

# MEMPHIS PUBLIC TRANSIT IN CRISIS

An Opportunity to Invest in our Future



**INNOVATE MEMPHIS**

DELIVERING CIVIC SOLUTIONS

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# EXECUTIVE SUMMARY

## TRANSIT VISION

In 2024, Memphis still deserves excellent transit. It has been six years since The City of Memphis embarked on a planning effort to reimagine the future of transit as a part of the City's Memphis 3.0 Comprehensive Plan. The resulting [Transit Vision](#) plan was based on public input and Memphis priorities. The [Recommended Short-Term Network](#), if fully funded and implemented, would dramatically improve the number of jobs, people and opportunities accessible by transit for most people.

Of the 1,000+ Memphians surveyed during the planning process,



78%

agreed that the new bus network would be better for Memphis than the existing network



77%

said they would pay more for better transit in the city

## TRANSPORTATION ACCESS AND COST BURDENS

Currently, over 25,000 households in Memphis do not have access to a vehicle. In many of the lowest-income census tracts in Memphis, 30-45% of households do not have access to a vehicle, creating barriers to accessing jobs, education, and other resources that improve upward mobility and wellbeing. The average cost of car ownership for a household in Memphis is now over \$13,000 annually and rising each year. This means that many Memphians are spending just as much or more on transportation as they are on housing. Reducing the cost of living has a similar impact as increasing incomes, and replacing a household car with reliable public transit could put over \$9,000 annually back into household budgets.

A strong public transit system provides countless benefits and addresses many of the priority issues in Memphis. From public safety to job access to economic development, public transit has the potential to play a significant role in improving the lives of all Memphians. The Transit Vision Short-Term Recommended Network increases the frequency of buses, including the most utilized bus routes to 15-20 minutes, and keeps all bus routes running seven days a week with 18 hours of service for most routes on weekdays.

**Fully implementing the Transit Vision Short-Term Recommended Network, that provides more frequent service along the busiest and densest corridors, would result in:**



**39%**

**more jobs reachable in an hour by transit for the average Memphian (17,000)**

**45%**

**more jobs reachable in an hour for minority residents and 49% for low-income residents**

## LOCAL TRANSIT FUNDING

In the past fifteen years, Memphis has experienced a slow-moving self-reinforcing decline in transit due primarily to a lack of funding. The amount of service MATA is able to deliver is directly tied to the amount of operating dollars that local government provides each year. Because of the combination of stagnant local funding and rising costs due to inflation in the transportation sector, MATA has been forced to reduce service as revenues have not kept up with expenses. These service cuts result in decreased ridership and lower quality service for riders who continue to rely on public transit. Public transit is seen as less and less useful for more people and public support continues to erode.

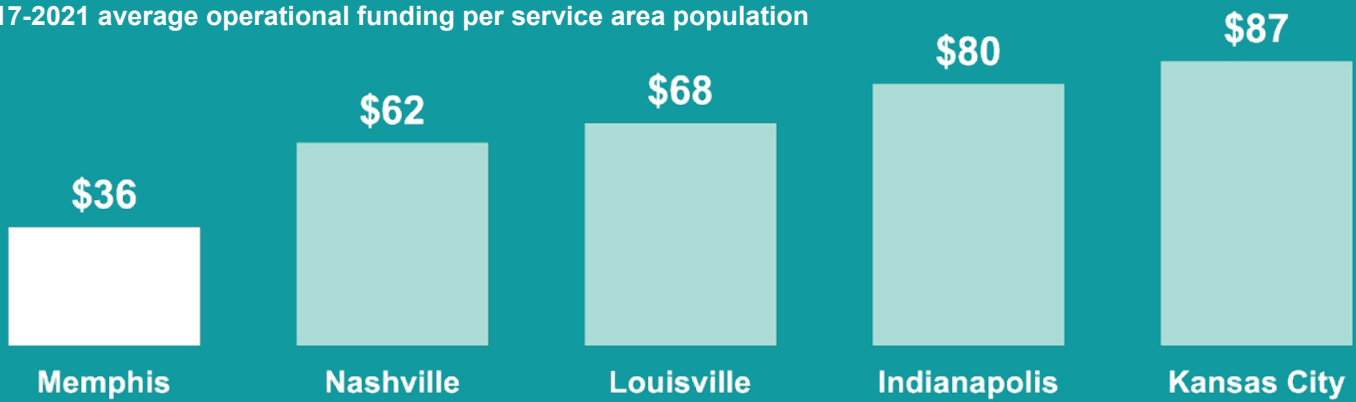
**Memphis' public transit system currently faces a \$12M budget shortfall that, if not addressed, will cause further decline in transit service at the expense of those who depend on it most.**

When Transit Vision was developed in 2018, the cost to implement and sustain this vision was a \$30 million annual investment in addition to existing local funding levels. Because of the delay in funding and rising costs over the past years, project costs

related to Transit Vision are now estimated to be \$38M. In 2022, ordinances passed at both the City and County to increase funding for Transit Vision using funds from expired PILOT projects, with MATA projected to receive \$4.6 million in FY23 and \$4.9 million in FY24. Actual funding available from expired PILOTS has already proven to fall short of anticipated amounts and ultimately will only cover a fraction of the cost to implement Transit Vision. City and County funds available from the 2023 tax year (\$3.4M) are confirmed to be 29% less than anticipated and amount to less than 10% of the additional dollars needed to implement Transit Vision.

## Local Operating Funding Per Capita

2017-2021 average operational funding per service area population



As local funding in Memphis continues to lag while peers across the country invest more of their local dollars in transit, Memphis is falling even further behind. Nashville, Louisville, Indianapolis, and Kansas City all spend 70-140% more per capita on funding transit operations than Memphis.

Across the country, local transit measures at the ballot box have seen tremendous success in the last six years. 143 measures passed with a success rate of 84%, resulting in over \$18B in transit revenue. Voters across the country emphatically acknowledge that public transit is an essential economic priority for creating and filling jobs; attracting workers and tourists; improving health, quality of life and air quality; reducing the cost of living, and positively impacting their cities' future.

**Innovate Memphis' 2024 Transit Funding White Paper provides key information on current local transit funding and presents multiple options to pursue new revenue sources.**

It also explains the steps necessary for pursuing the creation of a regional transportation authority that could act as a catalyst for regional economic development in and around Shelby County, and create the potential for new revenue opportunities.

# INTRODUCTION

In late 2015, Innovate Memphis and several local partners representing non-profit organizations, business interests, advocacy groups, and philanthropy convened the Transit Funding Working Group. The goal of the group was to increase transportation options and mobility for everyone, with a focus on improving reliable transit to jobs. The group published a white paper in 2016 titled [“Transit Funding: Memphis Deserves Great Transit”](#) to make the case for increased local funding for public transit through a dedicated funding source. Though our world has changed in many ways in the years since the original white paper was authored, the urgent need for increased dedicated funding for public transit remains.

In the past fifteen years, Memphis has experienced a slow-moving self-reinforcing decline in transit due primarily to a lack of funding. The danger is that transit will decline into irrelevance unless it is halted. We can see evidence of this cycle in ridership and service hours. The COVID-19 pandemic delivered another blow to transit, as ridership in Memphis fell from more than 570,000 passengers in April 2019 to just under 200,000 passengers a year later. Though ridership has slowly increased since it eventually bottomed out in 2021, federal relief funding is drying up and additional local funding will be needed to ensure transit can survive and thrive in the years to come.

In 2024, Memphis still deserves excellent transit. Similarly to 2016 when transit funding and planning was brought to the forefront of public conversation, we are again approaching another critical juncture. With a newly elected City Mayor and City Council members, a new opportunity presents itself to not only provide a critical lifeline for public transit, but to transform how Memphians access opportunity. Memphis’ public transit system currently faces a budget shortfall that, if not addressed, will cause transit service to further decline at the expense of those who depend on it most. This updated white paper reiterates the tremendous benefits of an excellent public transit system, reflects the ongoing need for additional funding, and presents multiple opportunities to pursue it.

## PURPOSE

While this report aims to provide general information for local leaders and members of the community on the current state of public transit in Memphis, **the primary purpose of this white paper is to provide information that will help move us as a community towards a stronger public transit system** through additional funding. It contains an overview of The Benefits of Strong Public Transit (Part 3), Transit Vision for Memphis (Part 4), a MATA Budget Summary (Part 5), Local Options for Additional Transit Funding (Part 6), Regional Transportation Authority (Part 7), a Peer City Comparison (Part 8) and Acknowledgments (Part 9).

## CONTEXT

While the benefits of improved transit remain, many new factors since the first Transit White Paper was released continue to reinforce the need for increased investment in a strong local transit system. Significant events that have impacted local transit since the publishing of the original White Paper include:

### Memphis 3.0 Transit Vision (2017 - 2019)

The City of Memphis, MATA, and Innovate Memphis developed [Transit Vision](#) as part of the [Memphis 3.0. Comprehensive Plan](#). Transit Vision provided a blueprint for how to change and grow the existing transit system to best meet the needs and goals of our current city, and develop a long-term plan for the future transit network that meets the needs of the Memphis of tomorrow. The final report published in October of 2018 includes a Short-Term Recommended Network and a 2040 Network that corresponds with the Memphis 3.0's long-range plan. The Memphis Transit Coalition, a group of civic and business leaders, began to build support for the additional \$26 million in operational funding and \$4 million in capital funding needed annually to implement the Short-Term Recommended Network. In January of 2019, the MATA Board of Commissioners adopted the Transit Vision Recommended Short-Term Network as its guiding document for future transit infrastructure and surface improvements.

