



U.S. Department of
Transportation

State Options for Transit Financing

December 1984



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State Options for Transit Financing

Final Report
December 1984

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TABLE OF CONTENTS

EXECUTIVE SUMMARY	vii
I. INTRODUCTION.....	1
II. THE CURRENT FINANCING SITUATION.....	3
Direct State Funding	
Indirect State Funding	
III. PUBLIC-PRIVATE COOPERATIVE VENTURES.....	10
IV. STATE TRANSPORTATION OFFICIALS' VIEWS.....	16
General Fund	
Lottery	
General Obligation Bonds	
Revenue Bonds	
Fares, Tolls and Fees	
Dedicated Taxes	
V. THE FUTURE OF STATE INVOLVEMENT IN MASS TRANSIT.....	19
VI. STATE-BY-STATE SUMMARIES.....	40
VII. METRORAIL: DADE COUNTY, FLORIDA'S ELEVATED RAIL AND PEOPLE MOVER.....	65
Milestones	
Metrorail	
Operations and Maintenance Center	
Metromover...A Downtown People Mover	
Financing the System	
Economic Development Along the Guideway	
The State Role	
VIII. NEW YORK STATE'S SERVICE CONTRACT BONDS.....	73
Summary	
The MTA Capital Program	
The Role of Service Contract Bonds	
The Benefits	
Advantages	
IX. THE REFORM OF THE REGIONAL TRANSPORTATION AUTHORITY IN CHICAGO.....	79
Financial Reform of the Regional Transportation Authority	
Organizational and Structural Reform	
Sales Tax Allocation	
The Opt Out Provision	
Recent Developments	

Table of Contents--Continued

X. TRANSIT FINANCING IN WASHINGTON STATE..... 89

- Overview of Service
- Overview of Transit Finance
- System of Local Transit Financing
- Motor Vehicle Excise Tax
- Local Revenue Sources
- Organizational Options for Transit Service
- Revenues by Source
- Legislative History--Origins
- Later Developments and Challenges
- Summary and Discussion
- Future Outlook for the System

APPENDIX A: State Financing of Mass Transit
Survey Instrument.....102

APPENDIX B: State Contacts.....115

LIST OF TABLES

1. Sources of State Capital Transit Support, as Percent, Fiscal 1983.....	21
2. Sources of State Operating Transit Support, as Percent, Fiscal 1983.....	22
3. Local Taxing Authority, Excluding Property Tax, By Type of Tax, Fiscal 1983.....	23
4. Local Tax Levies for Transit, Excluding Property Tax, Fiscal 1983.....	25
5. Powers of Local/Regional Transit Authorities to Raise Revenue Independently.....	27
6. Special Transit Districts.....	28
7. State Responses to Transit Dilemma--Service Cuts/Increases.	30
8. Transit Revenue Cost Gap Solutions.....	32
9. Degree of Problem with Funding Sources.....	33
10. Public Support/Voter Acceptability of Transit Revenue Sources Based on the Opinion of State Transportation Directors.....	36
11. Transit Revenue Sources Used by States/Presently Using/ Considering.....	38

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EXECUTIVE SUMMARY

Financing transportation needs is of increasing importance to state governments. The traditional foundation of financial support for mass transit projects, federal funds with local government match, is changing rapidly, and the states will be required to play many important roles in this process.

The specific focus of this study is to describe the direct and indirect roles of state government in financing public transportation and to identify significant trends and innovations. Unfortunately, the treasuries at all levels of government are being strained to capacity, at a time when the demand for public transportation continues to increase. A balanced approach to resolving this dilemma is necessary, and the state role is important because decisions made at this level will be pivotal in determining the scope and agenda of mass transit projects throughout the coming decade. Many states are already financing mass transportation projects directly, but the impact of state government is being felt in many other ways as well.

The Council's survey of state transportation directors concerning state involvement in financing mass transit demonstrates several key findings.

● The Current Transit Financing Situation Will Require Immediate State Attention:

In the 1980s, transportation costs will continue to increase in tandem with declining revenues. Older transit systems in the Northeast and Midwest need immediate infusions of funds to sustain present levels of service, and many cities need new or expanded transit systems. The Surface Transportation Act of 1982 increased highway monies and required other transit reforms but also increased state matching fund requirements in order to be eligible for federal aid. The states have responded, and many substantially increased operating subsidies. States will continue to play an increasingly important role in financing transportation and eventually become an equal member in the local/state/federal partnership.

