

WHY PUBLIC TRANSIT MUST GROW

The Case for New
Funding for Public
Transit Service in
Greater New Orleans
- and How We Can
Get There



WORLD CLASS TRANSIT FOR NEW ORLEANS

APRIL 2024

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About our Organization

Ride New Orleans is an independent nonprofit 501(c)3 organization. We envision a region in which taking transit enables full access to jobs, education, health care, and other needs that ensure the equitable, thriving community that all residents deserve. Our mission is to win world-class and equitable public transportation that works for all residents across the New Orleans region.

Visit rideneworleans.org for more information.



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Introduction

This report has been developed on behalf of Ride New Orleans (RIDE), and prepared for the consideration of our supporters, transit decision-makers, elected officials, as well as the general public. The purpose of this paper is to lay out a vision for what public transit expansion and investment could - and should - look like for the Greater New Orleans region. RIDE aims to offer context and guidance for the region's current transit funding needs, in order to ensure the financial sustainability of existing transit service in light of revenue shortfalls projected over the next several years. More importantly, we wish to communicate a vision for the caliber of transit New Orleans truly deserves, what it would cost, and what it could mean for our region. RIDE believes the time is now for elected officials and decision-makers to move aggressively in securing additional operating funds for transit.

Our organization was founded in 2009 to advocate for world-class transit for Greater New Orleans. Over the past 15 years, RIDE has fought for equitable, affordable, and high-quality transit service. During that time, we've won several significant policy victories, which have improved the way our region invests in transit. The Regional Transit Authority (RTA) adopted its Strategic Mobility Plan (SMP) in 2017, which identified the agency's vision and priorities, and created a clear rubric to measure progress. Shortly afterwards, RTA undertook a network redesign called New Links, reorganizing the existing bus network to offer more efficient and cost-effective service. New Links was eventually implemented in 2022.

However, the long-term trend for Greater New Orleans is still one of transit decline. In 2023, the region's two major transit operators, the RTA and Jefferson Parish Transit (JP Transit), offered only 60% of the combined bus and streetcar service that they offered in 2004, prior to Hurricane Katrina. The significant reduction in service is due largely to service cuts made in 2005, in the wake of Hurricane Katrina. More recently, operating shortfalls stemming from the COVID-19 pandemic have resulted in further cuts.

Transit in New Orleans is not what it should be. Transit should exist as a reliable and viable transportation option for residents to be able to access a range of jobs and other services throughout the day. RIDE believes investing in such a system is ambitious but possible, and our goal with this paper is to show, in practical terms, what that would look like.

This paper begins with an overview of why RIDE believes that new investment in transit is both timely and necessary. We provide an overview of what a truly well-funded and robust transit system could look like for our region— in terms of levels of service, access, and coverage. We then analyze what such a funding scenario would cost in terms of operating resources. We conclude with the analysis of potential funding sources for transit at both the local and state level, along with recommendations and near-term action items for elected officials and policymakers. The funding recommendations in this paper are not meant to be all-encompassing. They are meant to provide a snapshot of our transit possibilities and highlight potentially viable sources of revenue, given our current political, legislative, and implementation realities.

“ Transit in New Orleans is not what it should be. Transit should exist as a reliable and viable transportation option for residents to be able to access a range of jobs and other services throughout the day. RIDE believes investing in such a system is ambitious but possible, and our goal with this paper is to show, in practical terms, what that would look like. ”

Transit Operations in Greater New Orleans

Greater New Orleans has two primary transit agencies which operate the majority of the region's service: the Regional Transit Authority (RTA) and Jefferson Transit (JP Transit). As of March 2024, the RTA Operates 29 bus routes and 4 streetcar routes, while JP Transit operates 11 bus routes.

The **Regional Transit Authority (RTA)** was established in 1979 by Act 439 of the Louisiana Legislature to operate public transit service in Greater New Orleans. The RTA was formed to take over transit service operations from the city's utility operator, New Orleans Public Service Inc. (NOPSI), which sought to divest itself of transit operations due to declining revenue.

The RTA was originally created as an opt-in regional body that would provide transit service in Orleans, Jefferson, St. Bernard, and St. Tammany parishes. However, ultimately, only Orleans Parish chose to join the newly formed body. The City of Kenner would later join separately from the rest of Jefferson Parish. From 2010-2020, the RTA was operated and managed by a private company, Transdev (formerly Veolia). The RTA began transitioning to a public management and operations model in 2019 and is fully publicly-operated as of 2021.

The RTA's enabling legislation gives it the power to assess taxes subject to the approval of voters in the electorate. In 1985, the RTA board adopted a resolution for a one-cent sales tax in Orleans Parish. This was approved by the voters in May 1985 and has been the primary source of revenue for the RTA ever since. By the terms of the original referendum and motion, this tax is perpetual and does not expire.

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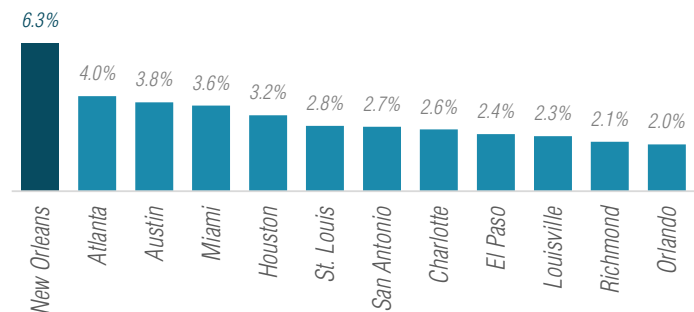
Why New Orleans should invest in transit

Brief recent history of New Orleans transit

At the beginning of the 21st century, Greater New Orleans had one of the most robust public transit systems in the United States for a city its size. Unfortunately, over the past 20 years, due to a range of issues – including the impacts of Hurricane Katrina, inadequate investment in service at both the local and state level, and the effects of the COVID-19 pandemic – transit service levels have dropped more than 40%.

These service cuts have resulted in a less equitable transportation system, decreased economic mobility for residents, and a slow shift away from alternative transportation modes towards a heavy reliance on cars. Building transit service levels back to a level similar to pre-Katrina would advance the city's environmental and climate goals, our economy, equitable outcomes for residents, as well as urban walkability and land use. This is part of the reason that both the city and state have highlighted transit investment as a priority for the region repeatedly as part of public planning processes and comprehensive plans adopted over the past several years.

Figure 1 - Percentage of workers commuting by public transit for U.S. urban areas in the South, 2005.



US Census Bureau. Means of Transportation to Work for Selected Characteristics. 2005 American Community Survey (ACS) 1-year estimates. data.census.gov

Pre-2005. Before Hurricane Katrina, New Orleans had one of the most well-used public transit systems in the United States. Transit provided essential and affordable mobility for many thousands of New Orleanians every day. It served as a lifeline for residents without cars and offered real opportunities for economic growth.

Transit created value for every single New Orleans resident, whether they rode the bus every day or not. Residents, including those who don't currently ride transit, recall fond memories of riding the bus when they were younger. The RTA offered a school service that transported children to public schools throughout the city. Even the transit system in Jefferson Parish, although significantly smaller than the New Orleans system, had substantial ridership and high-quality service covering many areas of the parish. The entire region had more bus lines and more frequent service, which offered a real and viable transportation option for connecting residents to a wide range of jobs and services.

BY THE NUMBERS

16.62 MILLION	Annual Vehicle Revenue Miles (VRM) of transit service in Orleans and Jefferson Parishes in 2001
9.73 MILLION	Annual Vehicle Revenue Miles (VRM) of transit service in Orleans and Jefferson Parishes in 2022
41.5%	Percent decrease in VRM between 2001 and 2022

Source: Federal Transit Administration. Annual Service Data. 2001-2022 National Transit Database (NTD) Annual Data Reports. transit.dot.gov/ntd/ntd-data

Although the system was not perfect, it offered tangible value for the city. Transit functioned as a workforce asset for people who needed it to get to their jobs. It also served as an amenity for residents who wanted a transportation option to get to events downtown without having to drive and park. New Orleans was fundamentally the kind of city that made it possible to get around without owning a car. For areas of the city that were not close enough to downtown for walking and biking, public transit offered a way for residents to get to the Central Business District (CBD) without needing a car.

The significance of transit for pre-Katrina New Orleans remains apparent today in stories and memories from New Orleanians who reminisce about growing up riding the bus or streetcar to get to school, work, or Saints games. The importance of transit for the region is reflected both in RTA's total ridership numbers before Katrina, and in the share of Greater New Orleans residents who used transit to get to work, which led U.S. cities in the South (Figure 1).

2005-2017. Hurricane Katrina, which struck in 2005, fundamentally altered the landscape of New Orleans. For public transit, it destroyed the majority of the region's bus fleet, reducing the RTA from nearly 300 vehicles in peak service to fewer than 100. This severely restricted the amount of bus service the RTA was able to run.

In the years following the storm, New Orleans received substantial federal assistance to recover and rebuild. In our first State of Transit report in 2014, RIDE highlighted that, during the decade following the storm, streetcar service had grown beyond its pre-Katrina levels, while bus service was still a shadow of what it was before. The loss of bus service in many areas of the city meant that New Orleans residents had access to far fewer opportunities. Subpar transit service limited economic mobility and opportunity, increasing disparities for transit-reliant residents who didn't have the money to own or maintain a car.

Federal resources and additional funding from the 2008 stimulus plan were disproportionately used to expand, restore, and ultimately expand the region's streetcar network. Notwithstanding the disproportionate investment focus on streetcar service, from 2006-2017 the Greater New Orleans transit network generally experienced service growth due to population (and tax base) recovery following 2005, as well as decreased operating costs for service due to improved operating efficiencies at the RTA.

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The RTA currently operates 29 bus routes and 4 streetcar routes, in addition to paratransit service. While the majority of the RTA's operations are in Orleans Parish, the agency also operates one route under contract with the City of Kenner, while several other routes service destinations in Jefferson Parish. As a result, Jefferson Parish has representation on the RTA Board of Commissioners, even though the majority of the parish is not part of the RTA system.

In addition to its bus and streetcar routes, the RTA operates the Canal to Algiers Point Ferry and the Chalmette to Lower Algiers Ferry. The ferries were incorporated into the RTA system in 2014 and have a separate operational and funding history from the rest of the system.

The other major transit operator in Greater New Orleans, **Jefferson Parish Transit (JP Transit, formerly JeT)** was established in 1982. Shortly after the formation of the RTA, Jefferson Parish elected not to join the regional agency and instead operate a separate suburban bus service. Prior to the establishment of Jefferson Transit, service in the parish was operated by two separate private companies: Louisiana Transit Company, which served the East Bank, and Westside Transit Company, which served the West Bank. Partly as a legacy of the separate origins of the Jefferson Parish system, Jefferson Parish had two separate contracts for operating transit service, which were not consolidated until 2006. Veolia Transportation, now known as Transdev, began operating Jefferson Transit service in 2006 and paratransit in 2008, and has operated those services under contract to the Parish ever since.

Local Plan & Policy Support for Growing Transit

Local, regional, and state decision-makers have expressed support for expanding transit service and ridership as part of public planning processes. Recently adopted plans have either directly or implicitly endorsed expanding transit service, investing in new types of service, or growing ridership.

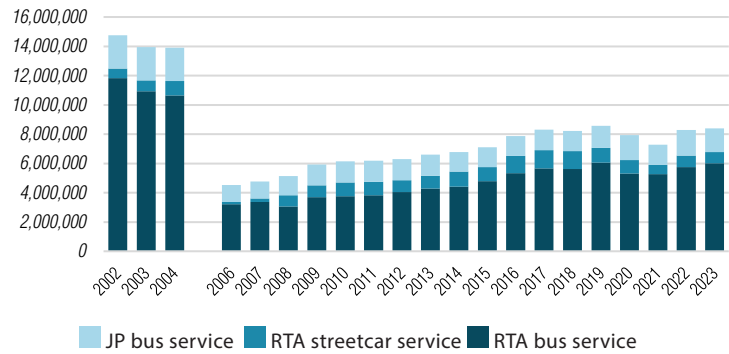
Plans addressing the issue of service expansion include the RTA's **Strategic Mobility Plan**, or SMP. The SMP identifies service growth goals over a five, ten, and 20-year period. These goals include the implementation of bus rapid transit (BRT) service, growing frequency on major transit lines, modernizing streetcar service, and investing in new types of service.

The **Net Zero by 2050 Climate Action Plan** commits to implementing six miles of transit priority infrastructure and growing transit usage to 20% of trips taken by 2030.

The **Louisiana State Climate Action Plan** addresses the importance of transit service and growing investment in new transit. The Jefferson Parish Transit Strategic Plan commits to identifying new funding for service and expanding the system within the next 10-20 years.

The Regional Planning Commission's **2022 Metropolitan Transportation Plan** commits to reducing vehicle miles traveled by 10% for the New Orleans Urbanized Area, or UZA, within the next ten years. Doing so will require new investment in non-vehicular travel modes, including transit. All of the plans referenced here were developed and adopted through some form of a comprehensive public planning process, and they collectively form a strong policy basis for prioritizing investment in new transit service.

Figure 2 - RTA and JP Bus and Streetcar Annual Vehicle Revenue Miles (VRH), 2002-2023



Source: Federal Transit Administration. Annual Service Data. 2002-2022 National Transit Database (NTD) Annual Data Reports. transit.dot.gov/ntd/ntd-data

2017-2023. Since 2017, but particularly from 2019 onwards, transit service growth has stagnated. This was due, in part, to plateauing population growth following Hurricane Katrina. However, in October of 2019, the RTA was forced to make unexpected surface changes as a result of the Hard Rock Hotel collapse in downtown New Orleans, which was located adjacent to the city's main transit center. From 2020 onwards, transit service levels have been significantly impacted by the COVID-19 pandemic and its aftereffects. Although revenue service has recovered somewhere from its lowest point in 2021, overall regional service levels have not meaningfully increased since 2017 (Figure 2) In fact, they remain well below service levels from 20 years ago. Recently, the RTA has made several rounds of temporary service reductions due to a lack of working vehicles, while Jefferson Transit made permanent service cuts in June of 2023 due to a lack of investment in the transit network.

