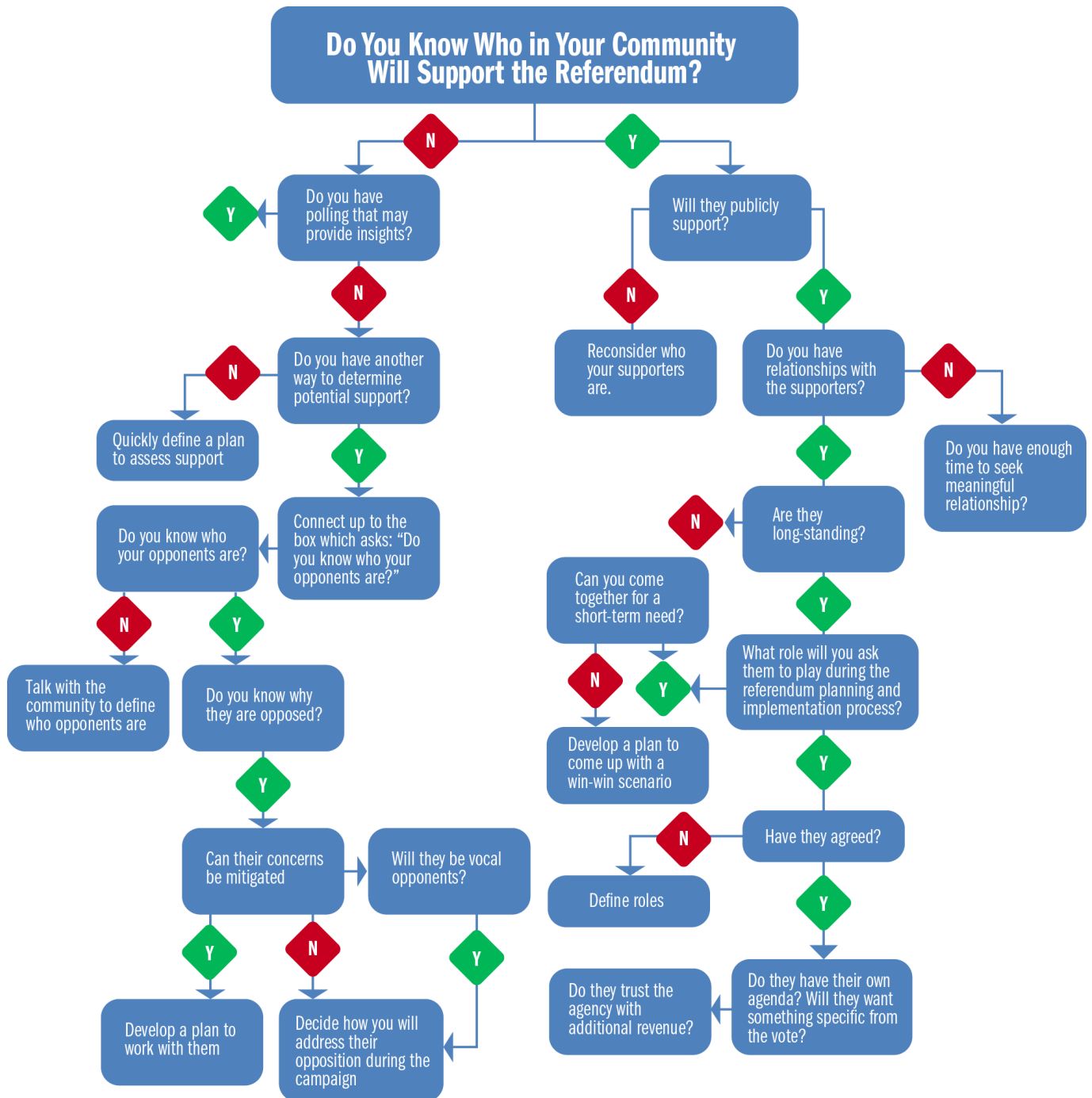
It is important to build coalitions early enough in the process and to remember that politics regarding transit referendums are local.

During the November 2013 elections, Missoulians approved a \$14.5 million levy increase for operating improvements to the Missoula Urban Transportation District (Mountain Line). In 2012 the Missoula residents participated in an extensive planning process to define the future of Mountain Line bus services. The coalitions formed during this planning process were instrumental in the passage of this levy.