● Increasing State Support of Transportation:

Historically, state financial support of transit projects has not been great. However, there is a definite trend toward more direct and indirect state assistance in the area of transportation. In fact, total state support has increased every year since 1971 (with the exception of 1975). The general fund has been the primary source of these revenues, in addition to a variety of dedicated taxes. Other traditional means are also employed, but a variety of non-traditional and innovative methods are being attempted as well. These include public/private ventures, new bonding mechanisms, earmarked lottery funds, and local option taxes.

● Trend Toward Authorizing Local Taxing Authority:

An indirect means of state involvement in financing of mass transit is the passage of enabling legislation which allows local entities to raise funds. With reduction in the level of federal assistance, prohibitions on local taxing authority are being removed in many parts of the country although some resistance remains. Taxes frequently used at the local level include fuel, transit, payroll, income, and hotel/motel taxes. Another significant trend is the movement toward limited purpose special transit districts. These independent governmental entities (which often have corporate status) exist in 23 states and their numbers continue to increase. These districts are typically formed through state legislation and municipal ordinances; however, a few states have created such districts through an executive order or public referendum.

● Movement Toward Public/Private Ventures:

In recent years, the private sector has played an increasing significant role in transportation as the economic importance of infrastructure has become apparent. Although many examples of this type of partnership have occurred at the local level, the viability of this concept along with the potentially large economic and financial benefits has attracted the attention of many state leaders. Only a few states (Washington is an example) specifically prohibit joint relationships. The success of many existing projects has caught the attention of state officials and several are already moving in this direction.

● Services Will Be Reduced as Costs and Taxes Continue to Increase:

Within the next two years, nearly half the states will reduce transit services. The number of both urban and rural routes are scheduled to be cut back, along with off-peak hour services.

Significantly, eight states will reduce service provided to the elderly and handicapped, while several others will cut back on paratransit services.

Simultaneously, fares, fees and taxes will generally go up, along with the state commitment of general fund dollars. As a cost saving measure there is a definite trend toward part-time labor and many existing labor contracts will be renegotiated. The outcome of the later have a great impact on transit costs through the balance of the decade.

● The Future State Role in Financing Mass Transit Is Encouraging:

State involvement in transit has been impressive. Even though 14 predominately Southern and Western states still provide no assistance toward mass transit, the trend is clearly in the opposite

direction. National and state transportation policies are needed and, in some instances, legal barriers must be removed. Perhaps even more importantly, the public must be educated as to the importance of adequate transportation and the cost which must be incurred if this service is to be provided. Public opinion will influence legislative support and ultimately the scope of transportation provided in future years.

As part of this project, four case studies were selected in order to provide more specific information on transit operations and programs in each region of the country. The sites chosen by the Council's Advisory Task Force include Washington, New York, Illinois and Florida. The following is a brief synopsis of each study and the prospects for transferability to other regions.

● Metrorail.....Florida's Elevated Rail System:

Dade County Florida, an area encompassing the City of Miami, has begun operation of the state's first elevated rail line and will soon connect that system with a downtown people mover. This achievement will represent the only system in the world that integrates a rail, bus line, and people mover network.

The project was financed through a combination of bonds, safe harbor leasing, state, municipal and county funds, along with federal matching dollars. Although the system opened the first leg in May 1984, a tremendous amount of growth and development has already begun along the guideway and the potential to finance the system (in part) through assessment of these private ventures appears to be promising.

The future of the system will be contingent upon local support and acceptance and the ability to secure dependable revenue sources to support the guideway. However, several new initiatives are being discussed, and it appears that Metrorail could become one of the most successful transit systems in the nation.

● New York Service Contract Bonds:

The New York State Metropolitan Transportation Authority (MTA) has developed a five-year capital plan to overcome its huge backlog of deferred maintenance. To help finance this program, the state legislature authorized the MTA to issue service contract bonds that are secured solely by annual appropriations of state capital aid (up to \$80 million per year). The MTA raised \$497 million and expects to raise a total of \$673 million through the sale of these long term bonds.

The service contract bonds have facilitated the MTA's rapid advance on its immediate capital needs. Other states may also find contract bonds to be beneficial particularly those which have large

immediate capital needs which cannot be met through traditional methods of debt financing.