BY THE NUMBERS

12.9%	Percentage of Orleans Parish service industry workers who commute to work via transit (2022)
4,578	Number of Orleans Parish service industry workers who commute to work daily via transit

US Census Bureau. Means of Transportation to Work for Selected Characteristics. 2022 American Community Survey (ACS) 5-year estimates. data.census.gov

Benefits of public transit service

Public transportation offers a variety of economic, social, and environmental benefits to communities. Having a strong public transit system benefits all residents of Greater New Orleans, regardless of whether they use the system or not. It increases economic mobility for residents by creating opportunities for everyone to get to school, work, healthcare, and other destinations - without relying on access to a car.

Land use. Transit creates the conditions for walkable and comfortable downtown urban spaces, by making it possible for people to get into the core of the city without having to park. Reducing reliance on vehicles creates positive environmental impacts for cities, and the world as a whole.

Economy. Public transit creates significant benefits for the economy. A 2020 analysis found that every \$1 invested in transit generates \$5 for the economy. Additionally, every \$10 million in operating investment yields \$32 million in increased business sales.¹ A 2018 impact analysis of RTA's services, as part of the Strategic Mobility Planning process, revealed that the RTA's operations and service in 2017 had a direct economic benefit of over \$170 million to the region. This took into consideration factors such as employment linked to operating transit service, environmental benefits, and travel time savings due to reduced congestion and vehicle miles traveled. The analysis also weighed direct benefits to transit riders, in terms of transportation cost savings and access to employment.

In the context of New Orleans, transit strongly benefits our tourism and hospitality industry. RIDE's research shows that a disproportionate number of New Orleans hospitality workers rely on transit to get to work, making our bus and streetcar system a vital part of creating labor mobility for the city's hotels, bars, and restaurants. Transit is also an essential part of the cultural fabric of the city, with the streetcar network being a vital driver of tourism and an iconic amenity.

Climate. Public transit has important benefits for the environment: a 2018 Transit Cooperative Research Program (TCRP) report found that a trip on public transit typically emits 55% fewer greenhouse gasses than driving or ridesharing.² In 2022, the City of New Orleans identified increasing transit ridership as a "key climate action priority" in its Net Zero by 2050 Climate Action Plan, which called on the city to "improve public transport in underserved communities for faster and more reliable service."³ Meanwhile, the statewide Climate Action Plan identifies "[increasing] urban, rural, and regional public transit service" as a key strategy.⁴

Equity. A range of studies have shown that transit access improves employment and health outcomes and that, conversely, poor transit access negatively affects job accessibility, commute times, and economic outcomes overall. A 2019 survey of New Orleans region transit riders found that, among riders who are residents, 67% are Black, 43% have a household income of less than \$25,000 per year, and 53% do not have access to a car. Among riders who are locals, 53.4% of transit travel is work-related.⁵

1 American Public Transportation Association (2020). Economic Impact of Public Transportation Investment: 2020 Update. apta.com/wp-content/uploads/APTA-Economic-Impact-Public-Transit-2020.pdf

2 National Academies of Sciences, Engineering, and Medicine (2021) An Update on Public Transportation's Impacts on Greenhouse Gas Emissions. doi.org/10.17226/26103.

3 City of New Orleans (2022). Net Zero by 2050: A Priority List for Climate Action in New Orleans. nola.gov/nola/media/Climate-Action/2022/Net-Zero-by-2050-A-Priority-List-for-Climate-Action-in-New-Orleans.pdf

4 Louisiana Climate Initiatives Task Force (2022). Louisiana Climate Action Plan. gov.louisiana.gov/assets/docs/CCI-Task-force/CAP/Climate_Action_Plan_FINAL_3.pdf

5 New Orleans Regional Planning Commission (June 2020). New Links Comprehensive Operations Analysis: Origin-Destination Data and Rider Demographics. norpc.org/wp-content/uploads/2020/10/New-Links-Network-Report-Appendix_G.pdf

A vision for stronger regional transit

RIDE believes that a strong and equitable transit system should offer high-quality coverage to all residents in the region who need it. From our perspective, this means transit should be:

- **Frequent:** Creates options for people to travel in a reasonable amount of time.
- **Regional:** Creates connections across parish lines seamlessly and quickly for residents who need to travel between parishes to access work and other necessities. .
- **Strong Coverage:** Ideally, the majority of residents should be within walking distance of a transit stop.
- **Fast and Reliable:** Transit service should move people quickly, efficiently, and reliably.
- **Access to Jobs and Amenities:** Transit should serve a wide variety of destinations throughout the region, giving riders access to a range of employment, school, healthcare, and recreation options.
- **Convenient Hours of Operation:** Transit should offer ample service throughout the day, including weekends and late nights, so that residents who are using transit to get to jobs outside of the 9-5 cycle (such as hospitality workers) can travel when they need to.

The RTA has endorsed many of these concepts for better service in its recent update to the Strategic Mobility Plan.¹ In their service strategies, they identify offering fast, frequent service, night and weekend service, and improving access to jobs and destinations as key metrics and goals for enhancing transit service.

In our 2023 State of Transit report, RIDE first presented a service expansion scenario in which regional bus and streetcar service grows from about 8.3 million vehicle revenue miles (VRM) per year in 2022 to about 14.8 million VRM per year by 2033.² This service expansion plan is directly based on several recent public planning documents which present a vision for transit service growth over the next five to ten years. RIDE believes that this service vision is a strong baseline for what we consider to be a high quality transit network. It significantly expands frequency on the majority of existing transit routes in Orleans and Jefferson Parish, along with late night service on many lines.

In addition, this expansion scenario allows for the implementation of two bus rapid transit projects that have been studied and proposed in recent years– RTA's east-west corridor connecting New Orleans East, the CBD, and the West Bank, as well as the Veterans Boulevard corridor, which would connect the airport to downtown via Canal Street. Implementing these two rapid transit services would greatly strengthen connections between different areas of the city, and create stronger access to downtown and across parish lines.

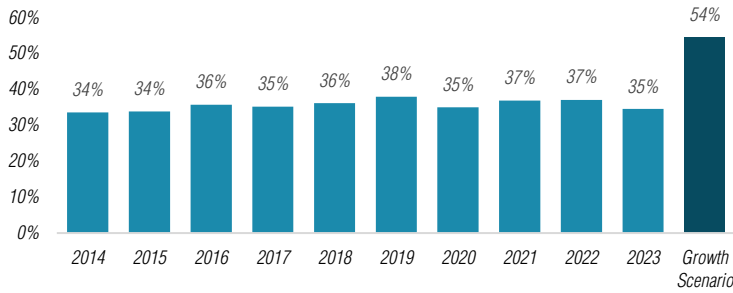
BY THE NUMBERS

14.63 MILLION	Annual VRM of bus and streetcar service in Orleans and Jefferson Parishes in 2001
8.29 MILLION	Annual VRM of bus and streetcar service in Orleans and Jefferson Parishes in 2022
14.85 MILLION	Proposed annual VRM of bus and streetcar service in Orleans and Jefferson Parishes in growth plan

1 New Orleans Regional Transit Authority (2023). Strategic Mobility Plan 2023 Update - Final Report. norta.com/current-projects/projects-archive/strategic-mobility-plan

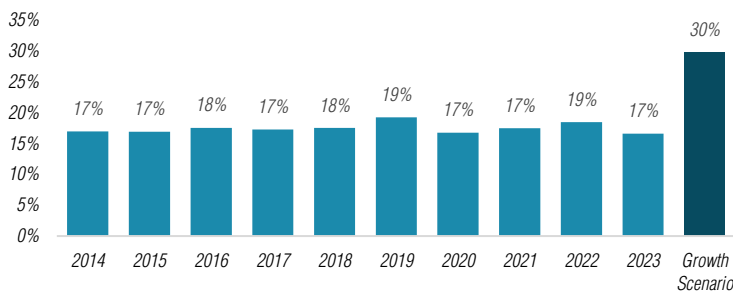
2 Ride New Orleans (2023). The State of Transit at Ten, 40-48. rideneworleans.org/wp/wp-content/uploads/2023/11/RIDE-State-of-Transit-2023.pdf

Figure 3 - Average share of jobs accessible to Orleans Parish residents by transit within an hour, 2014-2023 and growth scenario



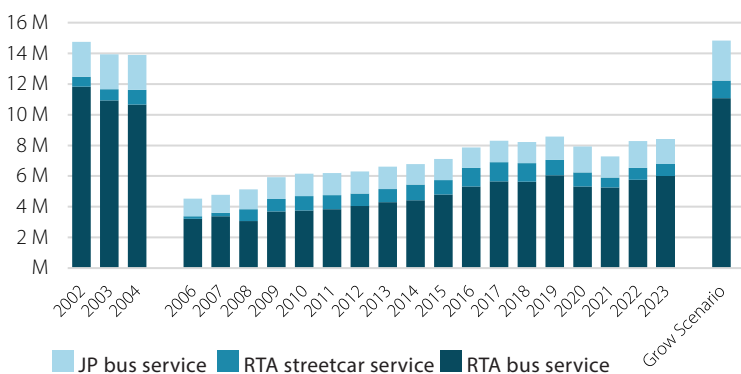
Source: U.S. Census Bureau. 2023. LEHD Origin-Destination Employment Statistics (LODES) Data (2019). Longitudinal-Employer Household Dynamics Program (2019 Data, Version 8 Release). lehd.ces.census.gov/data/#lodes; Ride New Orleans analysis.

Figure 4 - Average share of jobs accessible to Jefferson Parish residents by transit within an hour, 2014-2023 and growth scenario



Source: U.S. Census Bureau. 2023. LEHD Origin-Destination Employment Statistics (LODES) Data (2019). Longitudinal-Employer Household Dynamics Program (2019 Data, Version 8 Release). lehd.ces.census.gov/data/#lodes; Ride New Orleans analysis.

Figure 5 - RTA and JP Bus and Streetcar Vehicle Revenue Miles (VRH), 2002-2023 and growth scenario



Source: Federal Transit Administration. Annual Service Data. 2002-2022 National Transit Database (NTD) Annual Data Reports. transit.dot.gov/ntd/ntd-data

Methodology: service growth scenario

The service expansion scenario modeled in this report has three major components:

- Implementation of bus rapid transit service (BRT) along the east-west corridor between New Orleans East, Downtown, and the West Bank, to be operated by RTA. Service on this corridor is expected to run every 10 minutes throughout the day.
- Implementation of BRT light service on the Veterans Corridor, connecting the airport to the CBD, to be operated by JP Transit. This service would run every 15 minutes throughout the day.
- Service frequencies throughout the rest of the network are increased or improved along most existing routes. In this scenario, all high-capacity and core transit lines operated by the RTA would run every 10 minutes throughout the day on weekdays, and every 15 minutes on weekends. Most other major transit lines would run every 15 minutes on weekdays. All RTA routes would run at least every 30 minutes, with all JP Transit routes running at least every 60 minutes.
- For the RTA, this scenario also incorporates the restoration of streetcar service on Rampart Street and the Riverfront, which the agency has announced but not yet implemented as of March 2024.
- In Jefferson Parish, this scenario was initially based upon the transit network prior to its June 2023 service cuts, meaning that services which were cut in 2023 (such as the E6 Metairie Local) have been restored in this scenario.

To see the full vision for the growth scenario, visit rideneworleans.org/growNOLAtransit

Figure 6 - Percentage of jobs reachable in 60 minutes using public transit and walking, existing system (Fall 2033)