Partner With Specific Community Groups. A unique approach to coalition building was taken by the Regional Transportation District (RTD) in Denver, Colorado. RTD focused on developing strong relationships with minority and community organizations, many of whom were interested in having opportunities to work on the FasTracks transit expansion program if the tax referendum were to pass. RTD developed a series of Memorandums of Understanding (MOUs) with various minority and community groups. The MOUs focused primarily on how RTD would engage these communities to ensure that they have a seat at the table in decision-making and opportunities to get jobs to support the program. This eventually resulted in the agency developing the “Workforce Initiative Now (WIN)” program for RTD that identifies and trains local employees for jobs on the FasTracks projects in their neighborhoods. WIN is a partnership between RTD, the Community College of Denver, the Urban League of Metro Denver and Denver Transit Partners to provide local residents with skills training and jobs on FasTracks and other local transit projects. WIN has a network of more than 30 community-based organizations, community and technical colleges, industry training providers and workforce development regions. Clients receive training, placement and resources to help them attain and retain jobs with living wages.

The following graphic provides a framework for identifying and building coalitions for a tax referendum.

Figure 3-2



Right Face of the Campaign

Role of the Executive. It is important to understand the requirements and limitations on campaigning that are unique to your specific state. For example, while the General Manager/CEO may want to lead the campaign for a tax referendum, he or she is often not allowed to do so according to state statute. Therefore, the General Manager/CEO must focus his or her time on educating the public on the facts related to the tax referendum, not asking for people's support. There is a gray area between education and advocacy, which should be determined by your legal staff. For example, the Toledo Area Regional Transit Authority (TARTA) in Toledo, Ohio worked with their legal staff to develop an agency-funded marketing campaign that helped support their tax referendum. They called it the "Empty Seat Campaign," and demonstrated the personal impacts of service cuts to their customers by placing an empty bus seat at a doctor's office, or other local businesses. The campaign was well received and helped support the successful tax referendum.

Whether or not the General Manager or CEO can act as the "face of the campaign," he or she plays an integral role in the tax referendum by setting the tone of the campaign. He or she is often involved in identifying who will lead campaign activities and in the integration of the campaign activities with the educational activities being led by the transit agency. The transit agency and privately-funded campaign organization must work seamlessly together to ensure consistent messaging.

Various Faces of the Campaign. The "face of the campaign" could come from a number of sources including the agency's Board of Directors, a popular public elected official or a community group.