### COVID-19 (2020)

The COVID-19 pandemic impacted public transit operations across the country. As the country came to a standstill, ridership in Memphis fell from more than 570,000 passengers in April 2019 to just under 200,000 passengers a year later, significantly decreasing fare revenue and impacting labor availability. Though transit labor shortages were an issue in the years prior, the pandemic deepened an existing crisis. Many transit workers were exposed to COVID-19 during the pandemic, and according to Transit Center's "[Bus Operators in Crisis](#)" report on the labor shortage "An increased rate of retirement coupled with struggles to recruit and retain new operators have played a key role in creating operator shortfalls. Even in the absence of a pandemic, transit agencies would be challenged by a lack of workers."

### Blue Oval City (2021)

In September of 2021, Ford Motor Company announced that it would invest \$5.6 billion in a new megacampus in Haywood County, TN. The project is expected to create about 5,800 jobs, and production is scheduled to begin in 2025. As the site is roughly 45 miles from Memphis, it is expected that a large number of Ford's workforce, as well as the workforce of related suppliers, will come from the Memphis area. This project has created renewed interest in regional transportation, and The Tennessee Department of Transportation (TDOT) has conducted [a study](#) to assess the feasibility of various transit options for West TN.

## PILOT Funding (2022)

In June of 2022, the Memphis City Council and Shelby County Commission approved separate ordinances establishing special revenue funds for funding the Transit Vision Short-Term Recommended Network using property tax revenue from expired payment in lieu of taxes ([PILOT](#)) projects. Funding is anticipated to begin in Fiscal Year (FY) 2024 at \$4.9 million dollars and increase over time, reaching \$34M in 2032. This funding is anticipated in addition to existing local operating funding given to MATA each year, and is not expected to cover the full cost of implementing Transit Vision which now stands at approximately \$38 million annually in additional funding.

Per [Shelby County Ordinance #542](#), a minimum of \$488,619 was to be dedicated to the special revenue fund for transit based on proceeds for FY 2023. This funding is contingent upon such funding's inclusion in the County's Annual Budget, and the Annual Budget's approval by the Shelby County Board of Commissioners. [City of Memphis Ordinance #5830](#) created a similar special revenue fund that was anticipated to contribute \$4,115,511 towards Transit Vision in FY 2023. However, expired PILOT funds are difficult to project in a reliable way, and the actual amount available in the Transit Fund for FY 2023 from Shelby County was only \$123,720 ([Shelby County Trustee](#)), and the actual amount available in the City fund was \$3,293,219. Due to the number of PILOTs that end up being extended past their original termination date, it is highly unlikely that actual funds will exceed the anticipated amounts for any future years, and will likely continue to be significantly less than anticipated amounts.

## Transit Vision Proposed Implementation Plan (2023)

In the Spring of 2023, MATA received a grant to verify that the assumptions of the original Transit Vision plan still held true based on current ridership and revenues. These assumptions were found to still hold true, and a scaled and phased [Transit Vision implementation plan](#) to match anticipated funding from the expired PILOT projects was created and presented to the MATA Board of Commissioners in April 2023. The proposed plan adapts to current ridership, coordinates with other MATA investment projects and programs, and includes a significant increase in on-demand service zones.

## Local Geography

Providing the transit service needed across Memphis and Shelby County remains a challenge. Land use decisions over time have moved jobs, housing, education, shopping, and recreation farther from the city's central core and contributed to a mismatch between employee-rich and job-rich areas of the city. Memphis has an estimated population of 630,000 within its 300 square miles of land area, resulting in a population density of approximately 2,100 people per square mile. New York City and Austin, TX both have land

areas similar to Memphis, but New York City has a population density of approximately 29,000 people per square mile and Austin has a population density of 3,000 people per square mile. The sprawling low-population density of Memphis creates long distances between residential areas and job locations and makes providing services such as transit, solid waste, and emergency services more challenging for local government providers.

## Part Three:

# BENEFITS OF STRONG PUBLIC TRANSIT

Public transit has been historically underfunded, despite its great benefits. Public transit is an essential economic priority for creating and filling jobs; attracting workers and tourists; improving health, quality of life, and air quality; reducing the cost of living; reducing poverty, increasing economic development; promoting equity, improving road safety; increasing talent retention, and positively impacting the future of Memphis. The lack of balanced transportation options and an overreliance on personal vehicles not only negatively impacts transit users, but contributes to increased health disparities, decreases in public safety, economic instability, and negative environmental impacts for all Memphians.

## PUBLIC SAFETY

Increasing public safety in Memphis is a top priority for many residents and leaders across our city. One of the most dangerous daily activities many Memphians engage in each day is traveling on our roadways. In the past five years, there were an average of 212 traffic crashes annually resulting in fatalities, and an additional 8,542 crashes that resulted in an injury. This means that every week in Memphis, 163 people are injured in traffic crashes and another 4 are killed. This does not include the 718 property damage only crashes that happen on average each week, resulting in millions of dollars in annual property damage that local taxpayers often bear the cost of ([TN Department of Safety & Homeland Security](#)).

Increases in public safety can clearly be tied to improvements in transit service. As transportation scholar Todd Litman states, “Public transportation is overall a relatively safe (low crash risk) and secure (low crime risk) mode of transport:

- ▶ Transit travel has about a tenth the traffic casualty (death or injury) rate as automobile travel
- ▶ Transit-oriented neighborhood residents have about a fifth the per capita crash casualty rate as in automobile-oriented areas.

- ▶ Transit also tends to have lower overall crime rates than automobile travel
- ▶ Many transit service improvements can further increase security by increasing the number of eyes on the street and economic opportunities for at-risk populations.” ([Victoria Transport Policy Institute](#))

## ECONOMIC OPPORTUNITY

The public transit deficit compounds a vicious cycle that requires Memphians, regardless of their incomes, to buy cars to reach jobs and services that were once within walking distance. In turn, governments respond by investing overwhelmingly in driving. The number of Memphians taking public transit to work has slowly declined over the past 20 years. In 2000, 3% commuted using public transit, in 2010 it was 2.5%, and it now stands at just 1%. This is largely due to the fact that many jobs in Memphis are not conveniently accessible by public transit and service has been cut due to the lack of adequate funding.

Over 25,000 households in Memphis do not have access to a vehicle. In many of the lowest income census tracts in Memphis, 30-45% of households do not have access to a vehicle. The vast majority of Memphians using public transit to get to work are in this group, spending twice as long getting to work as those commuting in private vehicles, and having an annual income far below the Memphis average. Transportation costs are considered affordable if they are 15% or less of household income, or approximately \$8,000 annually for the typical household in Memphis. The average household cost of car ownership in Memphis is now over \$13,000 annually and rising each year. This means that many Memphians are spending just as much or more on transportation as they are on housing. Households need to make at least \$87,000 annually for these transportation costs to be considered affordable. 75% of Memphis households have a household income of less than \$75,000, which means that the vast majority of Memphians are cost burdened by car ownership. Reducing cost of living has a similar impact as increasing incomes, and replacing just one household car with transit could put over \$9,000 annually back into Memphians’ household budget. ([Center for Neighborhood Technology](#))

### Part Four:

# TRANSIT VISION FOR MEMPHIS

## MEMPHIS AREA TRANSIT AUTHORITY

The Memphis Area Transit Authority (MATA), like most public transit agencies across the country, rely heavily on local funding to maintain and expand transit service. The majority of capital dollars that pay for constructing, acquiring, and improving the

systems and equipment used to operate transit service traditionally come from the federal and state government. Operating funding however, has traditionally come primarily from local funding and operating revenue such as passenger fares. As local funding has remained stagnant at best over the past 15 years while the cost to operate transit has risen, Memphis has experienced a slow moving and self-reinforcing decline in transit service and ridership. Reduced service has led to less funding from federal sources and less revenue from fares. This reduced service results in public transit that is useful for fewer and fewer people. As more people leave public transit, there are less people to advocate for increased local funding.

MATA currently services 280 square miles across Memphis and Shelby County and operates the following types of service:

▶ **Fixed-Route Bus**

Traditional buses that run on the same routes each day. 23 routes run each day with varying levels of frequency depending on the day and time.

▶ **Trolley Rail System**

Vintage rail trolleys that run on a fixed route with higher frequencies than fixed-route bus service. Currently only operating on Main Street.