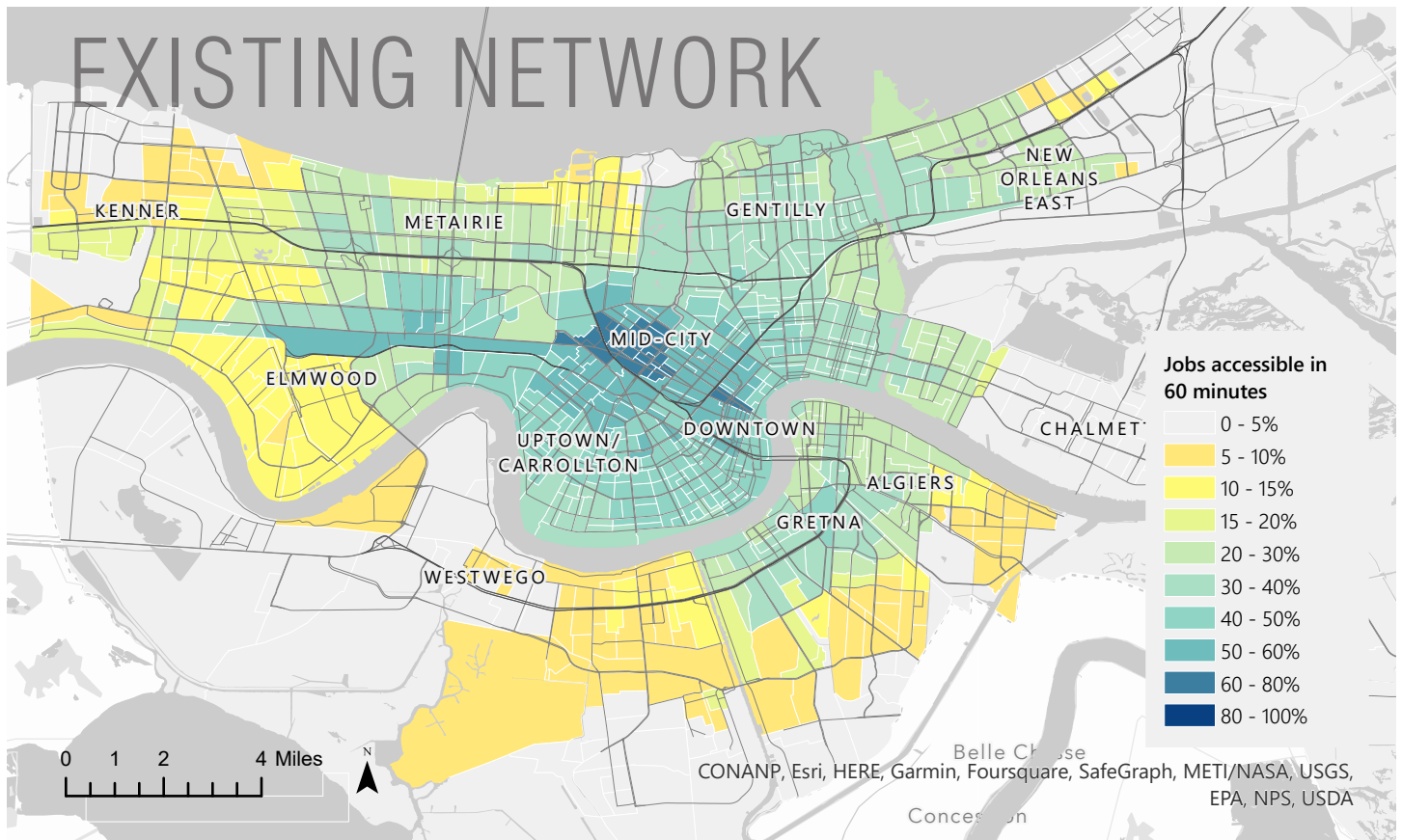


Figure 7 - Percentage of jobs reachable in 60 minutes using public transit and walking, growth scenario

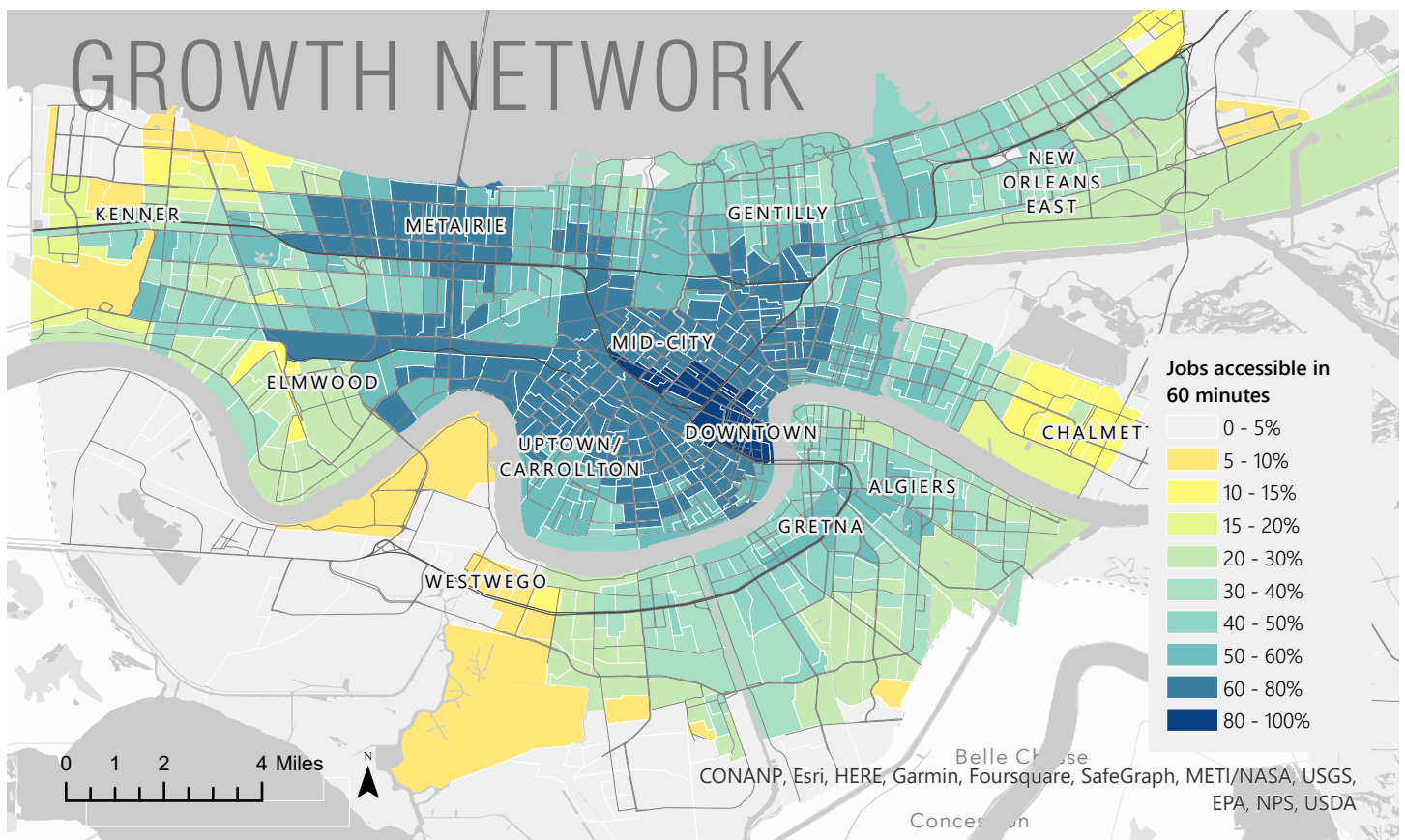


Figure 8 - Average time between buses during peak service at RTA stops within a 5 minute walk, existing system (Fall 2023)

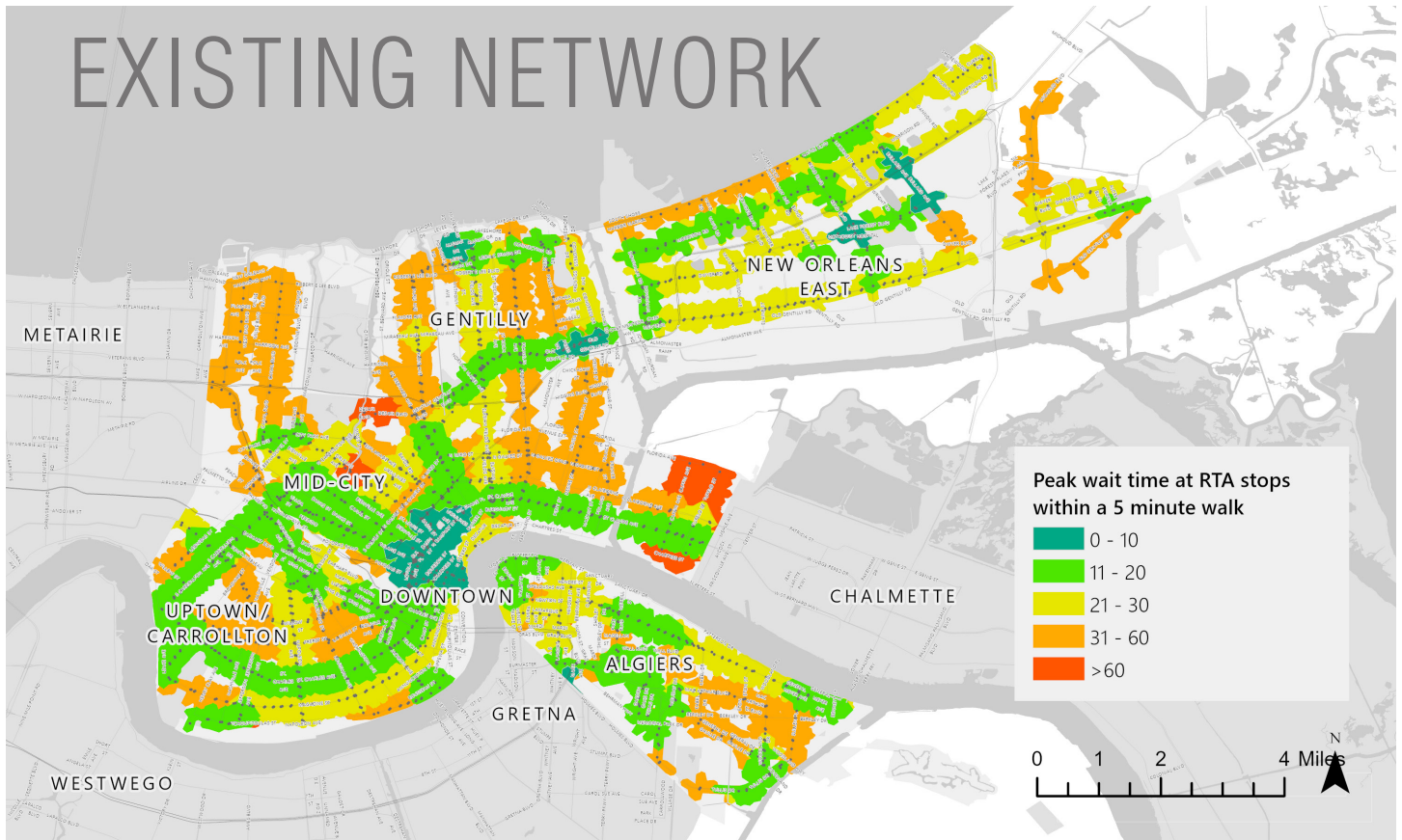
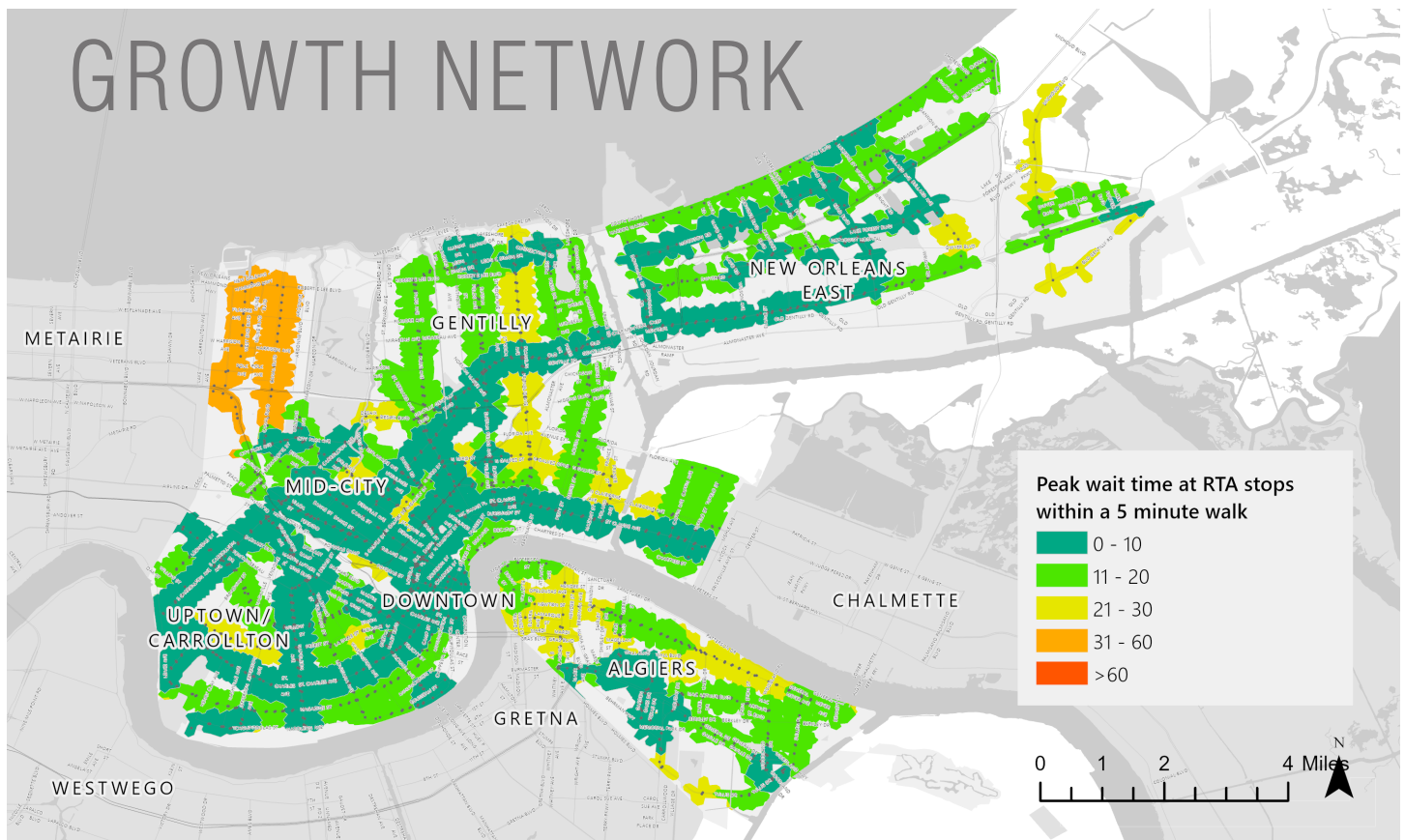


Figure 9 - Average time between buses during peak service at RTA stops within a 5 minute walk, growth scenario



Methodology notes: five-year projections

RTA five-year projections. RTA 2023 operating revenues and expenses and 2024-2028 projections are based on the RTA's adopted 2024 budget and 5-year projections presented in December 2023.

