



# ISSUE ANALYSIS

## Caution Recommended on Sales Tax Increase for Rail Transit

By Baruch Feigenbaum

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Several Georgia legislators and members of the business community are supporting a sales tax increase to fund an 11.9-mile MARTA rail expansion from North Springs Station in Sandy Springs to Windward Parkway in Alpharetta. Given the high cost of expansion of rail and the corridor's low population and employment densities, a bus rapid transit/express bus line using SR 400's soon-to-be-constructed express lanes would be a much better option.

The Georgia General Assembly passed and Governor Nathan Deal signed historic transportation reform in 2015. The nearly \$1 billion annual increase for Georgia's transportation system will allow the Georgia Department of Transportation (GDOT) to better maintain existing state roads and widen or build new roads. North Fulton County has experienced rapid growth over the last 15 years and a number of roads in each North Fulton city need widening. The Transportation Funding Act of 2015 would allow a countywide referendum after July 2016 on adding a sales tax of up to 1 percent (one penny) for transportation projects.

While a 1 percent countywide sales tax is the most likely funding option, it is far from the best. From a policy perspective, there is no relationship between how much a consumer spends on goods and the amount of transportation they use. Increasing the sales tax makes enacting comprehensive tax reform in Georgia challenging. Increasing the sales tax is also regressive; it harms low-income riders who depend on transit the most. The proposed new sales tax would be in effect for 40 years, until 2057. This is a very long time given the long-term uncertainty of transportation funding and technological development. A users-pay/users-benefit funding option, such as instituting a countywide gas tax, would be the most efficient option.

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While the sales tax increase will be 1 percent, only a fourth of that total is expected to fund transit, with the rest funding roadways. A one-penny sales tax increase is estimated to raise close to \$200 million per year, a half-cent sales tax is estimated to raise almost \$100 million per year, and a fourth of a penny is slightly less than \$50 million.

The cost of MARTA's heavy rail expansion is estimated to be at least \$2.4 billion, or \$209 million per mile. The federal government provides funding for transit capital, but always less than 50 percent of the project's total capital cost; most often the federal government provides only a 20 percent share. Assume 25 percent of the funding supports transit and, of that, 50 percent supports the Red Line extension up SR 400 and 50 percent supports other projects (Emory extension, bus rapid transit, bus service improvements). In that case, it will take 102 years of sales tax revenue to pay off the Red Line extension project, *not including interest*.

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Constructing rail is enormously expensive. The \$209 million per mile cost is similar to the most recent MARTA extension, from Dunwoody to North Springs, which cost \$201 million per mile – 16 years ago. While light rail is slightly cheaper, at 20-25 percent less per mile than heavy rail, it would still be very expensive on the SR 400 corridor. The high costs of rail can be justified in areas with a larger percentage of jobs located in downtown cores and high density around transit stations. Unlike Manhattan in New York City or the downtown area in the District of Columbia, where a high percentage of jobs are downtown, less than 5 percent of metro Atlanta's jobs are located downtown. In fact, the city of Atlanta as a whole has less than 10 percent of the region's population. Rail systems, which are hub and spoke, are designed to transport workers from suburban regions to downtowns. But many metro Atlanta jobs are in the suburbs and most workers commute from suburb to suburb. Many residents of North Fulton commute to the Cumberland area, North DeKalb area or other job centers without rail service. Expanding the rail line is no benefit to all these workers.

As for density: The Metropolitan Transit Authority (MTA) of New York City is building the Second Avenue subway in a corridor with a population density of 70,000 people per square mile. The Washington Metropolitan Area Transportation Authority (WMATA) is expanding the Silver Line in an area with population densities approaching 5,000 people per square mile. Even the Washington area is on the low end of corridors that can support heavy rail. The north Fulton corridor, in contrast, has a population density of approximately 1,500 people per square mile, far too low to support rail.

New transit technology is likely to revolutionize transit service over the next 30 years. Many Millennials are substituting ridesharing services such as Uber and Lyft for traditional fixed-route transit. Autonomous vehicles while still in the development stage,

are likely to revolutionize transit service and land use. While quality mass transit service is important today, policy makers should build a system that has the flexibility to evolve with new technological developments.

A Bus Rapid Transit (BRT) or Express Bus line would be a much better fit for this corridor. Unlike a new rail line, the running way for the buses can be funded with existing revenue. As a result of last year's Georgia Transportation Funding Act, GDOT plans to build two managed lanes in each direction on SR 400 from I-285 to McFarland Road. These lanes will offer a new variably tolled travel option for drivers as well as provide a semi-dedicated right of way for buses – a “virtual” BRT line.

Express bus and BRT are not your father's bus services. Express buses are comfortable coach buses featuring wi-fi and televisions. BRT buses includes many features that differentiate them from traditional local buses including running way priority, unique station design, larger vehicles, electronic/smart card collection, intelligent transportation system features such as signal prioritization, and more frequent service. BRT stations typically include land use changes, elevated boarding platforms and electronic signage (such as real-time next bus arrival notification). On metro Atlanta surface streets, BRT lite, where buses share lanes with cars and receive priority signaling, is the best solution. BRT heavy, where buses have a dedicated lane, could be implemented in corridors with more than 20 buses per hour.

North Fulton could have BRT connections to East Cobb, North DeKalb, Southwest Gwinnett, South Forsyth, and Southeast Cherokee counties. Rail is estimated to be 16- to 22 times the cost of bus rapid transit, which means that for one MARTA heavy-rail expansion we could provide 20 high quality bus rapid transit expansions.

A new quarter-penny sales tax for transit could build one heavy-rail extension that would lock up transit funding and lock in an aging technology for the foreseeable future and take more than 100 years to pay off. Alternatively, the same funding could implement a network of high-quality express bus and bus rapid transit service across North Fulton County.

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Baruch Feigenbaum is a Senior Fellow at the Georgia Public Policy Foundation and a Transportation Analyst for the Reason Foundation. The Georgia Public Policy Foundation is an independent think tank that proposes market-oriented approaches to public policy to improve the lives of Georgians. Nothing written here is to be construed as necessarily reflecting the views of the Georgia Public Policy Foundation or as an attempt to aid or hinder the passage of any bill before the U.S. Congress or the Georgia Legislature.

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