▶ **MATAPlus System**

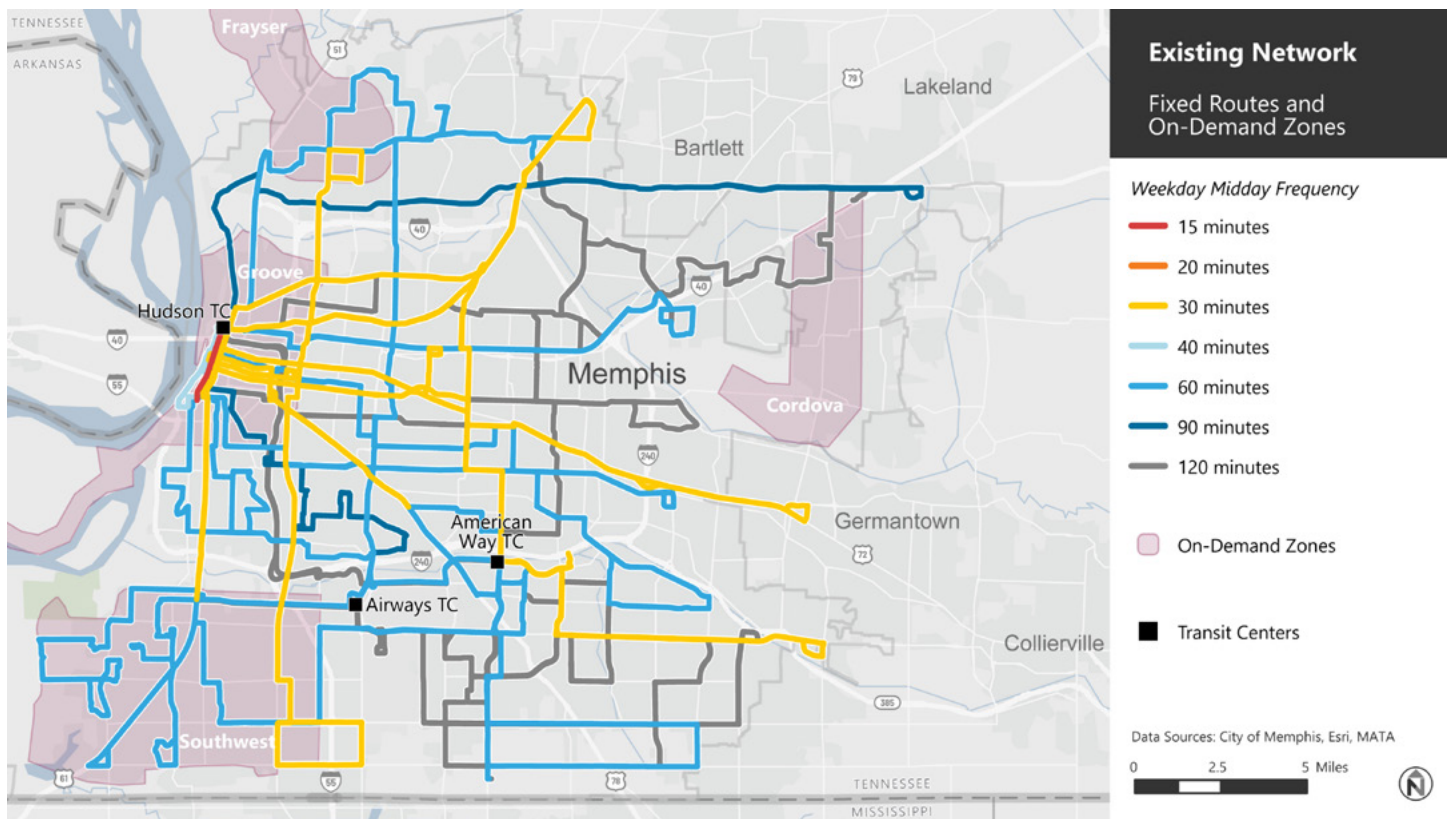
Paratransit Services providing curb-to-curb public transportation for people with disabilities who are unable to use MATA's fixed-route bus or trolley services.

▶ **On-Demand Microtransit**

Curb-to-curb transit option similar to MATAPlus but available to the broader public and limited to specific zones within Memphis. MATA currently offers on-demand services in four different service areas. Ready! Zone 1 serves Southwest Memphis (Boxtown, Westwood, Whitehaven), Zone 2 serves Northaven/Frayser, Zone 3 serves Cordova. Groove on Demand serves all of Downtown, the Medical District, South City, President's Island, and New Chicago.

The image on the following page displays MATA's current existing network of fixed bus/trolley routes and on-demand zones, with corresponding weekday midday frequency represented by different color lines. Though much of Memphis gets some level of service during midday on a weekday, less than 10% of Memphians have access to high frequency transit during a typical rush hour commute time, and 0% have access during the full day. This means that the majority of people wait for the bus for at least 30 minutes, with some waiting as long as 2+ hours. It's also relevant to note that no buses run before 4:20 a.m. or after 10:45 p.m. Because of the high number of night shift workers in Memphis, this means that many workers either start or end their shifts while there is no transit service available. Approximately 27,000 Memphians work a shift that starts between midnight and 4:00 a.m. and another 48,000 start work between 4:00 p.m. and midnight, meaning their shift likely ends while there is no transit service.

## MATA Existing Bus and On-Demand Network



## TRANSIT VISION: THE FUTURE OF TRANSIT IN THE CITY OF MEMPHIS

In 2017, the City of Memphis, MATA, and Innovate Memphis began the process of creating a vision for the future of transit in Memphis. This process brought together members of the public, stakeholders, and elected officials to discuss how to improve the city's transit network and how to invest in transit. At the time, there was a clear recognition that transit service in Memphis was inadequate to meet community goals. The Memphis Area Transit Authority had faced declining funding, service cuts, and decreases in ridership for over a decade. There was no dedicated funding source, and MATA was underfunded compared to its peer transit agencies. These factors created a sense of crisis over transit's value in our community.

[Transit Vision](#) was created as part of the Memphis 3.0 Comprehensive Plan to guide growth and development for Memphis' future. The plan aims to reverse the decline in transit service and ridership by reinvesting in service and shifting to transit-supportive land use policies. Extensive community engagement and design sessions indicated that Memphians wanted to invest more in transit service and direct most of that new investment into higher-frequency service that would increase ridership but to also maintain the geographic coverage of the existing network.

## Frequent transit service:

- ▶ Reduces waiting time and overall travel time
- ▶ Improves reliability because another bus is always coming soon
- ▶ Makes transit simpler and reduces need to consult a schedule
- ▶ Makes transferring between two frequent services fast and reliable

## Short-Term Recommended Network & Anticipated Benefits

The [Short-Term Recommended Network](#) developed by Transit Vision, if fully implemented, would dramatically improve the number of jobs, people, and opportunities accessible by transit for most Memphians. It does this by providing more frequent service along the busiest and densest corridors and by rearranging service in some areas to consolidate low frequency routes into higher frequency service. Of the 1,000+ Memphians surveyed as part of the Transit Vision process in 2017, the vast majority of survey respondents (78%) agreed that the proposed network would be better for Memphis than the existing network and 77% said they would pay more for better transit in the city.



Expanding transit services would have multiple benefits for our community. Based on MATA's existing expense formula, a \$30 million annual investment (in 2018 dollars) would grow bus service hours by 50 percent, adding 220,000 hours and 3 million rides per year. This expanded and improved service was anticipated to result in:

- New routes with more frequent service: that means less waiting and going further, faster.
- More weekend and evening service.
- 17,000 more jobs reachable in an hour by transit for the average Memphian — a 39% increase.
- 45% more jobs reachable in an hour for minority residents and 49% for low-income residents.
- 79,000 more people and 103,000 more jobs near frequent service (every 15 minutes)



**39%**

**more jobs reachable in an hour by transit for the average Memphian (17,000)**

**45%**

**more jobs reachable in an hour for minority residents and 49% for low-income residents**

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## Anticipated Impact Without Full Funding

Transit Vision's Short-Term Recommended Network was designed with the assumption that an additional \$26 million per year would be provided for transit operations and \$4 million for transit capital needs, for a total increase in investment of \$30 million per year (in 2018 dollars). This funding level was chosen based on consultation with City, MATA and Innovate Memphis staff as a realistic assumption of what could be provided with additional funding from a mixture of revenue sources approved by the City or by voters.

In the four years following the adoption of Transit Vision (2020-2023), the City of Memphis gave MATA an average of \$24M annually in operating funds compared to an average of \$26M annually in the four years prior to the adoption of Transit Vision. Though a new local funding source was passed by both The City and The County in 2022, MATA did not receive any of the additional dedicated funds in FY23. Due to the fact that funding has been delayed, the inflation-adjusted cost to implement Transit Vision is now at least \$38 million annually in addition to existing operating funding. The longer the full implementation of Transit Vision is delayed, the more expensive it will become.

