# Finding the Money: How Local Governments Generate Active Transportation Funding

Safe Routes to School National Partnership

Local communities are experiencing increased demand for sidewalks and bike lanes to keep children and adults safe as they walk and bicycle to school, work, and everywhere else. But how to pay for these? Although state and federal governments play crucial roles in providing active transportation funding, their money can come with red tape, is often earmarked for specific projects, and amounts to far less than the local need. So how do local and regional governments fund active transportation?

A variety of approaches have been successfully used to raise funds for active transportation in communities of all sizes around the country. Here are some of the more popular methods that local governments use to generate funds for active transportation.

## Transportation Bonds

Transportation bonds are a popular way to raise money for local transportation needs, including active transportation. Bonds are, in essence, a loan. They are a financing mechanism involving long-term debt, in which the locality receives money up front from bond purchasers and pays them back over time with interest. Bonds are popular because they soften the financial pain by avoiding any need to raise taxes immediately and postponing the need to pay for the facilities.

## Development Impact Fees

The core idea behind development impact fees is that local government assesses a fee on new development projects to pay for the increased costs that local government will bear of providing the public services needed by the development's users. These fees are common throughout the country, and are frequently used to pay for transportation infrastructure. Related mechanisms include in-lieu-of fees and negotiated fees or capital improvements agreed to by developers.

## General Funds

General funds, capital improvement budgets, and public works budgets ultimately come from the overall taxes and fees collected from residents and others, which are then allocated to various budgets. Maintenance and smaller capital improvement projects are often funded through general funds. This approach has been used by many cities across the country to fund bicycle and pedestrian infrastructure, including Salt Lake City, Memphis, and Syracuse.[3]

## Local Taxes

Another way that localities can produce significant revenue for transportation is by passing dedicated increases to local taxes, including local sales taxes, property taxes, income taxes, or fuel taxes. Half-cent sales taxes to fund transportation packages are common. Twenty-nine states authorize local option sales taxes, many of which require voter approval; but far fewer allow local option fuel taxes.[1] Although elected officials are often wary of voter resistance to tax increases, in fact, more than 75 percent of local and state transportation financing measures are successful at the ballot box.[2]

**Know Before You Go: Many States Have Limitations or Extra Requirements**

In many states, local governments experience state limitations on their ability to raise money through particular approaches, which can affect active transportation financing options. For examle, many states restrict local governments from passing local taxes and fees for purposes like transportation without express authorization by the state. In some states, some taxes and bonds must be approved by voters instead of elected officials, and may require approval by a supermajority of voters.  However, local governments can usually use general revenues or tolls for transportation without state authorization.

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## Traffic Fines and Fees

Some communities look to traffic fines and fees as a source of funding for transportation needs such as Safe Routes to School programs, crossing guards, and infrastructure improvements. For example, Seattle raised $13.2 million after expenses in 2016 from speed enforcement cameras in school zones, all of which went to school transportation safety projects. However, using traffic fines and fees to address transportation needs also brings a set of concerns. Because fines and fees are rarely adjusted for the income of the person fined, these costs have little deterrent impact on those who are well-to-do, but can be financially devastating for people who are low-income. In addition, camera placement and dangerous infrastructure mean that fines often end up disproportionately targeting people in low-income communities and communities of color.[4]

## Business Improvement Districts

Business improvement districts, neighborhood improvement districts, and the like often raise money by imposing levies on businesses or residents in order to fund area-wide improvements within the boundaries of the district. These districts usually operate somewhat outside the government and the taxes are self-imposed. Business improvement districts frequently direct funds to improvements such as sidewalks, landscaping, and bike facilities, often as part of larger efforts to address negative conditions, improve access for customers, and create a more attractive area for business.

## Tax Increment Financing

Tax increment finance districts (TIFs) are usually used in neighborhoods where deteriorated or inadequate infrastructure limits economic activity. The TIF allows the local government to borrow money based upon future anticipated tax increases, in order to support investments or improvements that will allow the increased revenues to be created. The borrowed money is then repaid from the increased tax intake that is generated by the new economic activity. TIFs are now authorized by statute in most or all states. It is not uncommon to see TIF funds directed to active transportation-related improvements.

## Fundraising and Donations

Donations, either from private individuals, foundations, or businesses, are another way to raise money, usually somewhat smaller amounts. For example, foundations may be interested in funding program work, such as a Safe Routes to School coordinator, or may be willing to fund some of the planning or grant-writing costs that often create barriers to accessing infrastructure money for small, low-income, and rural communities. Businesses are often willing to provide in-kind donations of staff time or materials for active transportation events or programs. Private individuals may be willing to give donations, especially for local projects that are important to them.

To figure out which of these mechanisms might be a good option in any given community, it's important to talk to local policymakers and stakeholders, assess what state law permits, and be realistic about potential challenges, as well as the amount likely to be generated through various approaches. Success is rewarding: Local government funding for active transportation increases the amount of money, the flexibility, and the reliability of funding, letting communities invest in their top active transportation needs.

**Learn more:**
For more information about active transportation financing, review our report on Investing in Health: Robust Local Active Transportation Financing For Healthy Communities.

## References


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