JP five-year projections. For Jefferson Parish, RIDE developed its own five-year projections for operating costs and revenues using similar growth projections as those used by the RTA. These forecasts use 2022 projected actuals and 2023 budgeted operating costs from the Jefferson Parish adopted 2023 budget, adjusted to account for service cuts made in June 2023.

How much would it cost?

Introduction

With the right level of investment, New Orleans can have the world-class transit network it deserves, providing region-wide access to jobs and destinations, and improving outcomes for all residents. However, getting there will require a dedicated effort to find sustainable operating resources to grow the system.

As a starting point, it is important to emphasize that the RTA and Jefferson Parish are both facing funding shortfalls making it difficult to maintain current levels of service. In its recent five-year financial projections, the RTA estimates that the agency will be facing a \$16 million funding shortfall by 2028, with approximately \$9 million per year needed to sustain existing bus, streetcar and paratransit operations, and about \$7 million per year needed to sustain Algiers Ferry operations.

RIDE has also developed its own projections for Jefferson Parish funding through 2028, which show that the agency is currently facing an approximate \$2.9 million operations gap, even after accounting for the cuts made in June 2023. This operations funding gap is expected to grow to \$3.9 million per year by 2028. Regionally, this amounts to a \$20 million annual operating shortfall just to sustain existing levels of budgeted transit service.

Five-year RTA service projections

Bus, streetcar and paratransit service. Five-year projections for RTA non-maritime services are shown in Figure 10. For bus and streetcar service, the RTA will not immediately face revenue shortfalls, due to residual COVID funding. However, absent these funds, the RTA would already be facing significant operating shortfalls for its existing service, as shown in the subtotal for net operating revenue less pandemic assistance.

The RTA's projected operating deficit for current services is mainly affected by two factors. Firstly, the agency experienced a significant decrease in ridership and fare revenue due to the COVID-19 pandemic. Although there has been some recovery in fare revenue, it is still considerably lower than pre-COVID levels. Additionally, the RTA has been experiencing a long-term decline in fare revenue as a result of both inflation and declining ridership. The second reason for the funding shortfall is that the cost of service operations is expected to increase at a faster rate than the RTA's collection of sales taxes and other revenue sources. This aligns with a national trend where operating costs for transit agencies have been rising faster than inflation due to the labor-intensive nature of transit.

Ferry service. Five-year projections for RTA maritime services are shown in Figure 11. The RTA's ferry operations are managed and funded separately from the rest of the RTA system, and already face a substantial operating shortfall. In 2024, the RTA experienced a \$7 million dollar operating shortfall which was filled through a one-time appropriation from the state legislature. However, service will continue to suffer from significant shortfalls in operating funds going forward.

Figure 10 - RTA transit operations: 2023 revenue and expenses and 2024-2028 five-year forecast

RTA TRANSIT	2023	2024	2025	2026	2027	2028
EXPENSES TOTAL	-\$120.0 M	-\$147.1 M	-\$152.5 M	-\$157.8 M	-\$163.4 M	-\$169.2 M
Operating Expenses	-\$113.6 M	-\$137.2 M	-\$142.7 M	-\$148.1 M	-\$153.7 M	-\$159.7 M
RTA Bus	-\$55.3 M	-\$68.8 M	-\$71.5 M	-\$74.4 M	-\$77.4 M	-\$80.5 M
RTA Rail	-\$17.1 M	-\$23.0 M	-\$23.9 M	-\$24.8 M	-\$25.8 M	-\$26.9 M
RTA BRT						
RTA Paratransit	-\$14.5 M	-\$24.1 M	-\$25.0 M	-\$26.0 M	-\$27.1 M	-\$28.2 M
Fixed Operating	-\$26.7 M	-\$21.4 M	-\$22.3 M	-\$22.8 M	-\$23.5 M	-\$24.2 M
Non-Operating Expenses	-\$6.5 M	-\$9.9 M	-\$9.8 M	-\$9.7 M	-\$9.6 M	-\$9.5 M
Net Debt Service	-\$3.6 M	-\$8.0 M	-\$8.0 M	-\$8.0 M	-\$8.0 M	-\$8.0 M
TMSEL Legacy Costs	-\$2.9 M	-\$1.9 M	-\$1.8 M	-\$1.7 M	-\$1.6 M	-\$1.5 M
REVENUE TOTAL	\$133.6 M	\$147.1 M	\$159.0 M	\$164.6 M	\$167.9 M	\$160.2 M
Operating Revenue	\$117.0 M	\$124.4 M	\$131.2 M	\$134.6 M	\$138.1 M	\$141.7 M
Sales Taxes	\$105.0 M	\$110.3 M	\$116.1 M	\$119.1 M	\$122.1 M	\$125.3 M
General	\$88.6 M	\$91.7 M	\$96.3 M	\$98.7 M	\$101.2 M	\$103.7 M
Hotel/Motel	\$9.7 M	\$10.1 M	\$10.8 M	\$11.1 M	\$11.5 M	\$11.8 M
State Motor Vehicle	\$6.7 M	\$8.5 M	\$8.9 M	\$9.2 M	\$9.5 M	\$9.8 M
Fare Revenue	\$10.4 M	\$11.7 M	\$12.6 M	\$13.0 M	\$13.4 M	\$13.8 M
Bus and Streetcar	\$10.1 M	\$11.4 M	\$12.3 M	\$12.6 M	\$13.0 M	\$13.4 M
BRT						
Paratransit	\$0.3 M	\$0.3 M	\$0.4 M	\$0.4 M	\$0.4 M	\$0.4 M
Other Operating	\$1.6 M	\$2.3 M	\$2.5 M	\$2.5 M	\$2.6 M	\$2.6 M
Government Assistance	\$16.6 M	\$22.8 M	\$27.9 M	\$30.0 M	\$29.8 M	\$18.4 M
State Funding	\$1.8 M	\$1.8 M	\$1.8 M	\$1.9 M	\$1.9 M	\$1.9 M
FTA Funding	\$14.8 M	\$15.3 M	\$15.6 M	\$15.9 M	\$16.2 M	\$16.5 M
Pandemic Assistance	\$0.0 M	\$5.7 M	\$10.4 M	\$12.3 M	\$11.7 M	\$0.0 M
NET OPERATING REVENUE	\$13.6 M	\$0.0 M	\$6.5 M	\$6.8 M	\$4.5 M	-\$9.0 M
NET LESS PANDEMIC FUNDS	\$13.6 M	-\$5.7 M	-\$3.9 M	-\$5.5 M	-\$7.2 M	-\$9.0 M

Figure 11 - RTA maritime operations: 2023 projected revenue and expenses and 2024-2028 five-year forecast

RTA FERRY	2023	2024	2025	2026	2027	2028
EXPENSES TOTAL	-\$11.7 M	-\$13.0 M	-\$13.4 M	-\$13.7 M	-\$14.1 M	-\$14.5 M
Operating Expenses	-\$11.7 M	-\$13.0 M	-\$13.4 M	-\$13.7 M	-\$14.1 M	-\$14.5 M
RTA Ferry	-\$6.5 M	-\$6.9 M	-\$7.1 M	-\$7.3 M	-\$7.5 M	-\$7.8 M
Fixed Operating	-\$5.2 M	-\$6.1 M	-\$6.3 M	-\$6.4 M	-\$6.6 M	-\$6.7 M
REVENUE TOTAL	\$7.5 M	\$13.0 M	\$6.9 M	\$6.9 M	\$7.0 M	\$7.0 M
Operating Revenue	\$1.1 M	\$1.1 M	\$1.1 M	\$1.2 M	\$1.2 M	\$1.2 M
Fare Revenue	\$1.1 M	\$1.1 M	\$1.1 M	\$1.2 M	\$1.2 M	\$1.2 M
Government Assistance	\$6.4 M	\$11.9 M	\$5.8 M	\$5.8 M	\$5.8 M	\$5.8 M
State Funds (DOTD)	\$5.8 M	\$4.3 M	\$5.1 M	\$5.1 M	\$5.1 M	\$5.1 M
FTA Funds	\$0.6 M	\$0.6 M	\$0.6 M	\$0.6 M	\$0.6 M	\$0.7 M
State Appropriation	\$0.0 M	\$7.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M
NET OPERATING REVENUE	-\$4.2 M	\$0.0 M	-\$6.5 M	-\$6.8 M	-\$7.1 M	-\$7.5 M

Source: Ride New Orleans analysis of New Orleans Regional Transit Authority (RTA) 2023 projected budget actuals, 2023 service data, adopted 2024 budget, and 2025-2028 financial forecast.

How RTA operations are funded

Sales taxes comprise the primary source of funding for RTA operations (excluding ferry service). The RTA receives sales tax revenue from three sources, with the majority coming from the citywide general use one-cent sales tax which was established in 1985 and has been in place ever since. The RTA also receives a portion of a one-cent sales tax on hotel and motel room rentals, which are taxed at a separate rate from most sales in Orleans Parish. Finally, the RTA receives a portion of a state tax on motor vehicle sales which applies to vehicles registered in Orleans Parish.

The RTA also receives revenue from several other sources which are itemized in the five-year projections. These include Federal Transit Administration (FTA) funding for preventative maintenance (which is classified as an operating expense), and a small amount of funding from the State's Parish Transportation fund. The "Other Operating Revenue" category includes ad revenue, charter service, and contract funding from the City of Kenner to operate the #201 Kenner Loop route.

Ferry operations are managed and funded separately from the rest of the RTA system, with DOTD providing the RTA a fixed amount of operating funds each year for ferry service.

Prior to the COVID-19 pandemic, fare revenue covered about 15% of RTA operating costs (excluding ferry service). Following the pandemic, these revenues have dropped substantially: In 2018, the RTA collected \$18.2 million in fares, compared to only \$9.5 million in 2022. This drop in fare revenue is the primary (although not the only) reason that the agency is anticipating a \$9 million funding gap for bus, streetcar, and paratransit operations by 2028.

How JP transit operations are funded

The primary source of funding for JP Transit is property taxes, with two separate millages funding bus service and paratransit, at 2 mills and 1 mills respectively. These taxes were first approved in 1989 and are subject to renewal every 10 years. They were most recently renewed in 2017 and currently extend through the end of 2028.

Prior to the pandemic, JP Transit was more reliant on federal funding for operations than the RTA. Unlike the RTA, JP Transit is able to use some federal grant funding for transit operating expenses other than maintenance due to an exception for small transit operators. In 2019, about 18% of JP Transit operating funding came from federal assistance, according to NTD data.

JP Transit imposes a higher fare than the RTA, and historically, JP Transit is more dependent on fare revenue than the RTA: In 2019, JP Transit generated about 25% of its operating funds through fares and other direct revenue.

Figure 12 - JP fixed-route operations: 2023 projected revenue and expenses and 2024-2028 five-year forecast

JP FIXED-ROUTE	2023	2024	2025	2026	2027	2028
EXPENSES TOTAL	-\$20.3 M	-\$19.2 M	-\$19.8 M	-\$20.4 M	-\$21.1 M	-\$21.7 M
Operating Expenses	-\$17.6 M	-\$16.4 M	-\$17.0 M	-\$17.6 M	-\$18.2 M	-\$18.8 M
JP Bus	-\$11.5 M	-\$11.2 M	-\$11.7 M	-\$12.1 M	-\$12.6 M	-\$13.1 M
JP BRT						
Fixed Operating	-\$6.1 M	-\$5.2 M	-\$5.3 M	-\$5.4 M	-\$5.6 M	-\$5.7 M
Non-Operating Expenses	-\$2.7 M	-\$2.8 M	-\$2.8 M	-\$2.8 M	-\$2.9 M	-\$2.9 M
Personnel Services	-\$0.2 M	-\$0.3 M	-\$0.3 M	-\$0.3 M	-\$0.3 M	-\$0.3 M
Other Financing Uses	-\$2.5 M	-\$2.5 M	-\$2.6 M	-\$2.6 M	-\$2.6 M	-\$2.6 M
REVENUE TOTAL	\$16.0 M	\$16.2 M	\$16.7 M	\$17.1 M	\$17.5 M	\$18.0 M
Operating Revenue	\$9.7 M	\$9.8 M	\$10.1 M	\$10.4 M	\$10.7 M	\$11.0 M
Property Taxes	\$7.4 M	\$7.6 M	\$7.9 M	\$8.1 M	\$8.3 M	\$8.6 M
Fare Revenue	\$2.0 M	\$1.9 M	\$1.9 M	\$2.0 M	\$2.1 M	\$2.1 M
JP Bus	\$2.0 M	\$1.9 M	\$1.9 M	\$2.0 M	\$2.1 M	\$2.1 M
JP BRT						
Interest Income	\$0.3 M	\$0.3 M	\$0.3 M	\$0.3 M	\$0.3 M	\$0.3 M
Government Assistance	\$6.3 M	\$6.4 M	\$6.5 M	\$6.7 M	\$6.8 M	\$6.9 M
State/Intergov't	\$0.5 M	\$0.5 M	\$0.5 M	\$0.5 M	\$0.5 M	\$0.5 M
Other (inc. Federal)	\$5.8 M	\$5.9 M	\$6.0 M	\$6.2 M	\$6.3 M	\$6.4 M
Pandemic Assistance	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M
NET OPERATING REVENUE	-\$4.4 M	-\$2.9 M	-\$3.1 M	-\$3.3 M	-\$3.6 M	-\$3.8 M

Figure 13 - JP paratransit operations: 2023 projected revenue and expenses and 2024-2028 five-year forecast