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## 2040 Transit Vision Network

The 2040 Transit Vision Network is a long-term vision for transit expansion as the city grows and develops in line with its new comprehensive plan. It was designed to respond to the city's growth and land use plans, in order to improve transit in the areas most suited to cost-effective and high-ridership service and to improve service across areas most of the city. The Short-Term Recommended Network was originally meant to be a short-term improvement in transit that laid the foundation for a much greater vision for local transit. And while the Short-Term Recommended Network does much to expand access by improving frequency of service for many, it only provides frequent service to about 15% of residents and 25% of jobs. It would effectively get Memphis to a baseline of transit service that many of our peer cities already benefit from. If the 2040 Transit Vision Network was fully implemented, large areas of the city would see job access increases of over 100%, particularly Southwest Memphis, Whitehaven, Frayser, Raleigh, and Southeast Memphis. This network comes with a large investment, requiring about 4 times as much service

as the existing MATA network, an expanded fleet of vehicles, additional staff, improved bus stops, and other infrastructure. As we seek to maintain our existing level of service today and prevent further service cuts, let us not forget that Memphis ultimately deserves public transit that exceeds all of our peer cities. This future is possible if we choose to invest in public transit and prioritize opportunity for all.

## CURRENT PROPOSED IMPLEMENTATION

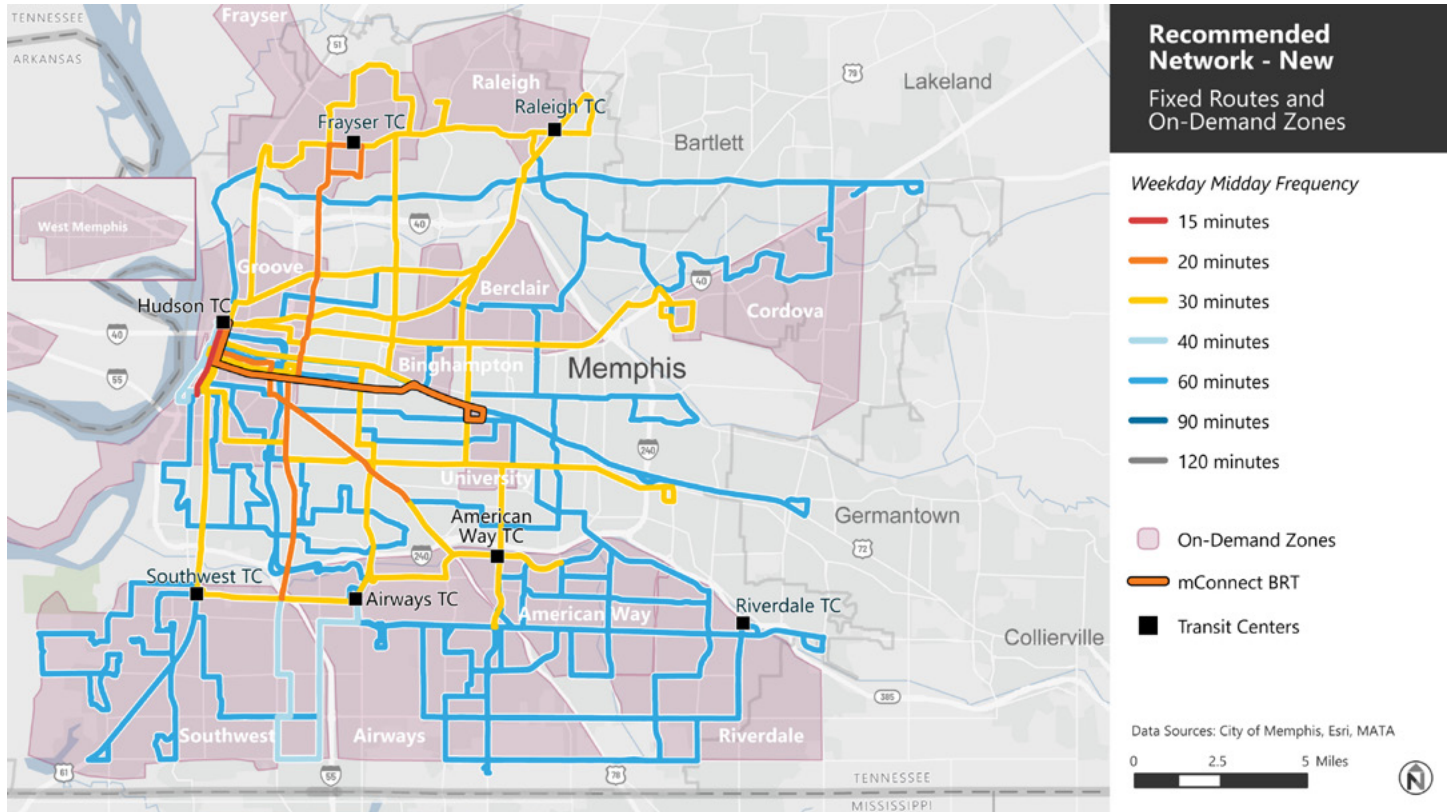
Because the anticipated funding available for Transit Vision falls short of the total amount needed for full implementation, MATA has proposed a scaled back and phased implementation plan. The revised plan is designed to match anticipated funding while adapting to current ridership and coordinating with other MATA investments and programs such as on-demand services and the anticipated Innovation Corridor that will provide bus rapid transit (BRT) from downtown to the University of Memphis. BRT systems include special features that distinguish them from traditional bus routes, providing more frequent service than traditional fixed route buses. Planning for the BRT system began before the Transit Vision Plan was created, and the new service is anticipated to begin in Spring 2027.

The proposed implementation plan for use of the anticipated PILOT funds has been broken down into three implementation phases. The tables on right show the cumulative funding that is expected from expired PILOTS deposited into the special revenue funds created by The City and County.

Phase 1: FY 24 - FY 26	Additional Funding	
<ul style="list-style-type: none"> <li>Alignment changes and frequency improvements for heavily used routes in the fixed route network</li> <li>Increased on-demand service areas and new Ready! Zones with supporting vehicles (Airways, American Way, and West Memphis with a separate funding source)</li> <li>New Transit Centers (Southwest and Airways)</li> </ul>	FY 24	\$4.9 M
	FY 25	\$6.6 M
	FY 26	\$10.8 M
	<b>Phase 1</b>	<b>\$22.3 M</b>
Phase 2: FY 27 - FY 29	Additional Funding	
<ul style="list-style-type: none"> <li>Upgrading Route 1 to Innovation Corridor Bus Rapid Transit</li> <li>Additional alignment changes and frequency improvements to the fixed route network</li> <li>Increased on-demand service areas and new Ready! Zones with supporting vehicles (University of Memphis)</li> <li>New Transit Center (Frayser) and Transit Center Reconstruction (American Way)</li> </ul>	FY 27	\$13.5 M
	FY 28	\$16.0 M
	FY 29	\$21.9 M
	<b>Phase 2</b>	<b>\$51.4 M</b>
Phase 3: FY 30 - FY 32	Additional Funding	
<ul style="list-style-type: none"> <li>Additional frequency improvements to the fixed route network</li> <li>New Ready! Zones with supporting vehicles (Berclair, Binghamton, Raleigh, and Riverdale)</li> <li>New Transit Centers (Raleigh and Riverdale)</li> </ul>	FY 30	\$30.1 M
	FY 31	\$31.5 M
	FY 32	\$32.9 M
	<b>Phase 3</b>	<b>\$94.5 M</b>

Though the 2023 Recommended Network results in expanded service coverage, improved frequency, and additional transit centers when compared to our transit network today, it is important to note the changes that were made to the plan due to the lack of full funding for the original Transit Vision Short-Term Recommended Network. There is also a significant shift to increased and expanded on-demand zones throughout low-density areas as well as higher-density areas such as Binghampton and Berclair. The original Short-Term Recommended Network called for one on-demand zone in Southwest Memphis, whereas the new recommended network calls for twelve different zones, with the possibility of future on-demand zones in the surrounding suburban municipalities (subject to additional funding).

## New Transit Vision Recommended Network



# MEMPHIS AREA TRANSIT BUDGET SUMMARY

In May of 2023, MATA announced an expected \$15M gap between revenue and expenditures for its FY 2024 budget. The request was made to Memphis City Council and Shelby County Commission members to help fill the gap in the upcoming budget season, but neither the adopted City or County budget completely filled this gap. The City of Memphis was able to increase funding for MATA by \$3M, an increase which reduced the gap to \$12M. Similar to previous years when operating revenue did not cover operating expenses, transit service will continue to suffer and those who rely on transit and need it the most will continue to be disproportionately impacted.

There are a number of important facts about transit funding that impact fiscal constraints and public perceptions about public transit.