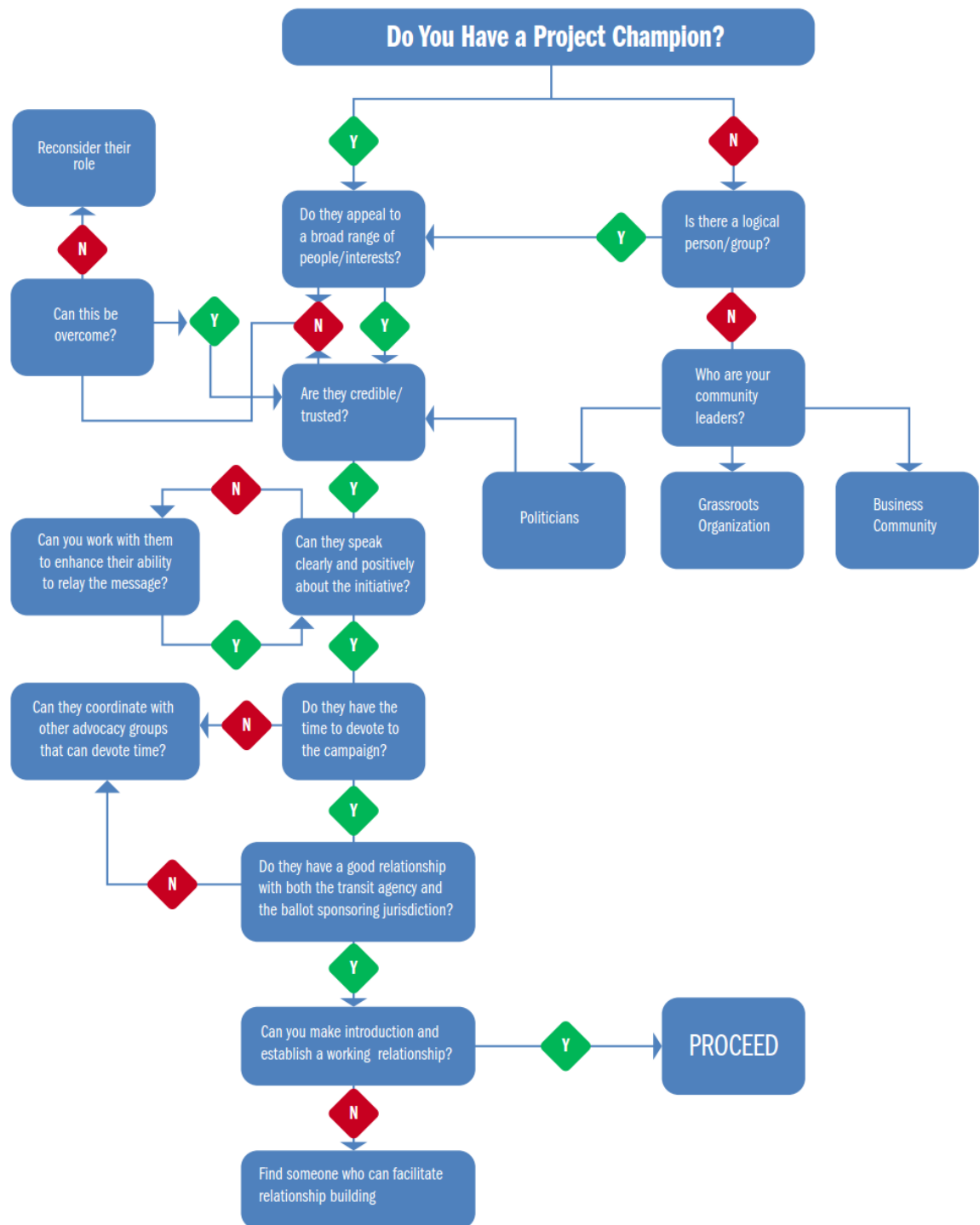
Whether or not the General Manager or CEO can act as the "face of the campaign," he or she plays an integral role in the tax referendum by setting the tone of the campaign.

For example, in Washington State the executive board officer of the local Union at Grays Harbor Transit lead much of their public outreach. Union members were very instrumental in increasing public awareness, including conducting a voter registration campaign and raising funds for the successful campaign. This increase to the sales tax initiative passed with a 73% yes vote.

In another successful referendum process in Missoula (Montana), a stakeholder group was formed and named, "Friends of Mountain Line." Included in this advocacy group was the mayor of Missoula who was up for re-election and was a longtime supporter of the transit agency. This group attended outreach events and spoke at civic organizations throughout the authorizing area. The District engaged the assistance of a consulting firm specializing in the referendum process. This firm was able to interact consistently with the Friends of Mountain Line advocacy group. The role of the transit district was one of providing facts and information on current conditions and the Strategic Plan for the future, a 5 Phase Plan lasting into 2040.

The following graphic provides a framework for identifying whether you have a "Project Champion" for your tax referendum.

Figure 3-3



Right Timing

Timing is critical to ensure the success of any tax referendum. Consistent feedback from everyone that we interviewed stressed the importance of starting early to prepare for a future tax initiative. Issues to consider when identifying the correct timing for your initiative include:

- **State of the economy:** Voters are less likely to vote for a tax increase during challenging financial times.
- **Type of election:** (i.e., general election or local election). National elections may bring more voters to the ballot box, but they can also be more expensive due to competing ballot initiatives. Local elections can allow you to highlight and differentiate your specific referendum, but voter turn-out will be lower.
- **Ballot content:** You may not want to include your initiative on a ballot with multiple proposals asking to raise taxes.
- **Timing:** Amount of timing needed to educate your stakeholders and build a supportive coalition. This must be determined on a case-by-case basis depending on the make-up of your community, how your agency is viewed, how visible your champion is, the popularity of your initiative, etc. This also relates to how much time you will need to raise campaign funding.

Timing is essential in planning for a successful tax referendum.