JP PARATRANSIT	2023	2024	2025	2026	2027	2028
EXPENSES TOTAL	-\$4.8 M	-\$5.0 M	-\$5.1 M	-\$5.3 M	-\$5.5 M	-\$5.6 M
Operating Expenses	-\$4.1 M	-\$4.3 M	-\$4.4 M	-\$4.6 M	-\$4.7 M	-\$4.9 M
JP Paratransit	-\$2.6 M	-\$2.7 M	-\$2.8 M	-\$2.9 M	-\$3.1 M	-\$3.2 M
Fixed Operating	-\$1.5 M	-\$1.6 M	-\$1.6 M	-\$1.6 M	-\$1.7 M	-\$1.7 M
Non-Operating Expenses	-\$0.7 M	-\$0.7 M	-\$0.7 M	-\$0.7 M	-\$0.7 M	-\$0.7 M
Personnel Services	-\$0.1 M	-\$0.1 M	-\$0.1 M	-\$0.1 M	-\$0.1 M	-\$0.1 M
Other Financing Uses	-\$0.6 M	-\$0.6 M	-\$0.6 M	-\$0.6 M	-\$0.6 M	-\$0.7 M
REVENUE TOTAL	\$4.8 M	\$4.9 M	\$5.1 M	\$5.2 M	\$5.4 M	\$5.5 M
Operating Revenue	\$4.0 M	\$4.1 M	\$4.2 M	\$4.4 M	\$4.5 M	\$4.6 M
Property Taxes	\$3.7 M	\$3.8 M	\$3.9 M	\$4.0 M	\$4.2 M	\$4.3 M
Fare Revenue	\$0.1 M	\$0.2 M	\$0.2 M	\$0.2 M	\$0.2 M	\$0.2 M
Interest Income	\$0.2 M	\$0.2 M	\$0.2 M	\$0.2 M	\$0.2 M	\$0.2 M
Government Assistance	\$0.8 M	\$0.8 M	\$0.8 M	\$0.8 M	\$0.9 M	\$0.9 M
Other (inc. Federal)	\$0.8 M	\$0.8 M	\$0.8 M	\$0.8 M	\$0.9 M	\$0.9 M
NET OPERATING REVENUE	\$0.0 M	\$0.0 M	-\$0.1 M	-\$0.1 M	-\$0.1 M	-\$0.1 M

Source: Ride New Orleans analysis of Jefferson Parish Transit (JP Transit) 2023 adopted budget, 2023 service and ridership data, and 5-year parish financial forecast for June 2023 service cuts.

Prior to the RTA taking over operations in 2014, ferry service was operated by the Louisiana Department of Transportation and Development (DOTD) through toll revenues from the Crescent City Connection (CCC) Bridge, which covered more than 80% of the operating cost of ferry service.

The bridge tolls were allowed to expire in 2012 without a source of funding identified to cover ferry operations. As a result, some ferry service was discontinued with the rest transferred from DOTD to the RTA to operate under a Cooperative Endeavor Agreement (CEA).

Under the terms of the CEA, DOTD now pays a fixed annual operating fee for ferry service across the Mississippi River. The RTA's contract with DOTD for ferry operations does not increase to account for inflation or operating costs, and the RTA's ferry operations have faced chronic underfunding issues since the agency assumed operations in 2014. Ridership losses due to the COVID-19 pandemic made these issues more severe, with fare revenues dropping from \$1.8 million in 2018 to \$1 million in 2022.

Five-year JP service projections

Figure 12 and Figure 13 show the projected 2023 actuals and the five-year forecast from 2024 to 2028 for Jefferson Parish. Even before the COVID-19 pandemic, Jefferson Parish was already dealing with a funding shortfall for its services. In June 2023, Jefferson Transit made significant cuts to bus service in an attempt to mitigate the operating deficit for transit service.

These cuts reduced, but did not eliminate, the operating shortfall. RIDE projects that this shortfall will continue to grow at a similar rate to the RTA, as a result of increasing service costs. By 2028, the year that Jefferson Parish must again renew its transit millage, RIDE projects the JP Transit funding deficit will have grown to \$3.8 million per year to sustain existing bus service. Jefferson Parish paratransit operations will also accrue a small operating shortfall by 2028, although it is relatively small at about \$100,000 per year.

BY THE NUMBERS: RTA

-\$16.5 MILLION	Annual RTA operating deficit for existing service by 2028
-\$9.0 MILLION	RTA operating deficit for fixed-route and paratransit service
-\$7.5 MILLION	RTA operating deficit for maritime service

Source: Ride New Orleans analysis of New Orleans Regional Transit Authority (RTA) 2023 projected budget actuals, 2023 service data, adopted 2024 budget, and 5-year financial forecast.

BY THE NUMBERS: JP

-\$3.9 MILLION	Annual JP operating deficit for existing service by 2028
-\$3.8 MILLION	JP Transit operating deficit for bus service
-\$0.1 MILLION	JP Transit operating deficit for paratransit service

Source: Ride New Orleans analysis of Jefferson Parish Transit (JP Transit) 2023 adopted budget, 2023 service and ridership data, and 5-year parish financial forecast for June 2023 service cuts.

Methodology: fixed and variable costs

RIDE has categorized operating expenses as fixed or variable costs to develop cost evaluations. Fixed costs, such as administration, insurance, and certain facilities expenses, do not vary significantly with the amount of service run. Variable costs, including operator wages, fuel, maintenance, and parts, vary directly with the amount of transit service being run.

For this analysis, RIDE has updated the methodology for estimating variable hourly service costs which was previously used in our 2023 State of Transit report. The formula used in this report is based on 2022 NTD data from the Federal Transit Administration and is calculated for each individual mode as:

$$[\text{Annual Vehicle Operating Costs} + \text{Annual Vehicle Maintenance Costs}] / \text{Annual Vehicle Revenue Hours}$$

This report assumes that all variable operating costs for RTA and JP Transit Service grow at approximately 4% per year. RIDE's baseline analysis assumes that service levels remain consistent over the 5-year forecast period, while the service expansion scenarios assume that changes are implemented from 2025 onward.

Figure 14 - JP fixed-route service expansion - 2023-2024 baseline and projected operating costs 2025-2028

JP FIXED-ROUTE	2023	2024	2025	2026	2027	2028
EXPENSES TOTAL	-\$20.3 M	-\$19.2 M	-\$28.8 M	-\$29.8 M	-\$30.8 M	-\$31.9 M
Operating Expenses	-\$17.6 M	-\$16.4 M	-\$26.0 M	-\$27.0 M	-\$28.0 M	-\$29.0 M
JP Bus	-\$11.5 M	-\$11.2 M	-\$16.9 M	-\$17.6 M	-\$18.3 M	-\$19.1 M
JP BRT			-\$3.8 M	-\$3.9 M	-\$4.1 M	-\$4.2 M
Fixed Operating	-\$6.1 M	-\$5.2 M	-\$5.3 M	-\$5.4 M	-\$5.6 M	-\$5.7 M
Non-Operating Expenses	-\$2.7 M	-\$2.8 M	-\$2.8 M	-\$2.8 M	-\$2.9 M	-\$2.9 M
Personnel Services	-\$0.2 M	-\$0.3 M	-\$0.3 M	-\$0.3 M	-\$0.3 M	-\$0.3 M
Other Financing Uses	-\$2.5 M	-\$2.5 M	-\$2.6 M	-\$2.6 M	-\$2.6 M	-\$2.6 M
REVENUE TOTAL	\$16.0 M	\$16.2 M	\$18.8 M	\$19.3 M	\$19.8 M	\$20.3 M
Operating Revenue	\$9.7 M	\$9.8 M	\$12.2 M	\$12.6 M	\$13.0 M	\$13.4 M
Property Taxes	\$7.4 M	\$7.6 M	\$7.9 M	\$8.1 M	\$8.3 M	\$8.6 M
Fare Revenue	\$2.0 M	\$1.9 M	\$4.1 M	\$4.2 M	\$4.3 M	\$4.4 M
JP Bus	\$2.0 M	\$1.9 M	\$2.5 M	\$2.6 M	\$2.7 M	\$2.8 M
JP BRT			\$1.5 M	\$1.6 M	\$1.6 M	\$1.7 M
Interest Income	\$0.3 M	\$0.3 M	\$0.3 M	\$0.3 M	\$0.3 M	\$0.3 M
Government Assistance	\$6.3 M	\$6.4 M	\$6.5 M	\$6.7 M	\$6.8 M	\$6.9 M
State/Intergov't	\$0.5 M	\$0.5 M	\$0.5 M	\$0.5 M	\$0.5 M	\$0.5 M
Other (inc. Federal)	\$5.8 M	\$5.9 M	\$6.0 M	\$6.2 M	\$6.3 M	\$6.4 M
Pandemic Assistance	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M
NET OPERATING REVENUE	-\$4.4 M	-\$2.9 M	-\$10.0 M	-\$10.6 M	-\$11.1 M	-\$11.6 M
New Expenses			-\$9.0 M	-\$9.4 M	-\$9.8 M	-\$10.2 M
New Revenue			\$2.1 M	\$2.2 M	\$2.2 M	\$2.3 M
NET CHANGE VS BASELINE			-\$6.9 M	-\$7.2 M	-\$7.5 M	-\$7.9 M

Source: Ride New Orleans cost and revenue estimates for service expansion (2025-2028)

Cost projections for service expansion

Figure 14 and Figure 15 present detailed revenue and expense projections for the growth scenario presented in this report on page 8, including implementation of BRT service from New Orleans East to downtown and to Algiers, implementation of BRT light service on the Veterans Corridor, and increases to service frequency on many bus and streetcar lines in both parishes.

These projections reflect what service would cost if the growth scenario was fully implemented in 2025, with annual costs and revenues then projected through 2028 using the same methodology used to develop the initial five-year projections (it is important to note that these estimates reflect the projected costs of increasing frequency without increasing operating speeds).

These figures show that fully implementing BRT service and other improvements will require a dramatic increase in operating resources for transit, beyond even the \$20 million needed to cover the baseline regional funding gap.

RIDE's five-year projections indicate that expanding service in Orleans Parish adds about \$34.3 million per year in new operating expenses for RTA service by 2028, of which \$8 million comes from BRT implementation. The remaining expenses come from frequency expansion on existing lines. These increases are anticipated to be partially offset by fare revenue increases of about \$6.2 million per year, leading to a total net operating cost increase of \$28.2 million a year and a total operating deficit of \$37.2 million a year.

Figure 15 - RTA fixed-route service expansion - 2023-2024 baseline and projected operating costs 2025-2028

RTA TRANSIT	2023	2024	2025	2026	2027	2028
EXPENSES TOTAL	-\$120.0 M	-\$147.1 M	-\$183.0 M	-\$189.5 M	-\$196.4 M	-\$203.5 M
Operating Expenses	-\$113.6 M	-\$137.2 M	-\$173.2 M	-\$179.8 M	-\$186.7 M	-\$194.0 M
RTA Bus	-\$55.3 M	-\$68.8 M	-\$90.9 M	-\$94.6 M	-\$98.3 M	-\$102.3 M
RTA Rail	-\$17.1 M	-\$23.0 M	-\$27.9 M	-\$29.0 M	-\$30.2 M	-\$31.4 M
RTA BRT			-\$7.1 M	-\$7.4 M	-\$7.7 M	-\$8.0 M
RTA Paratransit	-\$14.5 M	-\$24.1 M	-\$25.0 M	-\$26.0 M	-\$27.1 M	-\$28.2 M
Fixed Operating	-\$26.7 M	-\$21.4 M	-\$22.3 M	-\$22.8 M	-\$23.5 M	-\$24.2 M
Non-Operating Expenses	-\$6.5 M	-\$9.9 M	-\$9.8 M	-\$9.7 M	-\$9.6 M	-\$9.5 M
Net Debt Service	-\$3.6 M	-\$8.0 M	-\$8.0 M	-\$8.0 M	-\$8.0 M	-\$8.0 M
TMSEL Legacy Costs	-\$2.9 M	-\$1.9 M	-\$1.8 M	-\$1.7 M	-\$1.6 M	-\$1.5 M
REVENUE TOTAL	\$133.6 M	\$147.1 M	\$164.6 M	\$170.4 M	\$173.9 M	\$166.3 M
Operating Revenue	\$117.0 M	\$124.4 M	\$136.8 M	\$140.4 M	\$144.1 M	\$147.9 M
Sales Taxes	\$105.0 M	\$110.3 M	\$116.1 M	\$119.1 M	\$122.1 M	\$125.3 M
General	\$88.6 M	\$91.7 M	\$96.3 M	\$98.7 M	\$101.2 M	\$103.7 M
Hotel/Motel	\$9.7 M	\$10.1 M	\$10.8 M	\$11.1 M	\$11.5 M	\$11.8 M
State Motor Vehicle	\$6.7 M	\$8.5 M	\$8.9 M	\$9.2 M	\$9.5 M	\$9.8 M
Fare Revenue	\$10.4 M	\$11.7 M	\$18.2 M	\$18.8 M	\$19.4 M	\$19.9 M
Bus and Streetcar	\$10.1 M	\$11.4 M	\$15.9 M	\$16.4 M	\$16.9 M	\$17.4 M
BRT			\$2.0 M	\$2.1 M	\$2.1 M	\$2.2 M
Paratransit	\$0.3 M	\$0.3 M	\$0.4 M	\$0.4 M	\$0.4 M	\$0.4 M
Other Operating	\$1.6 M	\$2.3 M	\$2.5 M	\$2.5 M	\$2.6 M	\$2.6 M
Government Assistance	\$16.6 M	\$22.8 M	\$27.9 M	\$30.0 M	\$29.8 M	\$18.4 M
State Funding	\$1.8 M	\$1.8 M	\$1.8 M	\$1.9 M	\$1.9 M	\$1.9 M
FTA Funding	\$14.8 M	\$15.3 M	\$15.6 M	\$15.9 M	\$16.2 M	\$16.5 M
Pandemic Assistance	\$0.0 M	\$5.7 M	\$10.4 M	\$12.3 M	\$11.7 M	\$0.0 M
NET OPERATING REVENUE	\$13.6 M	\$0.0 M	-\$18.4 M	-\$19.1 M	-\$22.5 M	-\$37.2 M
NET LESS PANDEMIC FUNDS	\$13.6 M	-\$5.7 M	-\$28.8 M	-\$31.4 M	-\$34.2 M	-\$37.2 M
New Expenses			-\$30.5 M	-\$31.7 M	-\$33.0 M	-\$34.3 M
New Revenue			\$5.6 M	\$5.8 M	\$6.0 M	\$6.2 M
NET CHANGE VS BASELINE			-\$24.9 M	-\$25.9 M	-\$27.0 M	-\$28.2 M

Source: Ride New Orleans cost and revenue estimates for service expansion (2025-2028)

In Jefferson Parish, RIDE's five-year projections indicate that expanding service adds about \$10.2 million in new operating expenses for JP service by 2028. BRT implementation on Veterans Boulevard is projected to cost about \$4.2 million per year to operate by 2028, while increases to frequency and service spans on other lines adds another \$5.9 million a year, which is offset by \$2.3 million a year in new fare revenue. The total net operating increase is about \$7.9 million a year, leading to a \$11.7 million funding shortfall by 2028.