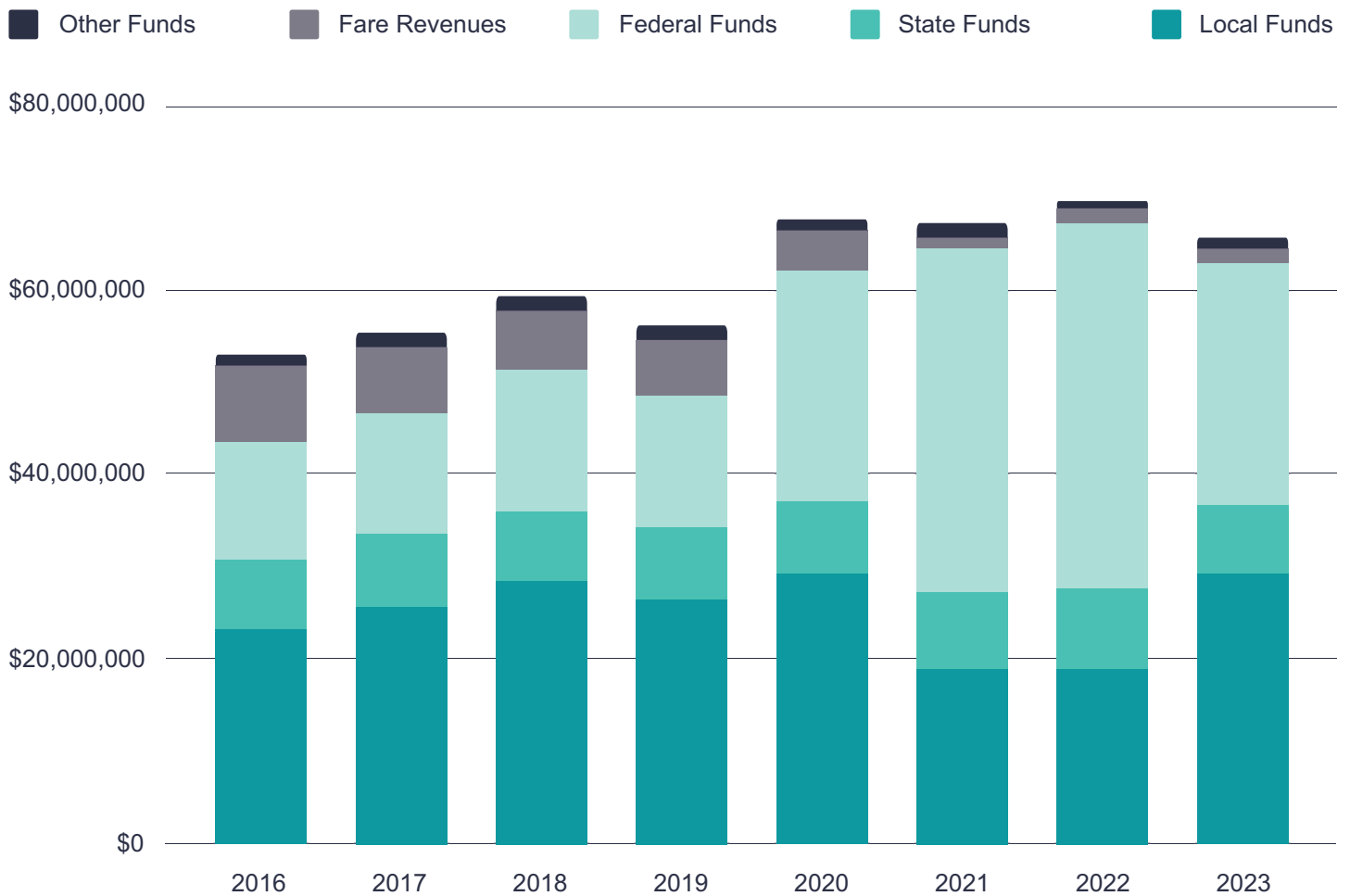
- ▶ **Transportation systems and their infrastructure do not pay for themselves.** Across the United States, individual user fees (fuel taxes, vehicle registration, etc.) only make up about half of the costs to build and maintain roads and other infrastructure required for maintaining and expanding transportation systems. ([Transportation for America](#))
- ▶ **No transit system (bus, rail, ferry, etc.) in the US pays for itself.** In 2021, for each dollar spent on operating costs per trip across all modes and all transit systems, only 12.8 cents were recovered through the fares that users pay to access the system. ([Federal Transit Administration](#))
- ▶ **Inflationary pressures are significant challenges to the public transit industry.** The Producer Price Index (PPI) for Transportation Equipment (Truck and Bus Bodies) increased by 40 percent over the last 10 years. ([St. Louis Federal Reserve](#))

**Local operating funds are vitally important for public transit, as they typically make up the largest share of government funds. Federal and state grant dollars are largely restricted to capital spending and not day-to-day operating costs.**

# OPERATING EXPENSES AND REVENUE

Operating funds are primarily used to pay for salaries and wages, fringe benefits, contracted transportation (services contracted for operation such as on-demand response services), materials, and supplies. Operating revenue primarily comes from local, state, and federal grants, while a smaller share comes from fare revenues and other sources such as advertising. Since 2014, MATA’s transit operating expenses – including operator salaries, maintenance, and administrative costs – have grown from \$53 million to \$76 million in 2023. This is due largely to increases in labor and fuel costs. While costs have risen and demand for transit remained stable, funding for operations from federal, state, and local sources has failed to keep pace. As a result, service has decreased as MATA has yet to obtain funding to maintain, let alone increase, service levels. In addition, MATA uses capital funds to cover maintenance needs because of a lack of operational funding and no funds budgeted for reserves.

## MATA Operating Revenue Sources



## Federal

Federal funds distributed through the U.S. Department of Transportation's (USDOT) Federal Transit Administration (FTA) have historically made up about 20% of MATA's operating funds. Beginning in 2020, federal funds distributed through the CARES Act and the American Rescue Plan significantly increased to stabilize transit during the height of the pandemic. This funding was temporary, and federal funds for operations are not expected to grow significantly in the near future. Most federal operating funds are allocated based on fixed formulas (typically based on population and ridership). MATA has also received discretionary and competitive grant funding from programs like Congestion Mitigation and Air Quality (CMAQ). However, "formula" funds and discretionary programs have strict eligibility requirements limiting their use. CMAQ grants, for example, may only fund major transit expansion operations for the first three years, after which the service must be financed through an alternate source.

## State

The State of Tennessee's transit operating funds, distributed through the Tennessee Department of Transportation (TDOT), currently provide between \$7-8 million annually. This is typically about 10-15% of MATA's operating budget, which has remained relatively stagnant accounting for inflation over recent years. State grants also require local match dollars that are typically between 10-50% of the total grant amount. Tennessee receives almost \$120 million less than other states from federal formula and discretionary funding sources to finance transit improvements, and Tennessee contributes 9% fewer dollars to its local and regional transit agencies than other states. ([Think TN](#))

## Local

Historically, The City of Memphis has been the only local government that authorizes funding for MATA in the operating budget on an annual basis. Since 2016, City funding has accounted for an average of 42% of MATA's operating budget. Shelby County has also started granting operating funds in recent years, averaging approximately \$1M annually. MATA's local funding has not kept up with the expenses required to maintain its existing level of service, so without an increase in local funding, MATA will have no other option but to reduce service. This not only impacts MATA's ability to attract new riders and make public transit a viable option for more Memphians, it further erodes the lifeline of public transit for the thousands of Memphians who currently depend on public transit to access employment, education, medical appointments, and other necessary services.

## Expired PILOT Funding

An important, though incremental, improvement for local transit funding was accomplished in 2022. Both The City Council and County Commission approved the creation of a special revenue fund for Transit Vision using property tax revenue from payment in lieu of taxes ([PILOT](#)) projects that have expired. A PILOT is an economic development tool used by nine different agencies in Shelby County to incentivize companies to locate or expand locally. Companies that are granted a PILOT receive a tax abatement that allows them to only pay 25% of their property taxes for a specific amount of time,

typically about 10 years. After the PILOT has expired, the companies are then expected to pay 100% of the property taxes. Those property taxes are then available as new revenue to the City and County. PILOT funding for transit was anticipated to begin in FY 2024 at \$4.9 million dollars and increase incrementally over time. Funding is estimated to reach \$32.9M by FY 2032, and these funds are expected to be over and above annual general fund contributions made annually.

Per the Shelby County ordinance, a minimum of \$488,619 was to be dedicated to the special revenue fund for transit based on proceeds for FY 2023. The City of Memphis anticipated \$4,115,511 available for FY 2023. However, expired PILOT funds are difficult to project in a reliable way, and the actual amount available in the Transit Fund for FY 2023 from Shelby County was only \$123,720 ([Shelby County Trustee](#)), and the actual amount available in the City fund was \$3,293,219. This total of \$3,416,939 is 29% less than anticipated. Due to the number of PILOT projects that end up being extended past their original termination date, it is highly unlikely that actual funds will exceed the anticipated amounts for any future years, and will likely continue to be significantly less than anticipated amounts.