Michael Tree, CEO from Missoula Urban Transportation District, agreed that timing is essential in planning for a successful tax referendum. In 2012, the transit district implemented an extensive planning process to define the future of their Mountain Line bus services through 2040 that coincided with the 35th anniversary of the service. Michael Tree stated “there was a positive opinion in the community regarding the Mountain Line service, we built on that image and highlighted the 35th anniversary.” All types of media were used including e-mail blasts, Facebook, print materials, and banners around the community to celebrate the 35th Anniversary. Mountain Line was kept in the news with positive promotions.” In November 2013 voters approved the \$14.5 mil levy increase.

The following graphics provides a framework for identifying the correct timing for your tax referendum.

Figure 3-4 (a)

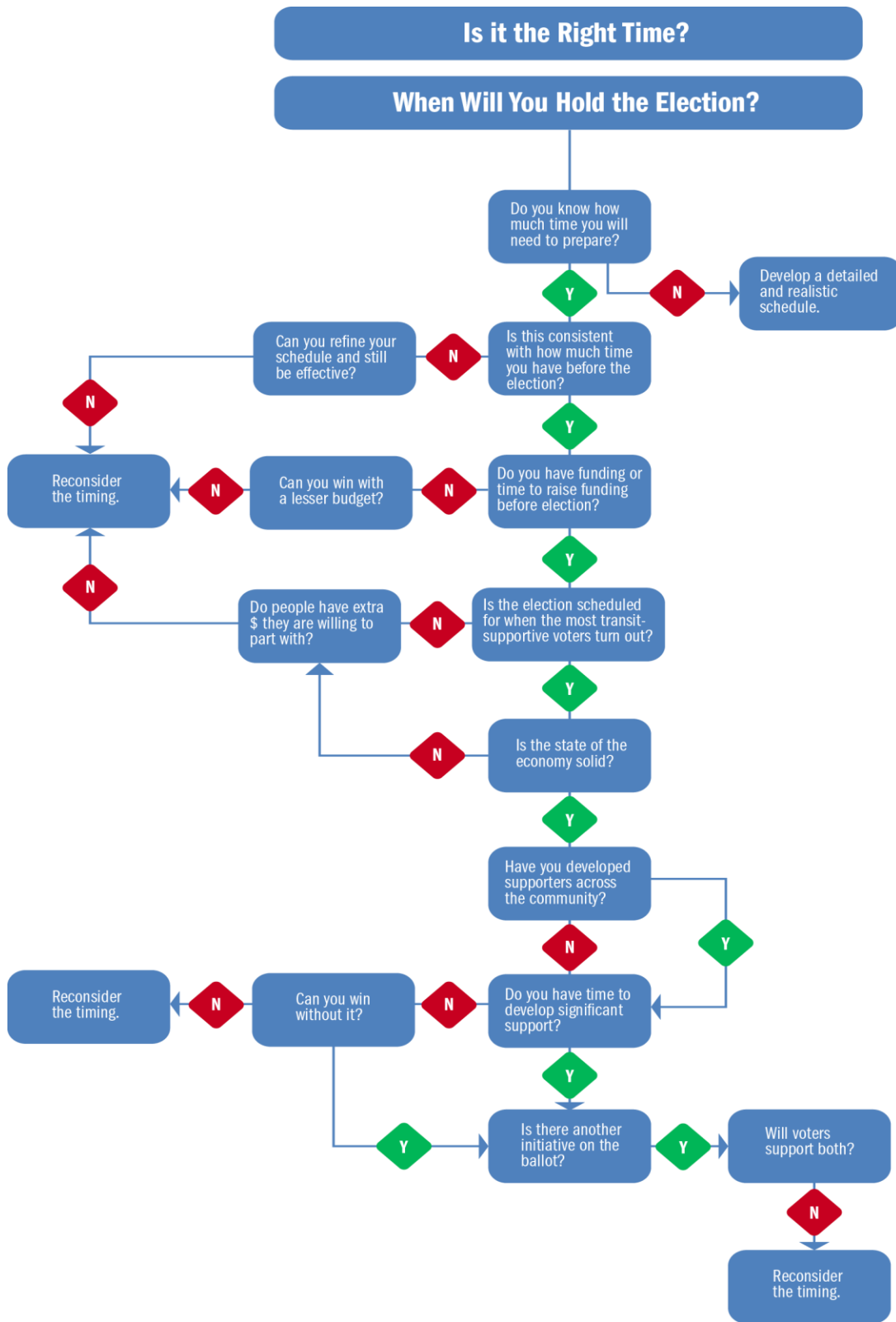
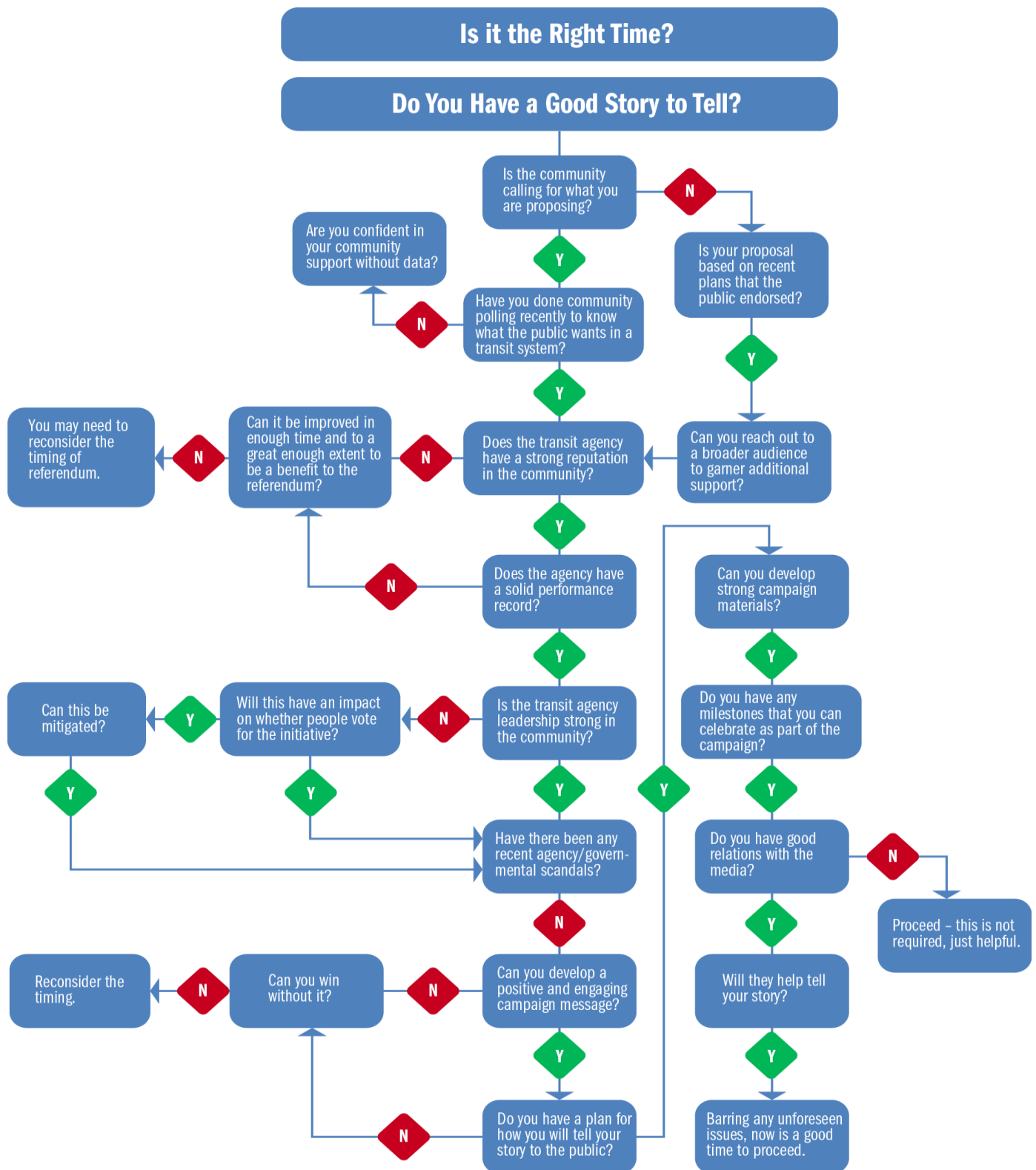


Figure 3-4 (b)



Framing the “Ask”

Community Needs. Understanding the needs and perspectives of your community is essential to crafting the appropriate ballot language for your tax initiative. As discussed above, it is important to identify the different stakeholder groups in your community and to identify a compelling reason for each group to vote for your initiative. When developing the specific language to be included in your ballot, you must consider the following:

- **Legal requirements.** Some states have specific language or requirements that will impact how you can describe your initiative.
- **Easy to understand.** It is very important for your ballot language to be clear and easily understandable. Voters that are confused, often vote “no.”
- **How to describe the “ask.”** In some cases, we found that tax referendums that were too specific to a particular project or community were not successful. Peter Varga, the CEO of The Rapid believed that the first referendum in 2009 failed, in part, because the ballot was specific to one project, instead of to a broader plan.