In total, making all of the frequency upgrades envisioned in the expansion plan is projected to increase annual operating cost by \$36 million a year across both systems, combined with the approximately \$20 million shortfall for existing service. This leads to a total annual operating shortfall of about \$56 million per year by 2028 to maintain existing service, implement BRT, and expand frequency across the system without additional upgrades to operating speeds.

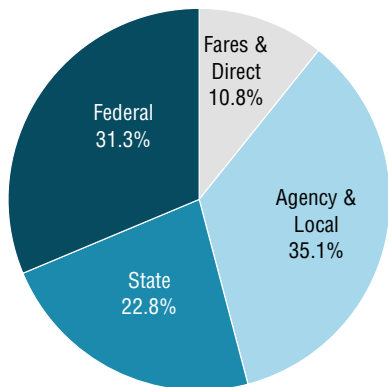
BY THE NUMBERS: RTA

-\$44.7 MILLION	Annual RTA deficit by 2028 with full service expansion (current operating speeds)
-\$16.5 MILLION	RTA baseline operating deficit
-\$28.2 MILLION	RTA net cost of new service
—	-\$26.3 Million Frequency improvements
—	-\$8.0 Million East-West BRT service
—	+\$6.2 Million Increased fare revenues

BY THE NUMBERS: JP

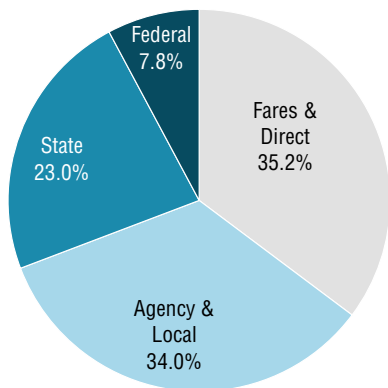
-\$11.7 MILLION	Annual JP deficit by 2028 with full service expansion (current operating speeds)
-\$3.9 MILLION	JP baseline operating deficit
-\$7.9 MILLION	JP net cost of new service
—	-\$5.9 Million Frequency improvements
—	-\$4.2 Million Veterans BRT service
—	+\$2.3 Million Increased fare revenues

Figure 16 - Transit capital funds by source for US transit agencies, 2019



Source: Federal Transit Administration. Annual Revenue Sources. 2019 National Transit Database (NTD) Annual Data Reports. transit.dot.gov/ntd/ntd-data

Figure 17 - Transit operating funds by source for US transit agencies, 2019



Source: Federal Transit Administration. Annual Revenue Sources. 2019 National Transit Database (NTD) Annual Data Reports. transit.dot.gov/ntd/ntd-data

How should we pay for it?

This section of the report provides some policy context for transit funding conversations before presenting several potential funding strategies and sources for covering the 56 million funding gap that would be required to run an expanded world-class transit network. It is unlikely that operating resources can be fully covered by one source and it is likely that a diverse mix of funding sources will be needed to cover the gap.

Transit operations funding is a complex issue, and the policy issues and funding sources discussed in this section are not meant to be fully comprehensive. RIDE strongly encourages decision-makers and transit agency officials to do more detailed policy analysis work to identify other potentially viable funding options and to determine more concrete revenue projections for these sources.

RIDE understands that it will not be possible to raise all of the revenue needed to expand service immediately, and indeed it would not be possible to operationalize all of that revenue immediately as the RTA will also need to acquire new vehicles and achieve significant capital investments before implementing service increases. However, taking the steps to secure additional funding sooner rather than later will ease the rollout and expansion of new service, as the RTA can leverage these local funds as match funding for federal capital grants for supportive infrastructure and rolling stock.

Policy context for transit funding

Federal funding for transit operations is very limited. Identifying new local operating funds for transit is essential because, with very limited exceptions, the federal government does not provide operating support for urban transit services.

The federal government provides substantial financial support for transit capital expenses through various grant programs that can cover up to 80% of eligible project costs. While the Federal Transit Administration (FTA) currently distributes more than \$13 billion annually to support transit nationwide, that funding can typically only go towards an agency's capital expenses like purchasing vehicles or paying for large one-time projects such as a new transfer center or streetcar line, which means most transit agencies must identify additional local sources of funding when they want to expand operations. In 2019, federal funds covered over 30% of transit capital costs across all US agencies but less than 10% of operating expenses (compare Figure 16 and Figure 17).

There is a long-standing congressional policy that severely limits federal support for transit operating expenses, with the majority of grants to large urban areas (those with a population of 200,000 or greater) restricted from being used for operating expenses. The policy was established in 1998 as part of the Clinton-era Transportation Equity Act for the 21st Century and has remained in place since then. The rules for federal funding are established as part of the national transportation reauthorization process, and

BY THE NUMBERS

62.6 %	Total increase in US consumer price index, 2002-2022
107.5 %	Total increase in hourly transit operating costs, 2002-2022

Source: Federal Transit Administration. Annual Service Data and Operating Expenses Time Series (2002-2022) National Transit Database (NTD) Annual Data Reports. transit.dot.gov/ntd/ntd-data; Bureau of Labor Statistics. Consumer Price Index (2001-2022). bls.gov/news.release/cpi.htm

unless Congress decides to change these rules, it is unlikely that federal funds will become a significant source of transit operating resources.

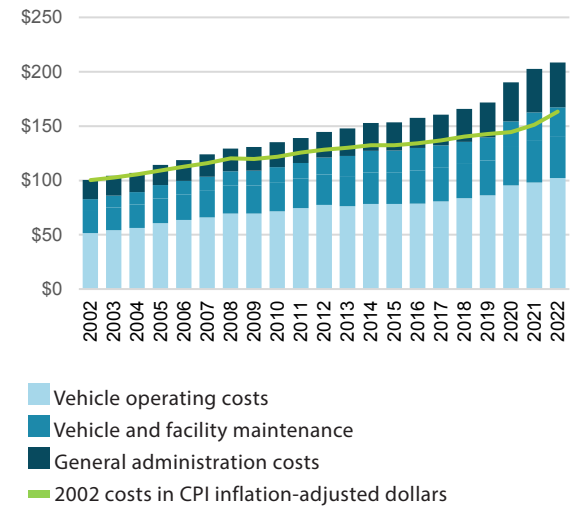
Emergency federal COVID relief funding for transit through the CARES Act (2020) and the American Rescue Plan Act (2021) was different and specifically allowed to be used for operations. With this precedent established, many transit advocates have started to push for more flexibility in how federal support for local transit can be used. But, as of this report, local and state generated funds are still the only source for the vast majority of operations funding.

Transit is both infrastructure and a public service. Public transit is somewhat unique among urban transportation modes in that it is both a form of transportation infrastructure and a funded public service, and it has characteristics of both. Public transit functions as a form of direct transportation infrastructure in shaping land use decisions and the built environment.

People make decisions about where to live and where to locate businesses based on the availability of transit service. At the same time, transit is also a public service that requires sustained funding to operate just like libraries, schools, or fire departments. For public transit to be successful, it must offer reliable service, which in turn requires reliable sources of funding. People must be able to trust that service will continue to run with consistency, if they're going to make work and housing decisions around the availability of transit service.

Transit needs sustained operating resources. Transit is a public service which, like schools, libraries, parks, and social services, requires ongoing operating resources to run. Operating funds are the most significant costs associated with these services, unlike other kinds of urban transportation investments, such as pedestrian infrastructure and bike lanes, where the largest cost is typically in the initial infrastructure investment.

Figure 18 - U.S. transit operating costs per vehicle revenue hour vs inflation, 2002-2022



Source: Federal Transit Administration. Annual Service Data and Operating Expenses Time Series (2002-2022) National Transit Database (NTD) Annual Data Reports. transit.dot.gov/ntd/ntd-data; Bureau of Labor Statistics. Consumer Price Index (2001-2022). bls.gov/news.release/cpi.htm

Policy considerations for funding sources

RIDE considered a number of policy factors when evaluating potential new sources of operating revenue for transit which are discussed in this report, including:

Ease of implementation. Louisiana places significant restrictions on the ability of local municipalities and parishes to raise revenue for transportation projects, prohibiting certain funding options used in other parts of the country. Potential transit revenue sources vary significantly in terms of required steps to implement them, with some options only requiring a city council vote and a referendum, while others may require a home rule charter amendment, approval by the legislature, or even a state constitutional amendment. Options that require a constitutional amendment are unlikely to be implemented and are analyzed only to a limited degree here.

Ease of administration. Revenue sources that are straightforward and well-established generally being preferable to those that would require new or expanded active administration or enforcement, such as parking fees and towing.

Equity of cost burden. Many sources of municipal revenue (such as sales taxes and user fees) are regressive, meaning poor residents pay more as a percentage of their income than wealthier residents. RIDE strongly prefers to identify revenue sources with progressive cost structures which minimize any added financial burden for lower income residents.

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Ongoing operating costs include salaries for drivers, mechanics and administrators, fuel and or electrical power for vehicles, parts and supplies, administrative costs, and maintenance. Those costs make up the large majority of a transit agency's expenses in any given year. In 2023, the RTA's combined operating expenses for service (excluding pension contributions) accounted for nearly 84% of the RTA's operating budget, with capital expenditures accounting for 15% and debt service accounting for the remaining 2%.

Because transit is inherently labor-intensive, the cost of providing transit service has increased due to the same economic factors which have driven up the cost of consumer services across industries. The Baumol Effect is an economic phenomenon which describes how industries relying heavily on labor, like transit, face increasing costs because they can't easily replace labor expenses with capital. As a consequence, the operating costs of transit service tend to increase over time (6). From 2002-2022, the cost of transit service per Vehicle Revenue Hour (VRH) at U.S. agencies has grown by over 28% relative to Consumer Price Index (CPI) inflation (Figure 18).

The RTA has, so far, managed to avoid the worst impacts of rising operating costs for operations. In the aftermath of Hurricane Katrina, transit operating revenues and ridership were increasing much faster than service costs as the city was in recovery mode. Between 2006 and 2020, sales tax revenues increased significantly above the inflation rate. Additionally, the RTA has been able to lower operating costs by improving service efficiency and management practices. When RIDE first began analyzing RTA transit service, the agency had some of the highest operating costs in the country. However, by 2022, operating costs per dollar were lower than they were in 2012.

However, the RTA will not be able to avoid the national trend indefinitely. Nationally, the effects of COVID mean that U.S. transit agencies are competing for capital assets and a limited labor pool, which drives up the cost of service.

Fare increases won't be enough. One important issue to assess is to what extent user fees, such as fares and other forms of direct revenue, could cover increased operating costs for transit service. RIDE also noted that the RTA receives a lower share of its operating revenues from service charges (fares) than other agencies.

We believe that it is still worth having a conversation about a potential fare increase tied to service expansion, but we want to caution policy-makers that this is unlikely to be enough. Because of the decline in ridership following the pandemic, the potential payer base for a fare increase is much smaller than it was before, meaning that a fare increase will generate less revenue. Furthermore, increasing fares too much may have other negative consequences for ridership. The experience of the COVID-19 pandemic has also shown that making agencies too dependent upon fare revenue to cover operations puts them at risk of being destabilized if fare revenue suddenly drops.

Agencies such as the Bay Area Rapid Transit (BART) system in San Francisco, which generates a larger share of their operating resources through fares, were hit harder by funding shortfalls during the pandemic, and required more of a bailout to cover those fees. Conversely, agencies with more stable operating funding sources, those not tied to user fees, typically fared better. As noted in a recent policy paper by the Urban Institute, fares by themselves are inadequate to keep agencies afloat when ridership declines, and increasing fares more than a modest amount can make the situation worse by dissuading some from using transit.

State laws restrict and limit many revenue sources. In principle, there are a diverse range of funding sources that the RTA and Jefferson Parish could use to fund transit operations, many of which are used in other areas of the country. A recent report published by the Victoria Transport Policy Institute on the issue of local transit funding identified 24 potential sources of funding for transit operations, which included a mix of dedicated taxes, user fees, utility fees, and other forms of direct revenue, such as rental income and ownership of parking facilities.

However, some funding sources used by local governments elsewhere are expressly preempted for local governments by the Louisiana State Constitution. These include options such as local gas taxes and income/payroll taxes. Other sources of funding, such as general sales taxes and taxes on specific purchases, require pre-approval from the state legislature, in addition to a vote by a local government.

Other potential funding sources, which are not expressly prohibited, are impractical or difficult to implement in New Orleans for various reasons. For example, while the RTA or city could theoretically implement road tolls, there are no practical locations to do so, because all of the major roadways in and out of Orleans and Jefferson parishes are controlled by LaDOTD. Therefore, the state legislature would also have to approve road tolls as a revenue source for transit operations, as was the case for the former Crescent City Connection toll prior to 2014.