### **Fare Box**

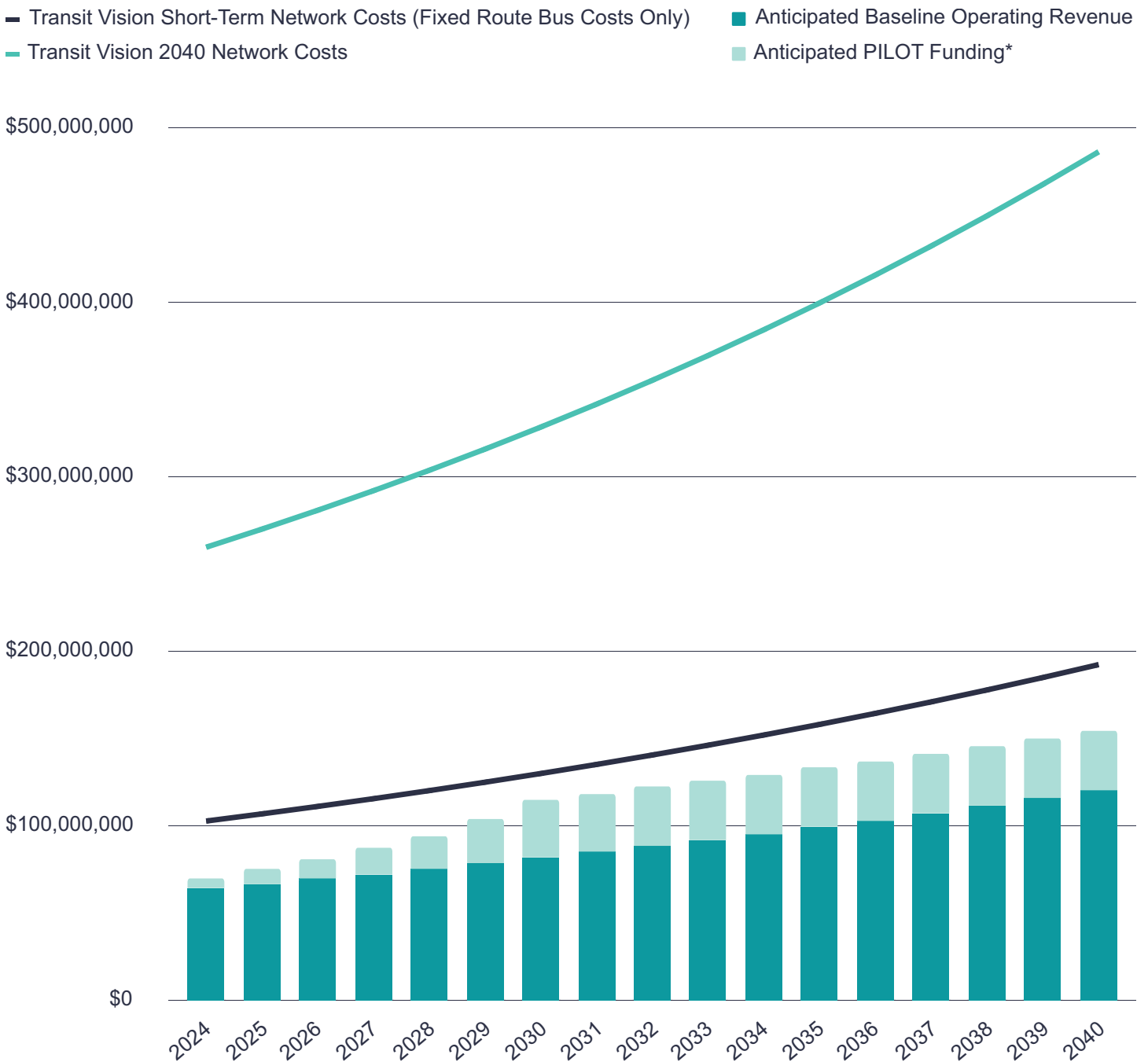
Farebox revenue represents a smaller share of revenue for MATA than most government sources. Though farebox revenues made up 26% of operation revenues in 2000 when ridership was near peak levels, it has fallen to between 10-15% in recent years. Fare revenue decreased dramatically in 2020 due to a drop in ridership at the beginning of the pandemic. However, a steady decline had been taking place in the years prior to the pandemic. From 2002 to 2013, there were an average of 10 million bus trips taken every year in Memphis. From 2014-2020, with ridership falling substantially each year, an average of 6 million bus trips were taken per year.

## **Long Term Operating Budget Shortfall**

The additional local funding expected through the expired PILOT funds is an important step in the right direction; however, there is still a substantial funding gap that is needed to pay for the full implementation of the Transit Vision plan that was created with overwhelming public support and adopted by MATA's Board of Commissioners. The chart below displays MATA's anticipated operating revenue projected into 2040 compared to the operating costs to implement the Transit Vision Short-Term Network and the 2040 Network. Built into these estimates are a number of important assumptions. The first assumption is that existing local funding will increase each year by 4% to account for inflation. The second assumption is that the anticipated PILOT funding is accurate. Though this assumption does not hold true for FY 23 and FY 24 based on actual funding available, there is no way to accurately project PILOT funding into the future due to the limitations mentioned previously. The operating costs for the two proposed bus networks are calculated using the revenue hours required to operate the network, multiplied by the anticipated cost per revenue hour, based on existing costs and an anticipated 4% annual increase in costs due to inflation.

The chart on the following page clearly shows that if the status quo continues, we will never achieve our vision for a transit system that serves Memphians by expanding opportunity and providing the level of service that our citizens deserve. At best, we will maintain existing levels of service and continue to operate a public transit system that does not meet the needs of our city and falls short of our peers as we compete for talent and seek to grow as a city.

## Transit Vision Operating Costs vs Anticipated Operating Budget



## CAPITAL EXPENSES AND REVENUE

Capital funds are typically restricted to capital purchases such as vehicles, fare boxes, major equipment, real estate, and major renovations. MATA has used capital funding to cover maintenance in recent years, leading to a new and replacement equipment shortage.

Most capital funding is from federal sources, which require a 20% local match. Typically, the State of Tennessee and the City of Memphis provide a 10% match for capital funds. In recent years, Shelby County has started providing capital funding for MATA. Some federal capital funding is based on ridership and population, while some funds are discretionary through a competitive grant application.

### MATA Capital Funding Sources

Fiscal Year	Local Funds	State Funds	Federal Funds	Total Capital Funds
2016	\$785,264	\$530,575	\$5,265,455	\$6,581,294
2017	\$4,583,877	\$426,396	\$4,743,712	\$9,753,985
2018	\$2,692,275	\$417,763	\$7,805,461	\$10,915,499
2019	\$1,879,296	\$802,630	\$4,322,120	\$7,004,046
2020	\$8,852,723	\$2,143,433	\$4,638,441	\$15,634,597
2021	\$4,584,690	\$1,035,620	\$6,655,277	\$12,275,587
2022	\$9,697,213	\$3,655,600	\$11,783,509	\$25,136,322
2023	\$14,347,030	\$4,563,670	\$15,748,000	\$34,658,700

In 2022 and 2023, MATA received four discretionary grants from the US Department of Transportation, totaling \$164.8 million. This represents the greatest federal investment MATA has received in its 48-year history.

- ▶ \$63.8 million for the Memphis Innovation Corridor Rapid Transit System
- ▶ \$54 million for a new operations and maintenance facility
- ▶ \$22 million for Clean Electric Buses and charging stations
- ▶ \$25 million for the Crosstown Corridor Safety and Multi-Modal Enhancement Program

# LOCAL OPTIONS FOR TRANSIT FUNDING

Additional revenue is currently needed for MATA to retain its current service and prevent further reductions in service because of an existing \$12M budget shortfall. As anticipated PILOT funds start to roll in, these funds will only cover a small fraction of the costs to fully fund Transit Vision. There is also an assumption built into the Transit Vision Implementation Plan that the existing level of local funds will continue to be included in local operating and capital budgets each year, and that these funds will increase each year to account for inflation.

Increased dedicated local funding is key to ensuring that transit is adequately funded in a stable and predictable manner. This allows MATA to plan for both short-term and long-term improvements and prevents transit from being underfunded when other local priorities arise for general fund dollars. This section of the White Paper outlines various funding mechanisms policymakers could consider to secure the full funding needed for Transit Vision. This document does not endorse one option over another but provides potential pros and cons of each measure and what type of approval is needed to enact each option.

## IMPROVE ACT Local Option Transit Surcharge

In 2017, the State of Tennessee passed the IMPROVE Act, which allows counties and cities to levy taxes for funding public transit following a local referendum. Cities and counties have the option to include raising local sales and use taxes, business taxes, motor vehicle taxes, rental car taxes, residential development taxes, and/or tourist accommodation/hotel occupancy taxes. The surcharge is collected in addition to current local tax revenues, so even though Memphis has maxed out its local option sales tax, the IMPROVE Act creates the ability to collect up to 2.75% in additional sales tax on top of the existing sales tax rate.

## Transportation Utility/User Fee (TUF)

A TUF is a fee that is based on the use of a transportation system and supports transportation funding for municipalities. It is typically assigned proportionately to road usage based on land use generation, trip intensity, vehicle miles traveled (VMT), or, in some cases, a flat rate. It is paid on an ongoing monthly basis, typically within a utility bill. The existing MLGW Stormwater fee provides a good example of how a TUF could be implemented locally. Austin, TX currently utilizes a TUF that funds the maintenance and repair of roadways, signs, signals and markings, sidewalks and urban trails.

The table on the following page summarizes a number of different opportunities to provide additional revenue for public transit in Memphis.