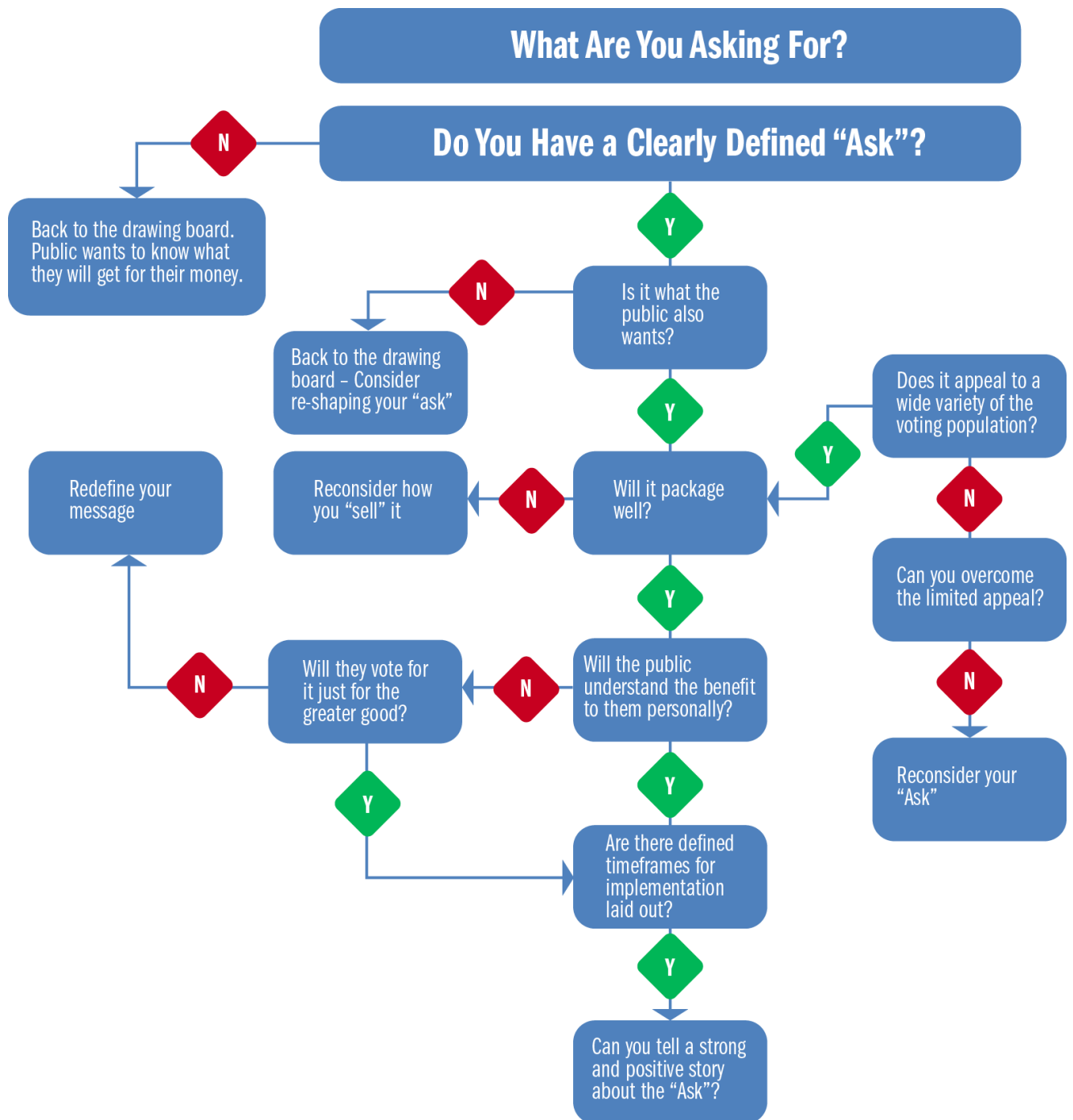
Additionally, if your tax referendum includes capital expansion projects, it is important to be conservative about the cost and schedules for those projects, and to understand the risks. For example, Capital Metro in Austin, Texas included specific projects, timeframes, service frequencies and costs in their successful ballot language. However, as the projects were implemented, the cost and the service frequencies changed to be in compliance with Federal Transit Administration (FTA) and the Federal Railroad Administration (FRA) requirements. This resulted in negative press for the organization.