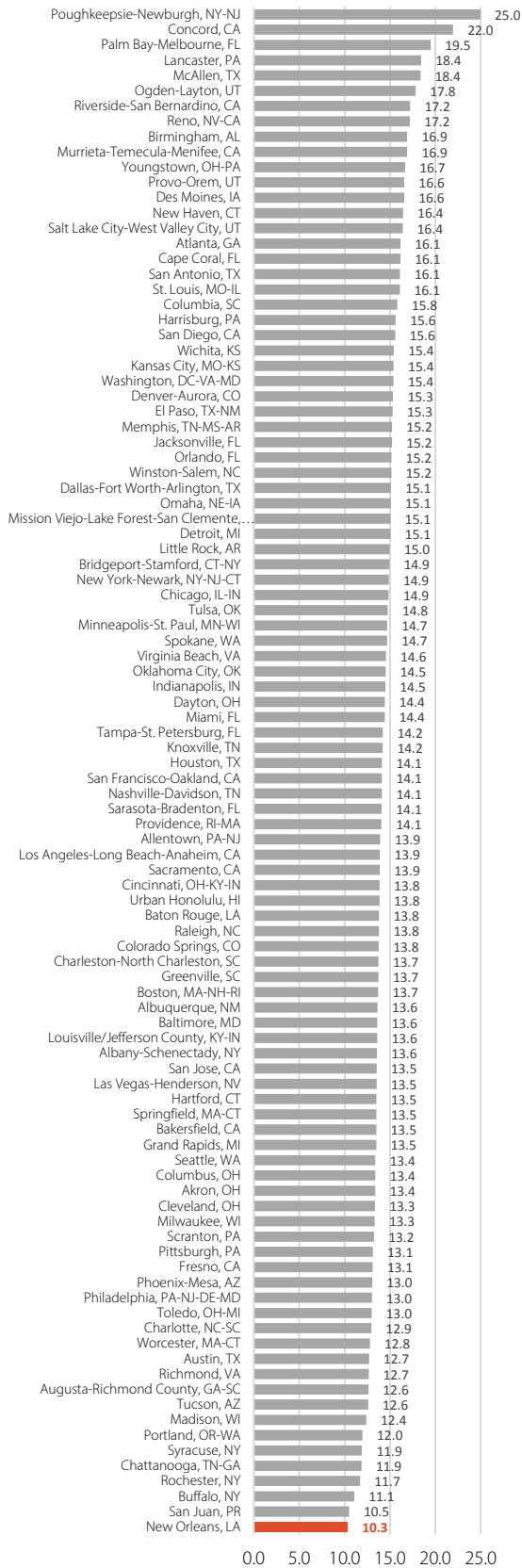
(continued from page 20)

Revenue potential. In principle, there are many potential sources of funding for new transit operations, including some (such as tax increment financing and public private partnerships) which may be appropriate to fund services improvements dedicated to a specific corridor or district. However, revenue sources needing to meet a certain threshold of earning potential to be viable as part of a city or region-wide transit funding solution.

Stability. Recent policy research and local experience have emphasized the importance of securing stable funding sources to maintain quality transit service. All other things being equal, revenue sources that do not vary significantly year to year, such as property taxes, provide a better operating base for transit than those which are likely to vary, such as sales taxes.

Connection to transportation. Finally, when possible RIDE prefers funding source that have a clear policy nexus to transportation demand and impacts.

Figure 19 - Average transit operating speeds for 100 largest US urban areas, 2021



Source: FTA Annual Service Data. 2022 NTD. transit.dot.gov/ntd/ntd-data

Figure 20 - JP fixed-route service expansion - 2023-2024 baseline and projected operating costs 2025-2028

JP FIXED-ROUTE	2023	2024	2025	2026	2027	2028
EXPENSES TOTAL	-\$20.3 M	-\$19.2 M	-\$26.1 M	-\$27.0 M	-\$27.9 M	-\$28.9 M
Operating Expenses	-\$17.6 M	-\$16.4 M	-\$23.3 M	-\$24.2 M	-\$25.0 M	-\$26.0 M
JP Bus	-\$11.5 M	-\$11.2 M	-\$14.2 M	-\$14.8 M	-\$15.4 M	-\$16.0 M
JP BRT			-\$3.8 M	-\$3.9 M	-\$4.1 M	-\$4.2 M
Fixed Operating	-\$6.1 M	-\$5.2 M	-\$5.3 M	-\$5.4 M	-\$5.6 M	-\$5.7 M
Non-Operating Expenses	-\$2.7 M	-\$2.8 M	-\$2.8 M	-\$2.8 M	-\$2.9 M	-\$2.9 M
Personnel Services	-\$0.2 M	-\$0.3 M	-\$0.3 M	-\$0.3 M	-\$0.3 M	-\$0.3 M
Other Financing Uses	-\$2.5 M	-\$2.5 M	-\$2.6 M	-\$2.6 M	-\$2.6 M	-\$2.6 M
REVENUE TOTAL	\$16.0 M	\$16.2 M	\$18.8 M	\$19.3 M	\$19.8 M	\$20.3 M
Operating Revenue	\$9.7 M	\$9.8 M	\$12.2 M	\$12.6 M	\$13.0 M	\$13.4 M
Property Taxes	\$7.4 M	\$7.6 M	\$7.9 M	\$8.1 M	\$8.3 M	\$8.6 M
Fare Revenue	\$2.0 M	\$1.9 M	\$4.1 M	\$4.2 M	\$4.3 M	\$4.4 M
JP Bus	\$2.0 M	\$1.9 M	\$2.5 M	\$2.6 M	\$2.7 M	\$2.8 M
JP BRT			\$1.5 M	\$1.6 M	\$1.6 M	\$1.7 M
Interest Income	\$0.3 M	\$0.3 M	\$0.3 M	\$0.3 M	\$0.3 M	\$0.3 M
Government Assistance	\$6.3 M	\$6.4 M	\$6.5 M	\$6.7 M	\$6.8 M	\$6.9 M
State/Intergov't	\$0.5 M	\$0.5 M	\$0.5 M	\$0.5 M	\$0.5 M	\$0.5 M
Other (inc. Federal)	\$5.8 M	\$5.9 M	\$6.0 M	\$6.2 M	\$6.3 M	\$6.4 M
Pandemic Assistance	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M
NET OPERATING REVENUE	-\$4.4 M	-\$2.9 M	-\$7.4 M	-\$7.8 M	-\$8.2 M	-\$8.6 M
New Expenses			-\$6.3 M	-\$6.6 M	-\$6.9 M	-\$7.1 M
New Revenue			\$2.1 M	\$2.2 M	\$2.2 M	\$2.3 M
NET CHANGE VS BASELINE			-\$4.2 M	-\$4.4 M	-\$4.6 M	-\$4.8 M

Source: Ride New Orleans cost and revenue estimates for service expansion (2025-2028)

Potential funding sources

Operating speed improvements

In RIDE's 2023 State of Transit report, we highlighted that the RTA's hourly operating costs for service are similar to those of other agencies, and there are few opportunities to decrease hourly service expenses, lowering the cost of service (Figure 19). Hourly operating costs are the main factor contributing to the rising cost of transit service nationwide, and are expected to continue increasing.

One way the RTA could achieve significant financial savings is by increasing the operating speed of service. Greater New Orleans currently has the slowest transit system of any major U.S. city in terms of annual vehicle revenue miles per vehicle revenue hour. Although our system's operating costs per hour are comparable to those of our peers, the system itself is highly inefficient in terms of operating costs per mile.

This was not the case before Hurricane Katrina. The primary reason for slow operating speeds in the Greater New Orleans transit network is the significant investment in streetcar service, which tends to run slower than bus service. Additionally, our streetcar network operates at slower speeds than comparable light rail offered by other agencies, as it is a heritage streetcar network. Improving operating speeds is the biggest opportunity for potential savings for the RTA and Jefferson Transit, as well as for improving travel speeds for riders.

Figure 21 - RTA fixed-route service expansion - 2023-2024 baseline and projected operating costs 2025-2028

RTA TRANSIT	2023	2024	2025	2026	2027	2028
EXPENSES TOTAL	-\$120.0 M	-\$147.1 M	-\$167.4 M	-\$173.3 M	-\$179.5 M	-\$186.0 M
Operating Expenses	-\$113.6 M	-\$137.2 M	-\$157.6 M	-\$163.6 M	-\$169.9 M	-\$176.5 M
RTA Bus	-\$55.3 M	-\$68.8 M	-\$83.1 M	-\$86.5 M	-\$89.9 M	-\$93.5 M
RTA Rail	-\$17.1 M	-\$23.0 M	-\$20.1 M	-\$20.9 M	-\$21.7 M	-\$22.6 M
RTA BRT			-\$7.1 M	-\$7.4 M	-\$7.7 M	-\$8.0 M
RTA Paratransit	-\$14.5 M	-\$24.1 M	-\$25.0 M	-\$26.0 M	-\$27.1 M	-\$28.2 M
Fixed Operating	-\$26.7 M	-\$21.4 M	-\$22.3 M	-\$22.8 M	-\$23.5 M	-\$24.2 M
Non-Operating Expenses	-\$6.5 M	-\$9.9 M	-\$9.8 M	-\$9.7 M	-\$9.6 M	-\$9.5 M
Net Debt Service	-\$3.6 M	-\$8.0 M	-\$8.0 M	-\$8.0 M	-\$8.0 M	-\$8.0 M
TMSEL Legacy Costs	-\$2.9 M	-\$1.9 M	-\$1.8 M	-\$1.7 M	-\$1.6 M	-\$1.5 M
REVENUE TOTAL	\$133.6 M	\$147.1 M	\$164.8 M	\$170.6 M	\$174.0 M	\$166.5 M
Operating Revenue	\$117.0 M	\$124.4 M	\$136.9 M	\$140.5 M	\$144.2 M	\$148.0 M
Sales Taxes	\$105.0 M	\$110.3 M	\$116.1 M	\$119.1 M	\$122.1 M	\$125.3 M
General	\$88.6 M	\$91.7 M	\$96.3 M	\$98.7 M	\$101.2 M	\$103.7 M
Hotel/Motel	\$9.7 M	\$10.1 M	\$10.8 M	\$11.1 M	\$11.5 M	\$11.8 M
State Motor Vehicle	\$6.7 M	\$8.5 M	\$8.9 M	\$9.2 M	\$9.5 M	\$9.8 M
Fare Revenue	\$10.4 M	\$11.7 M	\$18.4 M	\$18.9 M	\$19.5 M	\$20.1 M
Bus and Streetcar	\$10.1 M	\$11.4 M	\$16.0 M	\$16.5 M	\$17.0 M	\$17.5 M
BRT			\$2.0 M	\$2.1 M	\$2.1 M	\$2.2 M
Paratransit	\$0.3 M	\$0.3 M	\$0.4 M	\$0.4 M	\$0.4 M	\$0.4 M
Other Operating	\$1.6 M	\$2.3 M	\$2.5 M	\$2.5 M	\$2.6 M	\$2.6 M
Government Assistance	\$16.6 M	\$22.8 M	\$27.9 M	\$30.0 M	\$29.8 M	\$18.4 M
State Funding	\$1.8 M	\$1.8 M	\$1.8 M	\$1.9 M	\$1.9 M	\$1.9 M
FTA Funding	\$14.8 M	\$15.3 M	\$15.6 M	\$15.9 M	\$16.2 M	\$16.5 M
Pandemic Assistance	\$0.0 M	\$5.7 M	\$10.4 M	\$12.3 M	\$11.7 M	\$0.0 M
NET OPERATING REVENUE	\$13.6 M	\$0.0 M	-\$2.6 M	-\$2.8 M	-\$5.5 M	-\$19.5 M
NET LESS PANDEMIC FUNDS	\$13.6 M	-\$5.7 M	-\$13.1 M	-\$15.0 M	-\$17.2 M	-\$19.5 M
New Expenses			-\$14.9 M	-\$15.5 M	-\$16.2 M	-\$16.8 M
New Revenue			\$5.8 M	\$6.0 M	\$6.1 M	\$6.3 M
NET CHANGE VS BASELINE			-\$9.2 M	-\$9.6 M	-\$10.0 M	-\$10.5 M

Source: Ride New Orleans cost and revenue estimates for service expansion (2025-2028)

Recognizing this, the 2023 Strategic Mobility Plan update by the RTA stated that improving the speed of frequent routes, particularly in the streetcar network, could lead to significant savings that could be used to enhance bus frequency in other areas.

In our expanded service scenario, RIDE modeled a version of service in which operating speeds for buses were increased by an average of 20% across the system, while streetcar speeds were increased to 10 miles per hour. This would require some capital investment and political will to allocate road space and priority to transit users, but it would result in substantial operational savings for the transit network (Figure 20 and Figure 21). RIDE's budget for bus speed improvements could save the RTA approximately 67,500 hours a year of bus service, 55,500 hours a year of streetcar service, and 25,200 a year of Jefferson Parish bus service. In 2028 dollars, this would translate to an operational savings of \$175 million a year for the RTA and \$3 million a year for Jefferson Transit, reducing the overall cost of implementing service expansion by more than \$20 million a year across the region.