IMPROVE ACT (MULTIPLE SOURCES OF FUNDING AVAILABLE)		
PROS	<ul style="list-style-type: none"> <li>Ability to raise significant revenue through sales tax increase</li> <li>Ability to layer a combination of revenue sources</li> <li>Burden can be widely distributed among residents and non-residents</li> <li>Ability to raise funds for both transit and other mobility improvements (sidewalks and adjacent road projects)</li> </ul>	<b>Eligibility</b> City, County  <b>Approval</b> Referendum
CONS	<ul style="list-style-type: none"> <li>Long lead time that requires planning and financial investments to ensure ballot measure is successful</li> <li>Sales tax is regressive</li> </ul>	
TRANSPORTATION UTILITY/USER FEE		
PROS	<ul style="list-style-type: none"> <li>Relatively easy to implement</li> <li>Existing research available on local implementation options</li> </ul>	<b>Eligibility</b> City, County  <b>Approval</b> Council/ Commission
CONS	<ul style="list-style-type: none"> <li>Moderate revenue potential that may be divided amongst transit and other local priorities</li> </ul>	
WHEEL TAX		
PROS	<ul style="list-style-type: none"> <li>Easy to implement</li> <li>Stable</li> <li>Ability to generate significant revenue</li> </ul>	<b>Eligibility</b> City, County  <b>Approval</b> Council/ Commission
CONS	<ul style="list-style-type: none"> <li>Considered regressive</li> <li>County recently approved a wheel tax increase for other capital costs</li> <li>Wheel tax increase for transit failed three years ago</li> </ul>	
GAS TAX		
PROS	<ul style="list-style-type: none"> <li>Existing revenue through State Street Aid Fund</li> </ul>	<b>Eligibility</b> County  <b>Approval</b> Commission
CONS	<ul style="list-style-type: none"> <li>Can only use up to 22% of county's \$13M gas tax allocation from the State Highway Fund for public transit</li> </ul>	
LOCAL OPTIONS SALES TAX		
PROS	<ul style="list-style-type: none"> <li>Distributes burden widely, including to non-residents</li> <li>Significant revenue potential</li> <li>Moderately stable</li> <li>Minimal additional administrative costs</li> </ul>	<b>Eligibility</b> County  <b>Approval</b> Referendum
CONS	<ul style="list-style-type: none"> <li>Not a dedicated funding source for transit, regressive tax</li> </ul>	
PROPERTY TAX		
PROS	<ul style="list-style-type: none"> <li>Ability to raise significant revenue</li> <li>Distributes burden widely</li> <li>Relatively stable</li> </ul>	<b>Eligibility</b> City, County  <b>Approval</b> Council/ Commission
CONS	<ul style="list-style-type: none"> <li>Not a dedicated funding source for transit</li> <li>Considered regressive but impact can be lessened through exemptions</li> </ul>	

# REGIONAL TRANSPORTATION AUTHORITY

Many large urban areas across the country provide transit service through a regional transportation authority (RTA). Regional transit has the potential to improve mobility and expand transportation options for not just urban residents, but also for those outside of large cities. Memphis is the center of a three state, eleven county metropolitan area with a growing population of 1.3 million residents. Additionally, just outside of the Memphis MSA in Haywood County, Ford Motor Company is investing \$5.6 billion in Blue Oval City. This megacampus is expected to attract 7,000 employees and have a significant economic impact on the region. With production expected to begin in 2025, there has been significant interest in how to best provide feasible commute alternatives to driving for future employees. TDOT conducted a study to assess the feasibility of various transit options from a number of counties, including Shelby, in 2023 ([TDOT](#)).

Existing state legislation allows the creation of a new RTA by resolution passed at the municipal level. If passed, local governments across the region have the ability to work cooperatively to plan, finance, construct, operate, maintain, and manage public transit systems and related activities. These activities include, but are not limited to, demand-response transit services, vanpool programs, rideshare programs, local bus services, regional bus services, bus rapid transit services, light rail transit services, commuter rail services, park-and-ride lots, transit-oriented development nodes and all infrastructure that would be required to support or sustain these facilities or services and developments ([TN Code Ann. § 64-8-201](#)).

## FUNDING

The creation of an RTA not only allows municipalities and counties in the region to have a seat at the table when discussing the future of regional transportation, an RTA is also granted the following powers to fund its work:

- ▶ Fix, alter, establish and collect rates, fares, fees, rentals, tolls and other charges for the services planned
- ▶ Solicit, accept and expend grants, appropriations, contributions or other funds from any source, public or private
- ▶ Issue bonds
- ▶ Accept funds from taxes or assessments levied by local governments served by the authority or act of the general assembly in order to provide funding for the plan adopted by the authority

Lastly, the RTA also has the authority to develop a regional transit plan that would be funded through local, dedicated taxes. This happens through the creation of a special district comprising all or only portions of the RTA, and opens up three

different paths for dedicated funding for the special district:

- 1 Each local government included in the special district has the option of raising any local tax authorized by law with the funds allocated to the RTA to fund the regional transit plan.
- 2 Each local government included in the special district has the option of raising taxes through referendum.
- 3 The general assembly is authorized to raise taxes within a special district. Prior to raising such taxes, the general assembly must: a) receive formal requests through local resolutions calling for such tax increases, or b) receive the results of nonbinding referenda.

## GOVERNANCE

Many peer regions with RTAs have dedicated funding for regional transit, and some also have separate layers of regional governance that allow for funding to be allocated across jurisdictions. Others operate with regional coordination models, using intergovernmental agreements to work across jurisdictions. In Tennessee, RTA boards must include:

- ▶ The county mayor, county executive or metropolitan mayor or executive of each county included within the authority;
- ▶ The mayor of each incorporated town or city included in the authority;
- ▶ The commissioner of transportation or the commissioner's designee; and
- ▶ One person residing in each county of the authority to be appointed by the governor.

[\(Nashville Chamber of Commerce\)](#)

**The Regional Transportation Authority of Middle Tennessee:** The state's only RTA is currently located in Middle Tennessee where it services 10 Middle Tennessee counties. The RTA of Middle Tennessee has the following characteristics:

- ▶ 39 Member Board of Directors: Member City/County Mayors, TDOT Commissioner, and 9 Governor's Appointees
- ▶ Management contracted to Nashville Metro Transit Authority (WeGo); bus operations contracted to WeGo and Gray Line of Tennessee, and rail service to Transportation Services Group.
- ▶ \$11 million operating budget.
- ▶ Services include 10 regional express buses, Music City Star regional rail, vanpools and carpools through TMA Group.

# PEER CITY COMPARISON

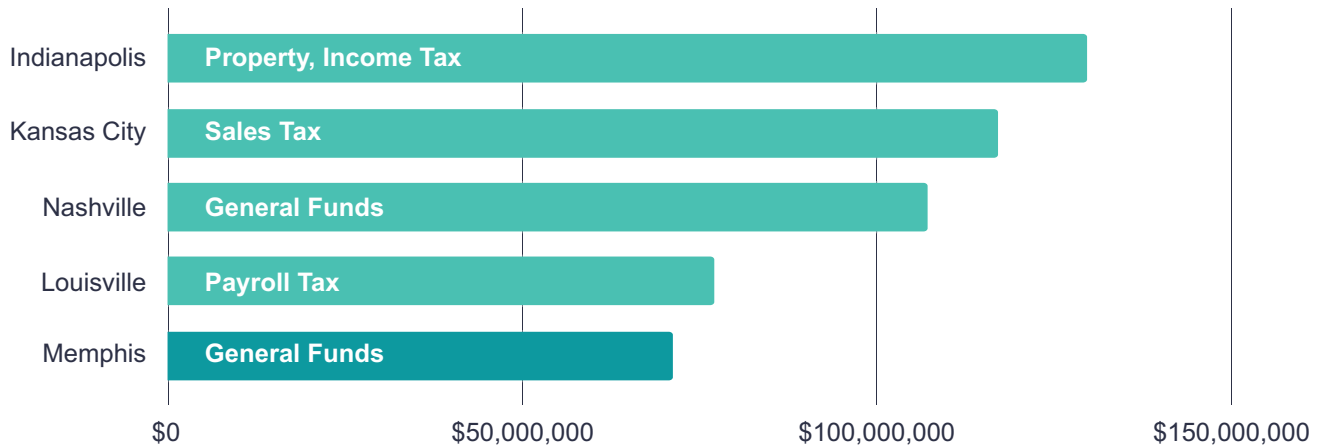
Innovate Memphis looked at key metrics from four peer city’s transit systems: Indianapolis; Louisville; Nashville; and Kansas City, using data from local documents and the National Transit Database. Memphis has the smallest service area in terms of population and square miles amongst each of its peers, as each of the four peer agencies serve their central urban areas as well as surrounding counties and/or municipalities.