It is also important for transit agencies to put thought into how to represent the cost and schedule for capital improvements resulting from a tax referendum. For example, Denver’s RTD presented the cost of the FasTracks program in Year of Expenditure (YOE) dollars (i.e., what the project will cost in the future, once construction eventually begins). RTD ran a complicated financial model that projected what revenues would be available at certain times, which was then used to identify what projects could be built in what timeframe. Once the schedule was in place – then RTD could determine the ultimate cost of the program (in YOE dollars, assuming inflation over time). The challenge of this approach was that the schedule and overall cost of the program changed several times during implementation. The concept of YOE dollars was challenging to explain to the public and resulted in some concerns about RTD’s ability to meet their budgets. In comparison, Capital Metro reported the cost of their projects in 2004 dollars. Therefore, when the projects were completed several years later, the costs were higher than what was included in the ballot language due to inflation that occurred prior to project construction. However your agency determines project costs, it should be clearly explained to the public.

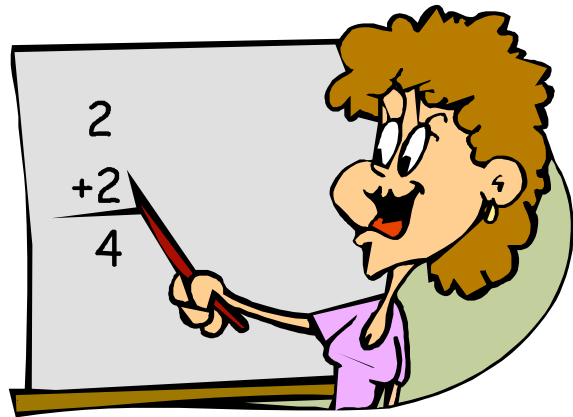
Additionally, if your agency is proposing a program of projects as part of a tax referendum, then you need to clearly communicate how the list will be prioritized. It is important to have a “Plan B” in place that can be communicated to the stakeholders if the revenue from the tax referendum is lower than anticipated.

The following graphic provides a framework for determining whether you have clearly defined the “ask” for your tax referendum.

Figure 3-5



Section 4 | Lessons Learned



What Did We Learn?

The following is a summary of lessons learned by the various agencies interviewed:

- ***Building Strong Coalitions:***
 - Engage the business community early and broadly.
 - Build political and business allies before launching a campaign, including Chambers of Commerce, commissions, councils, locally elected officials, et cetera.
 - Keep those relationships active before, during and after is very crucial. They can help raise the needed funds for the campaign.
 - Engage various advocacy groups within the community such as the disabled rights groups, Sierra Club, et cetera.
 - Get out early, meet with everyone, have no shame – get as many endorsements as you can.
 - Engage the Union. The Union leaders and members can be instrumental in public awareness and funding of the referendum.
 - Began public outreach meetings as early as possible. Build relationships well in advance of the referendum; do not wait until you need people's support to start relationship building.
 - Secure the support of the Board who represents the community. It is important for them to be 100% in support.
 - Need to understand upfront what regulatory agencies you will need to work with to implement your proposed projects.
- ***Identify The Face(s) of The Campaign***
 - Get a consensus leader (champion) who can speak to diverse groups of people.
 - The leader or "face" of the campaign needs to be someone with whom the majority of the community can relate. They should not be too elitist nor too grassroots.
 - Use public figures as champions and build a strong coalition of supporters.