BY THE NUMBERS: RTA

-\$27.0 MILLION	Annual RTA deficit by 2028 with full service expansion (improved operating speeds)
-\$16.5 MILLION	RTA baseline operating deficit
-\$10.5 MILLION	RTA net cost of new service
—	-\$34.3 Million Frequency + East-West BRT
—	+\$6.3 Million Increased fare revenues
—	+\$17.5 Million Operating speed improvements

BY THE NUMBERS: JP

-\$8.6 MILLION	Annual JP deficit by 2028 with full service expansion (improved operating speeds)
-\$3.9 MILLION	JP baseline operating deficit
-\$4.8 MILLION	JP net cost of new service
—	-\$10.2 Million Frequency + Veterans BRT
—	+\$2.3 Million Increased fare revenues
—	+\$3.0 Million Operating speed improvements

Figure 22 - Annual revenue per 1 percent general fund dedication in Orleans Parish, 2014-2021

Year	Total revenue
2014	\$5,446,841
2015	\$6,051,850
2016	\$6,307,686
2017	\$6,687,219
2018	\$6,592,526
2019	\$6,877,238
2020	\$6,621,368
2021	\$6,347,172

Source: City of New Orleans adopted annual budget books, 2014-2023.

Figure 23 - Annual revenue per 1 percent general use sales taxes in Orleans Parish, 2017-2022

Year	Total revenue
2017	\$66,369,767
2018	\$71,048,066
2019	\$73,322,194
2020	\$57,914,235
2021	\$71,873,719
2022	\$86,918,199

Source: RTA budget actuals for 1 cent sales tax collection, 2017-2022

Figure 24 - Annual revenue per 1 percent general use sales taxes in Jefferson Parish, 2017-2022

Year	Total revenue
2017	\$133,742,774
2018	\$129,053,640
2019	\$111,957,469
2020	\$102,927,814
2021	\$101,757,919
2022	\$96,640,894
2023	\$94,597,832

Source: Jefferson Parish Sherriff's Office (JPSO) Annual Comprehensive Financial Reports, 2017-2023.

General fund revenue

The general fund includes all revenues collected by the City which are not allocated or dedicated to specific projects or funds by law. The RTA and Jefferson Transit are somewhat uncommon among peer agencies in that they currently receive no general fund revenue for transit operations (as the majority of peer cities do). The tax that funds the majority of the RTA's operations was assessed by the RTA itself and is only collected by the city and remitted on the RTA's behalf.

One option for local funding that would be relatively easy to implement would be to budget a portion of the City's general fund to expand transit operations. For this option, the would appropriate funds for transit as part of its annual budgeting process. The 2024 general fund revenue for the City of New Orleans is estimated to be \$776 million. Allocating one percent of these funds to transit service would provide \$7.8 million dollars in operating revenue. This approach has several advantages. It is relatively straightforward to implement, only requiring a vote of the New Orleans City Council (or Jefferson Parish Council). The City could introduce a line item in the budget for the RTA and simply make annual appropriations for transit service as part of the normal city budgeting process. The City took a step in the direction in budgeting funding for transit service this year on two occasions. First, they created a \$2.5 million fund for a zero fares pilot program, which is funded through an American Rescue Plan COVID relief grant. The city council also recently voted to approve \$3 million in relief funding to maintain Algiers Ferry operations without cuts through 2024.

The primary disadvantage to getting general fund revenue as part of the annual budget cycle is that it makes stability more difficult by making transit funding contingent on the whims of the regular budgeting process. An alternative approach would be to introduce a charter amendment devoting a portion of the city's general fund revenue to transit service in perpetuity. This approach would require a public vote to amend the City's home rule charter and thus is somewhat more difficult to implement.

Sales taxes

The RTA currently receives the majority of its funding from sales taxes, and a sales tax increase in either parish could generate significant revenue for transit (Figure 23 and Figure 24). However, for a multitude of reasons, RIDE believes that increasing existing sales taxes in Orleans Parish or instituting a new sales tax in Jefferson Parish as a means to fund transit is undesirable. As has been demonstrated by the effects of the pandemic, sales taxes are a volatile revenue source and making the transit further reliant on sales tax revenue does not accomplish the policy goals of identifying stable and diversified funding sources. Furthermore, sales taxes are inherently regressive. so RIDE is opposed to leveraging sales taxes for transit for social policy reasons as well. Louisiana has among the highest sales taxes in the country already, and raising them further would shift cost burdens for increasing service onto low-income residents who are the least likely to be able to bear the additional cost.

Finally, sales tax increases are logistically difficult to implement. Any increase to the sales tax would require both approval from the state legislature and a public referendum.

Parking taxes

The city of New Orleans currently collects a 3% tax on off-street parking. In 2024, this tax was projected to generate \$4.8 million in total, meaning that a 1% tax generates about \$1.6 million. The city, when it originally implemented this sales tax, tried to impose a 10% tax on parking in Orleans Parish. This was resisted by parking corporations who took the city to court arguing that it was a sales tax that had not been approved by the state legislature. Eventually the city and the parking plaintiffs came to a settlement resulting in only a 3% tax being imposed instead of a 10% tax.

As a source of revenue for transit, parking taxes have several significant advantages. There is a close policy nexus between revenue from parking taxes and fees and funding public transportation. In addition, a parking tax is one of the few sources of revenue that allows the city to collect from residents not living in Orleans Parish. Parking taxes also have the potential to generate a substantial amount of revenue. There are several precedents in other cities for parking revenue being a substantial source of operating income for transit. However, the legal status of parking taxes is ambiguous. Parking corporations in the city have argued that parking taxes are a form of sales tax and therefore require approval from the state legislature. Although this has not been settled in court, it complicates the process of implementation. In addition, parking taxes are relatively volatile and sensitive to economic disruptions such as the COVID-19 pandemic.

As Jefferson Parish does not currently impose a parking tax, it is unclear how much revenue would be generated from a parking tax imposed in the parish. As there are comparatively few locations in Jefferson Parish that charge for parking, it is likely that tax revenue would be significantly lower than in Orleans Parish. Nevertheless, there may be some benefit to exploring parking taxes as a secondary source of revenue for transit in Jefferson Parish, although more study is needed.

Parking meter revenue

The City of New Orleans generates \$5-10 million from metered parking revenue each year (Figure 26); in 2024, the City is expected to generate about \$7 million in meter revenue. If some of this revenue were to be dedicated to transit, or if new parking meter revenue was found and dedicated, it could be another viable source of funding for public transportation. Similar to parking taxes, metered revenue has both advantages and disadvantages as a funding source for transit operations. One advantage is that parking fees have a strong connection to funding public transportation.

However, a disadvantage is that metered revenue is relatively volatile, influenced by economic factors and city enforcement. When the city previously considered raising street meter rates, the topic was highly contentious. In 2016, the city raised street meter rates from \$2 to \$3 downtown and from \$1.50 to \$2 outside of downtown, resulting in an increase of parking meter revenues from about \$6 million a year to about \$10 million a year. The original proposal to extend enforcement to 10 p.m. was reduced to 7 p.m. as part of a compromise after facing opposition from various businesses and hospitality groups.

Figure 25 - Annual revenue per 1 percent parking taxes in Orleans Parish, 2014-2021

Year	Total revenue
2014	\$1,448,033
2015	\$1,607,354
2016	\$1,569,659
2017	\$1,538,137
2018	\$1,649,973
2019	\$1,759,291
2020	\$828,146
2021	\$1,220,270

Source: City of New Orleans adopted annual budget books, 2014-2023.

Figure 26 - Orleans Parish total metered parking revenue, 2014-2022

Year	Total revenue
2014	\$4,957,069
2015	\$6,451,873
2016	\$10,382,667
2017	\$10,474,867
2018	\$10,468,683
2019	\$8,900,706
2020	\$5,013,840
2021	\$5,636,820

Source: City of New Orleans adopted annual budget books, 2014-2023.

Figure 27 - Annual revenue per 1 mill of property taxes in Orleans Parish, 2014-2023

Year	Orleans	East Bank	West Bank
2014	\$3,130,466	\$2,915,224	\$215,242
2015	\$3,331,332	\$3,113,036	\$218,296
2016	\$3,533,207	\$3,304,478	\$228,729
2017	\$3,653,954	\$3,429,429	\$224,525
2018	\$3,789,023	\$3,558,781	\$230,242
2019	\$3,868,662	\$3,620,950	\$247,712
2020	\$4,413,897	\$4,182,146	\$231,751
2021	\$4,269,787	\$4,027,673	\$242,113
2022	\$4,244,926	\$4,004,519	\$240,407
2023	\$4,750,807	\$4,491,878	\$258,928

Source: Louisiana Tax Assessor Annual Reports, 2014-2023.

Figure 28 - Annual revenue per 1 mill of property taxes in Jefferson Parish, 2014-2022

Year	Jefferson	East Bank	West Bank
2014	\$3,468,121	\$2,825,836	\$1,137,659
2015	\$3,486,451	\$2,857,941	\$1,127,146
2016	\$3,591,184	\$2,944,045	\$1,152,507
2017	\$3,639,502	\$3,002,602	\$1,149,902
2018	\$3,718,039	\$3,061,744	\$1,180,683
2019	\$3,828,403	\$3,156,954	\$1,210,836
2020	\$3,958,267	\$3,284,510	\$1,236,080
2021	\$3,999,079	\$3,289,145	\$1,227,038
2022	\$4,203,554	\$3,487,721	\$1,308,824

Source: Louisiana Tax Assessor Annual Reports, 2014-2023.

Parking fees also require active administration to collect and enforce the collection of revenue and parking tickets, adding complexity to using them as a funding source. All of these proposals are likely to be politically contentious and require new enforcement and administration factors. Overall, RIDE believes that parking revenue has the potential to serve as a secondary source of new income for transit, but due to complications in logistics and implementation, it should not serve as the sole funding source for transit service.

Property taxes

Property taxes fund a wide range of municipal services and are an important potential source of funding for transit expansion. Dedicating property taxes to transit could take the form of a new millage for transit or the rededication of an existing one.

Property taxes have some advantages from a policy standpoint as a potential source of transportation revenue. A recent report addressing transit funding issues nationally in the context of COVID-19 found that transit agencies that rely primarily on property tax revenues tended to see less disruption in revenue streams during the pandemic.¹ This can be observed locally in Jefferson Parish: while the RTA's operating revenue declined significantly, Jefferson Parish's remained fairly steady.

Another important advantage of property taxes is that they are relatively easy to implement in Louisiana, at least in comparison to other potential funding options. Unlike sales taxes which require approval from the state legislature and a voter referendum, property taxes can be imposed by a municipality with a vote by the electorate. As the RTA itself has taxing authority, the RTA could also, in theory, impose a millage in Orleans Parish with the approval of voters. From an equity standpoint, property taxes are a mixed bag. They are generally measured to be either flat or mildly regressive as a form of tax revenue. However, they are considerably less regressive than sales taxes and some other forms of fees that are commonly used to fund transit operations.

Although it is comparatively easy to implement property taxes, the Louisiana state constitution significantly restricts the structure and flexibility of how those taxes are implemented. Most significantly, communities do not have the ability to determine the value of different land types. The LA Constitution imposes uniform requirements on the methodology for calculating tax assessments and does not permit local jurisdictions to assess different rates of property tax on different property types. This limits the flexibility of property taxes in terms of creating a nexus with transportation needs by, for example, assessing a higher rate of taxes on parking garages and service parking lots to fund transportation.

Furthermore, a significant portion of Orleans and Jefferson parishes, particularly Orleans Parish, are exempt from taxation. The LA Constitution and state legislation exempt a wide range of property types, including non-profits, public bodies, and a range of specific

1 Yonah Freemark, Lindwe Rennert (2023). *Surmounting the Fiscal Cliff: Identifying Stable Funding Solutions for Public Transportation Systems*. Urban Institute. transitcenter.org/wp-content/uploads/2023/11/Surmounting-the-Fiscal-Cliff.pdf

interests, from property taxes. The state's industrial tax exemption program regularly grants property taxes to private commercial properties. Finally, property taxes on their own have a limited nexus as a funding source, which is somewhat less desirable for policy reasons.

Nevertheless, property taxes remain a promising source of potential revenue for transit. As of 2022, a 1 mill property tax in Orleans Parish generates about \$4.7 million, while the same tax in Jefferson Parish generates about \$4.2 million (Figure 27 and Figure 28). Raising the existing Jefferson Parish millage for fixed-route transit from 2 to 3 mills would largely eliminate the existing gap in transit funding through 2028.

State funding

There is a strong policy argument to be made that the state government should allocate more funding for transit operations, not only for the RTA, but for agencies across the state as a whole. Currently, Louisiana only provides about 5% of the total funding for transit agencies in the state, ranking 36th out of 50 among US states; the national average for state funding is 26%. It is important to note that the majority of the state's funding is dedicated exclusively to ferry operations. Due to the state constitution preempting potential local funding sources for transit, such as property taxes and gas taxes, obtaining funding through these sources would require action by the state legislature. This effectively means asking the state to contribute more money to transit. While policymakers at the state level have recognized the need for more investment in transportation priorities and public transit, the state legislature has not taken action on these recommendations. It is also uncertain how receptive the incoming governor's administration will be to these recommendations.

At a minimum, RIDE believes it is important for the RTA to attempt to secure permanent dedicated funding from the state to cover ferry operations, potentially through sources such as the state general fund or new taxes and fees assessed by the legislature. This funding should be sufficient to cover anticipated operating shortfalls for ferry operations through 2028. This is important in ensuring that ferry operating shortfalls do not impact other parts of the transit system.

Conclusions

Greater New Orleans elected officials and policy makers are facing urgent decisions concerning transit funding. There are great opportunities for the region to expand our transit network in order to create the truly equitable, regional, and world-class service our residents deserve. These opportunities would provide substantial environmental, social, and economic benefits to our residents. However, achieving this standard of service will require a sustained effort and dedicated political will to identify new operating resources and prioritizations for transit. Achieving world-class transit will require not only the expenditure of operating funds, but a decision to allocate the resources and public space necessary to create transit priority on our roads– a necessary commitment in order for service to run quickly and efficiently. RIDE encourages transit decision makers and policy makers to move this conversation forward sooner rather than later, and to begin building political support for new operating funds for transit now.

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