City	Transit Agency	Services Provided	Service Area Population	Service Area (Square miles)	Service Area Population Density (Pop/ sq.mile)
Memphis	Memphis Area Transit Authority (MATA)	<ul style="list-style-type: none"> <li>Fixed Route Bus</li> <li>Streetcar Rail</li> <li>Demand response</li> <li>Paratransit</li> </ul>	690,943	291	2,374
Indianapolis	Central Indiana Regional Transportation Authority (IndyGo)	<ul style="list-style-type: none"> <li>Fixed Route Bus</li> <li>Bus Rapid Transit</li> <li>Demand response</li> <li>Paratransit</li> </ul>	928,281	396	2,349
Louisville	Transit Authority of River City (TARC)	<ul style="list-style-type: none"> <li>Fixed Route Bus</li> <li>Demand response</li> <li>Paratransit</li> </ul>	806,893	357	2,260
Nashville	Metropolitan Transit Authority (WeGo)	<ul style="list-style-type: none"> <li>Fixed Route Bus</li> <li>Demand response</li> <li>Paratransit</li> </ul>	694,144	504	1,377
Kansas City	Kansas City Area Transportation Authority (KCATA)	<ul style="list-style-type: none"> <li>Fixed Route Bus</li> <li>Bus Rapid Transit</li> <li>Streetcar Rail</li> <li>Demand response</li> <li>Vanpool</li> <li>Paratransit</li> </ul>	855,003	456	1,875

# HOW DOES MEMPHIS TRANSIT FUNDING COMPARE TO SIMILAR CITIES?

Three of the four peer transit agencies have local dedicated funding sources. Nashville, the only city without a dedicated funding source, receives significantly more local funding and attempted to gain dedicated local funding for transit through a referendum that failed to pass in 2018.

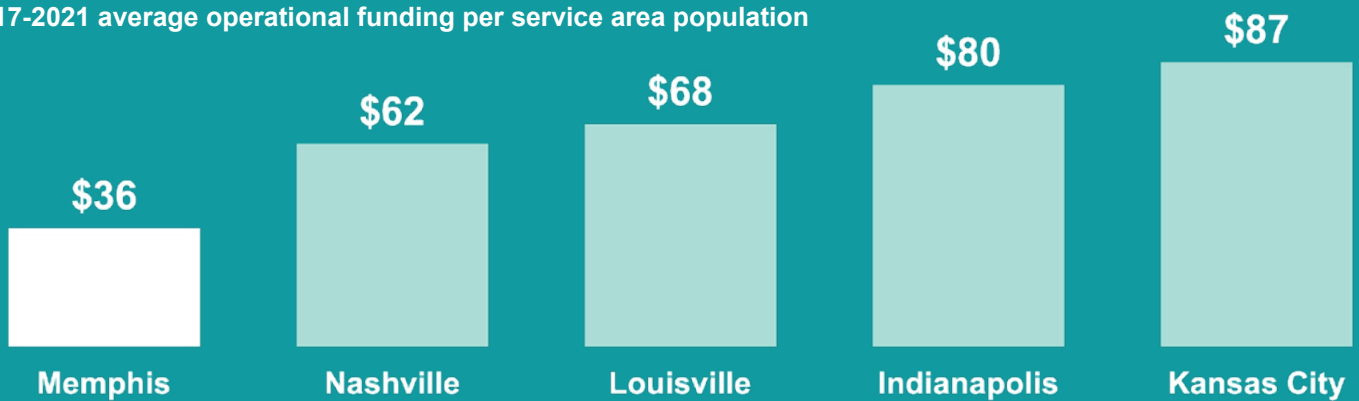
## Operating Budget Ranking & Main Revenue Source (FY 2023)



In addition to larger operating budgets, each of the four peer agencies also receive significantly more local funding per capita than Memphis. Transit in Indianapolis and Kansas City is funded by local sources at more than double the rate of Memphis, where local funding typically only covers about 40% of MATA's operating expenses.

## Local Operating Funding Per Capita

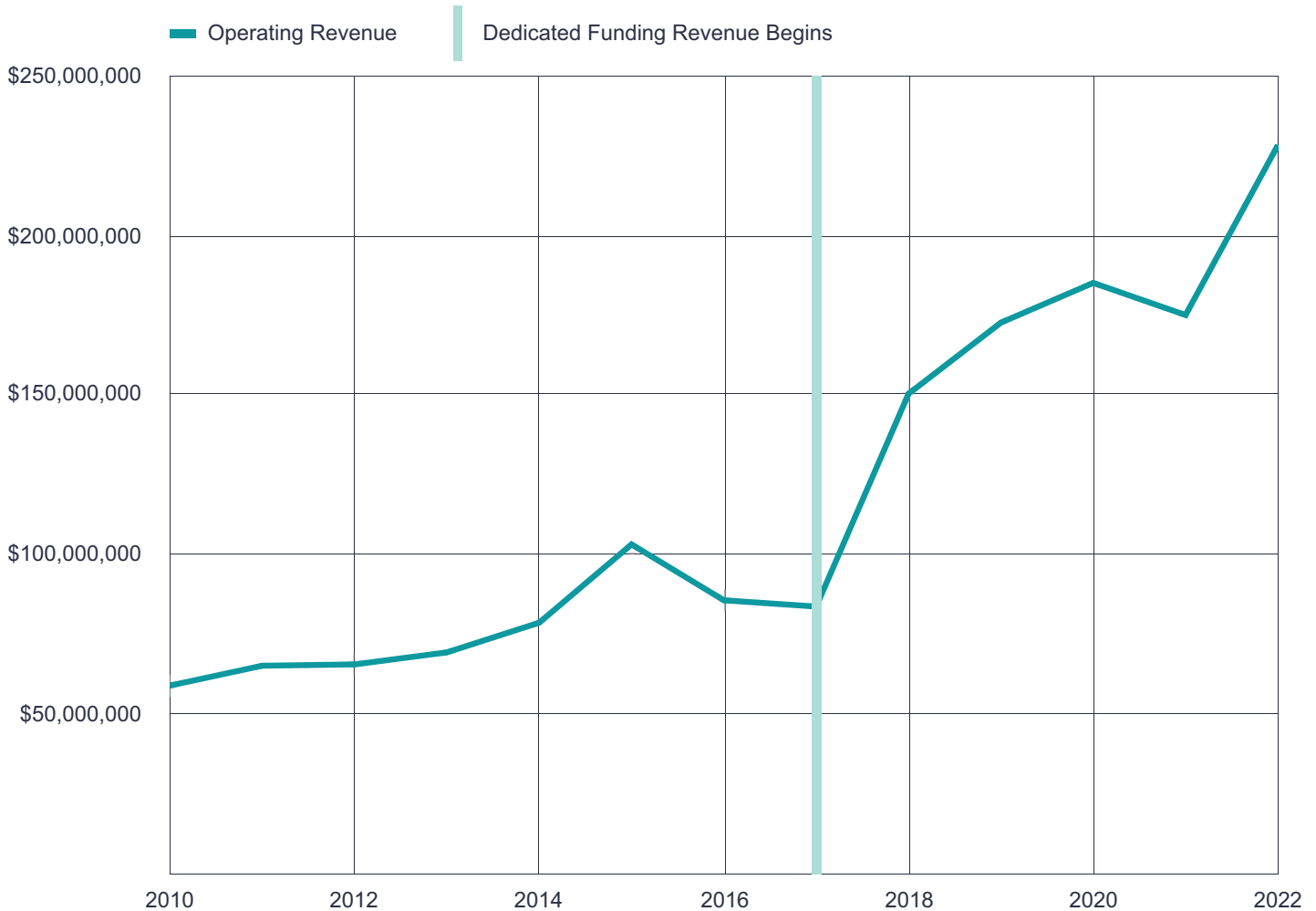
2017-2021 average operational funding per service area population



## Case Study: Indianapolis (IndyGo) Dedicated Transit Funding

In November 2016, Marion County, IN residents voted 59% in support of new dedicated funding to improve transit service in Indianapolis. The local income tax rate increase of 0.25% funds public transit projects in the county, including operating expenses associated with it. In 2018 after tax collections went into effect, IndyGo's total revenues increased by approximately \$66.6 million, or 80%. The increase is mainly attributed to an additional \$52 million of transit income tax collections. This also allowed IndyGo to issue \$26M in bonds in 2018 for Bus Rapid Transit projects, local bus and paratransit infrastructure, and bus fleet replacement. From 2017-2022, IndyGo's revenue increased by 92.6%. This has allowed IndyGo to not only expand bus service and frequency, but also add 3 bus rapid transit projects.

### IndyGo Operating Revenue



## Local Dedicated Funding and Referendums

Thirty-nine of the 46 major metro areas with dedicated funding utilize a sales tax ranging from 0.375% to 2%, which can generate an average of almost \$394 million in annual revenue ([Think TN](#)). Local transit measures at the ballot box have seen tremendous success across the country in the last six years. 143 measures passed with a success rate of 84% resulting in over \$18B in transit revenue ([Center for Transportation Excellence](#)).

Year	Ballot Measures Passed	Transit Revenue
2018	31/38 (81.58%)	\$1,025,915,934
2019	16/20 (80.00%)	\$3,776,147,645
2020	47/53 (90.38%)	\$926,265,547
2021	11/11 (100%)	\$144,134,082
2022	29/37 (80.56%)	\$12,394,663,527
2023	9/10 (90.00%)	\$592,640,000
<b>Total</b>	<b>143/169 (84.62%)</b>	<b>\$18,859,766,735</b>

Just as Memphians communicated in 2017 through the Transit Vision process, that an overwhelming majority were willing to pay more for improved public transit, it's clear that voters across the country value great transit and are willing to pay for it as well. Memphis still deserves better transit, and now is the time to achieve it.

# ACKNOWLEDGEMENTS

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