- ***Determine The Right Timing:***
 - Timing of the vote is crucial. For example, presidential election years often results in higher voter turnouts with a propensity to support transit initiatives.
 - Preferable to schedule the referendum to a time with less controversies and issues, if at all possible.
- ***Frame The Ask Appropriately:***
 - Focus on the message and stay away from the distractions. Focus on what is essential and relevant at the time of your tax referendum.
 - Tell a positive but clear story. Have a clear plan to present to the public. The message has to be clearly delivered. People should be able to visualize what they would be getting for their additional tax dollars.
 - People do not have the time to read detailed information so they listen to news/newspaper highlights. It is important to make the message fairly easy to get across to voters.
 - Preferable not to focus solely on one capital project. Focus on the big picture and go for larger rather than smaller increases.
 - If you have a program of projects – you need to clearly communicate how the list will be prioritized. Have a “Plan B” in place that can be communicated to the stakeholders if the revenue from the tax referendum is lower than anticipated.
 - Do not over-promise; be conservative in terms of timelines and cost. Consider breaking your proposed projects into phases and clearly identifying what happens in each phase
 - Do not try to copy what worked in another city.
 - Appeal to what is important in your community. Apply ideas to the reality of the situation and the community
 - Make sure the community wants what you are asking them to pay for.
 - Be sure you can answer the question of “*what’s in it for me?*”
- ***Have Adequate Funding:***
 - Plan well for the amount needed to fund the program.
 - Do not hesitate to ask for all the revenue needed to maintain service for future years.
 - Do not underestimate the cost or time that it will take to implement any projects that will be built as a result of your tax initiative.
- ***Develop A Strategic Campaign Plan:***
 - Properly organize your campaigns. For example avoid competing tax referendums going forward at the same time.
 - Make sure you have a good campaign manager.
 - Understand legal capabilities. Even though you are not legally allowed to campaign for the referendum or make phone calls to canvass for votes, you can educate people.

- Focus on personal stories when meeting with elected officials, unions, local papers, private sectors businesses, et cetera.
- Involving millennials can be crucial to the success of the referendum.
- Keep your website current, after outreach events people often visit websites for more information.
- Work with your legal staff to identify what your agency can do in terms of marketing to support the campaign. For example, be careful about a transit agency being an advocate for the referendum, as opposed to an educator.
- While specificity is good, sometimes being too specific can limit voters ability to vote for other improvements, for example bike projects will attract mostly bike advocates.
- The importance of polling cannot be underestimated because it helps to decide whether or not to move forward with the referendum.
- Need to be specific about your methodology for forecasting revenues that will be received from the tax referendum. You will likely need to defend your approach.

Section 5 | Study Conclusions



What Are the Key Take-Aways?

If one is to go by media reports on transit tax referendums, it would appear that more initiatives had been lost than won in the past few years. Traditionally, media reports seem to focus mostly on tax initiative losses than wins every election cycle. Our research, however, showed that not only do tax initiatives succeed at the polls; there were overwhelming success stories all across the United States. As indicated earlier in this report, **76% of the 144 transit tax measures conducted between 2009 and 2014 in 25 different States passed**. This percentage was repeated in 2012 and 2013 while the story of 2014 is not yet fully told (currently standing at 57% success rate in 5 States with 7 measures already).

While there is no singular solution to ensuring success at the polls, a combination of these factors can create a pathway to successful transit tax referendums in the future.

Although there is a general understanding that failure to secure success at the poll can result in major setbacks to implementation and operations of transit projects, our study concludes that there are certain key factors that can increase the winning percentages of transit initiatives in the future. These are:

- Development of **strong coalitions** among community members.
- Development of “**value propositions**” for each of your stakeholder groups.
- The General Manager/CEO of the transit agency **needs to be very visible in the community**, engaging directly with customers and stakeholders to develop trust prior to the campaign and afterwards.
- It is very important to **understand the requirements and limitations on campaigning** that are unique to your specific state. What works in one state may not work in another.
- The General Manager/CEO **sets the tone of the campaign**.
- **Timing is critical** to ensure the success of any tax referendum.
- **Framing the ballot language** clearly so it is easy for voters to understand.
- It is very important to **be conservative about the cost and schedules for capital projects**, and **understand the risks** involved.

Finally, it must be understood that while there is no singular solution to ensuring success at the polls, a combination of these factors can create a pathway to successful transit tax referendums in the future.

Section 6 | Study References



Materials Used

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