



# Financing Regional Public Transit in Ontario

Presentation to the 2015 State of the Federation Conference  
Queen's University  
Kingston, Ontario  
June 5, 2015

Enid Slack and Richard Bird  
University of Toronto



# Introduction

People are more likely to be willing to pay taxes when they are linked to the services they are getting

# Outline of Presentation

What does linking taxes and expenditures mean for regional transit funding?

How well do we actually link taxes and services? -- case study of proposals for transit financing in the Toronto region

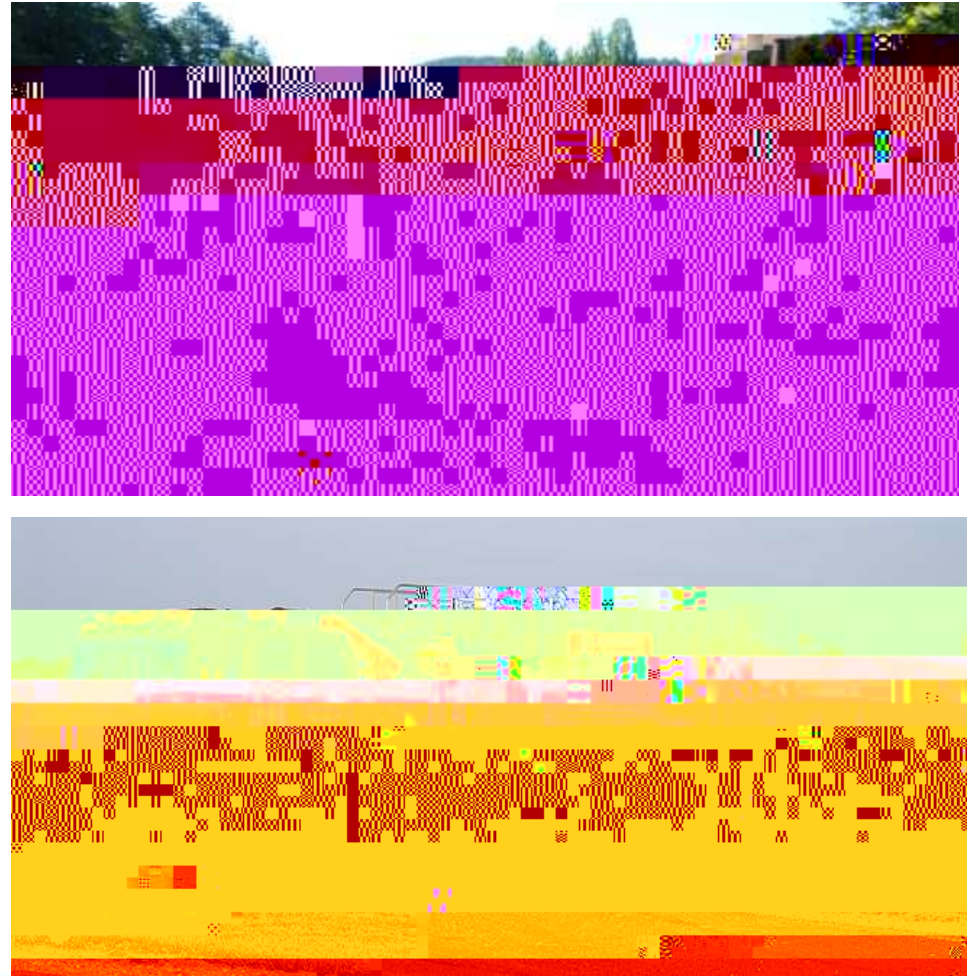
What can we do to move to a closer link between taxes and expenditures?

# Linking Expenditures and Revenues

To improve responsiveness and accountability of politicians and bureaucrats and ensure public goods meet preferences of beneficiaries and taxpayers, need to link:

- those who decide
- those who benefit
- those who pay

# Linking Expenditures and Revenues



# Who are the Beneficiaries from Transit Investment?

Direct – transit users, drivers

Indirect – businesses, property owners, residents and visitors

Plus – everyone benefits from reduced congestion, lower GHGs, and more environmentally sound compact development



# What are appropriate revenue sources for regional transit investment?

## Direct Beneficiaries



- Transit fares
- Highway tolls
- Parking fees
- Fuel tax
- Vehicle registration tax

## Indirect Beneficiaries



- Property tax
- Sales tax
- Income tax
- Land value capture
- Development charges

# Financing Regional Transit in the Toronto Area: Background

GTHA – 7 million people

2 single-tier cities; 4 regional governments; 24 lower tiers

Each government is responsible for major transit and local roads

Provincial government responsible for major highways (except 407)

Metrolinx – regional transit agency (provincial agency) that includes GO Transit

Metrolinx Investment Strategy to raise \$50 billion over 25 years



# Recommendations for Transit Funding, Selected Reports

					X
				X	X
	X		X	X	
					X
	X		X		X
	X				
	X	X	X	X	X
				X	X
	X	X	X	X	X
	X				
	X			X	
		X			



# Fuel Tax

Tax on road users but not related to congestion

Creates incentive for drivers to use transit

Possibility that drivers will buy gas outside taxing jurisdiction

Levied by provincial government

# Parking Levies

Rationale for business levy – businesses benefit from better transportation

May reduce number of parking spaces and result in land being put to more economically rewarding uses

Parking fees at TJ

# Development Charges

Developers benefit from increased development opportunities and higher property values from public investment

Charges likely passed on to new homebuyers who make use of infrastructure

Charges can provide incentive for more compact development

Problem with service level standards for transit in greenfield areas

Levied by local governments



# Regional HST

# Final Observations

Need to link decisions on spending and financing to determine whether policy decisions accord with what citizens want

To do so, requires that local governments are self-financed as much as possible

Many proposals do not link those who decide, those who benefit, and those who pay:

largest recommended sources (sales and fuel tax) are at the provincial level

Proposals do not tackle road pricing directly



# Final Observations

Revenue tools reflect politics more than economics

Difficult to convince people that they have to pay for what they get and to explain that redistribution through mispricing local services is a bad idea

How to get there?

- improved information base for officials and citizens

- better technical support for pricing systems

- appropriate local equalization system to induce local governments to focus more on efficient service provision at least cost