● Legislative Reform of Illinois Regional Transportation Authority:

The Illinois Legislature, with the political support of Chicago area leaders, rescued the Regional Transportation Authority (RTA) from the verge of collapse and, in the process, initiated a sweeping series of reforms. The RTA, which serves Chicago and its surrounding counties, had been inefficient and nearly insolvent. Reforms included a rationalized fare policy, a mandated 50 percent farebox recovery ratio, \$75 million state subsidy to provide stability, increased cost containment through stronger management and improved labor productively, and improvements in labor contracts. The structural changes included a more effective RTA board which has authority for financial oversight, determination of fare and service levels, and the ability to levy a sales tax to support the system.

Many transit authorities encounter problems similar to those in Illinois and the solutions which were shaped and molded through the legislative process have a great deal of applicability to other systems throughout the nation.

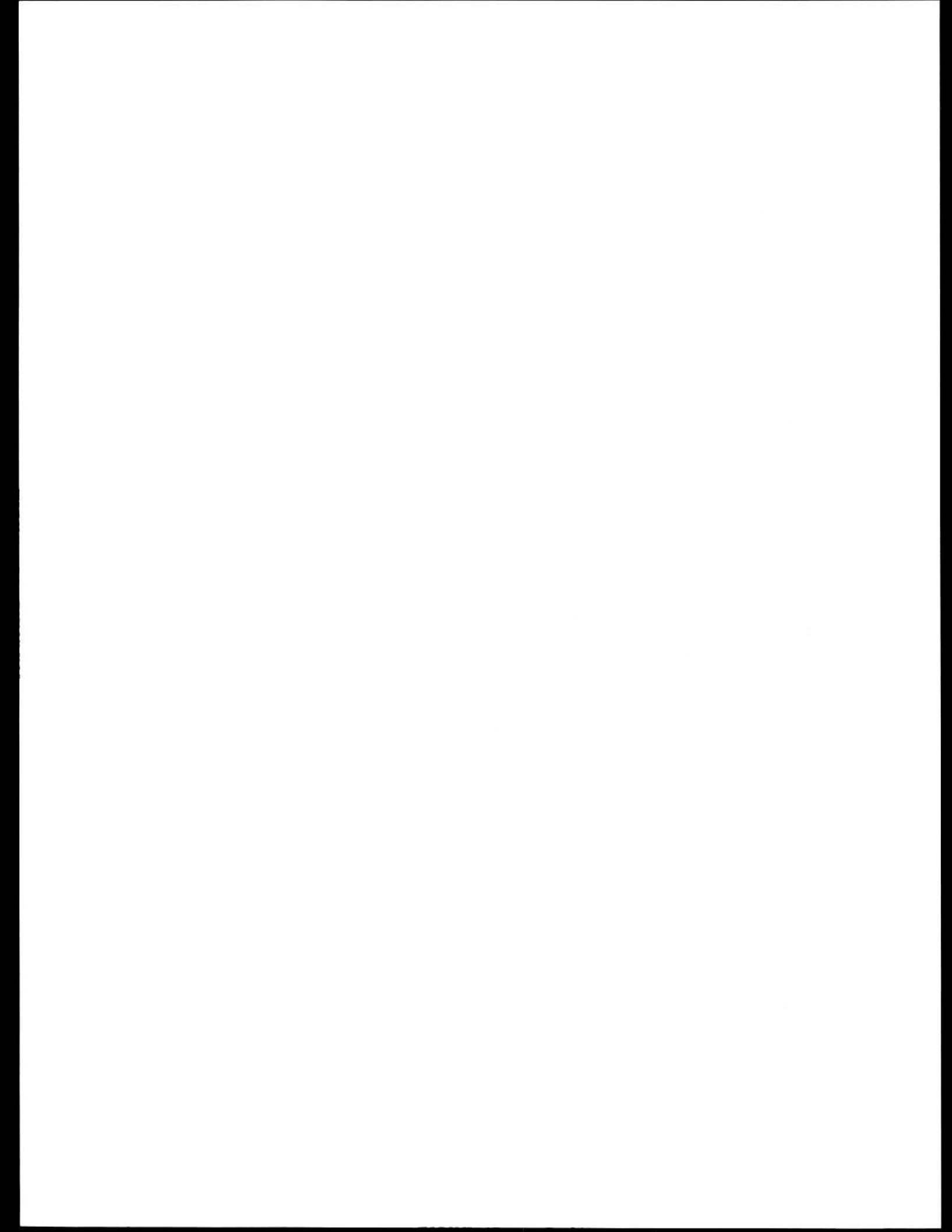
● Washington's Transit System:

The system of mass transit finance that has evolved in Washington provides simple, reliable funding for mass transit throughout the state, with the emphasis on local funding and local decision-making. State law provides local government with statutory authority to create special transit jurisdictions. The local area is able to choose from a number of organizational options the type of jurisdiction that best suits its transit service needs and revenue capabilities. The state has granted the local areas a number of special revenue options. Subject to certain restrictions, a local area can impose: a sales and use tax of up to .6 percent; household or business and occupation taxes, including a tax on households of up to \$1 a month; a business tax on the value of products, gross income, or gross proceeds from sales of a business; and a flat percentage utility tax on business and households. A local government may also appropriate monies from its general fund for transit.

To supplement the revenues generated locally within the transit service area, the state makes a portion of its Motor Vehicle Tax (MVET) available to the local areas. The MVET is a state administered 2.2 percent tax on the fair market value of motor vehicles. To obtain MVET funds the local areas must provide a dollar-for-dollar match. Other than requiring that the funds be dedicated for transit purposes, the state has little to say in how the local areas use the MVET monies and revenues raised from the special local transit taxes.

The system of transit finance in Washington provides two unusual characteristics--reliability of funding and local control. On average, over 75 percent of local systems revenues come from steady predictable, non-federal sources: the local revenue sources (including the special transit taxes, farebox revenues, and other miscellaneous total revenues) and MVET funds. Avoided are yearly political conflicts and maneuvering for funds during the state budgetary process. Knowing fairly well what level of revenue they can expect, the local transit systems are able to implement improved operational and capital planning and achieve system continuity over a longer period of time.

The low level of state involvement in decision-making and in the distribution of funds characteristic of the Washington system offer additional benefits to the state and to local transit jurisdictions. At the state level few resources have to be allocated to monitoring lower-level detail in transit policy. At the local level the transit systems may forego reporting, documentation, and the provision of managerial and system performance information to the state. The local system can focus its resources on providing transit services.



I. INTRODUCTION

This study investigates how states finance public mass transit, including traditional funding sources as well as options for future consideration, such as public/private cooperation. It is written in the context of the current fiscal condition of the states, which is very tight. While the economic forecast varies from state to state, none projects a future of growing surpluses and overflowing coffers.

What does this general economic picture portend for the future of public mass transportation in the United States? A recent report on the Rhode Island Public Transit Authority (RIPTA) warned: "It should be emphasized that RIPTA is rapidly approaching a grave financial situation. Financial policies and follow-up actions are needed no matter what happens with federal operating aid." The New York State Department of Transportation's 1982 annual report stated: "The major transit systems of the state are faced with large deficits in the coming year due to shortfalls in anticipated state dedicated tax revenues ... as well as declining federal aid, and a reduced local constant dollar commitment." These two statements reflect the transit financial situations of the other 49 states and the District of Columbia.

Several factors have contributed to the crisis in public transit. Rising labor costs, deferred maintenance, fare structures that do not reflect actual costs, rapid service expansion, short-range piecemeal transit planning, skyrocketing capital and operating costs, suburban migration, rush hour ridership, local resistance to local transit subsidization, and the use of transit to meet other social goals are only a few of the interrelated reasons for the growing transit deficits. It is also contended that the increasing federal transit subsidies of the 1970s led to local operating inefficiencies. These and other contributing factors to the transit dilemma stress the need for comprehensive, multifaceted solutions in which state governments can play the major role. The RIPTA report emphasizes this point, recommending that: "... a wide-ranging effort is needed, including cost-saving steps and revenue-generating mechanisms. No single change will be sufficient."

It is beyond the scope of this single study to address all the factors necessary to fashion comprehensive solutions to transit planning and finance; however, many other recent studies discuss various aspects of the problem. Notable among these are the Urban Institute's 1979 study, Financing Transit: Alternatives for Local Government; the Rice Center's Guide to Innovative Financing Mechanisms for Mass Transportation; the American Association of State Highway and Transportation Officials' annual Survey of State Involvement in Public Transportation; and American Public Transportation Association's 1982 report, An Overview of State Transit Funding.

Seeking to use these and other existing resources and to avoid

duplication of effort, this study focuses on a single, but crucial element of the transit solution--state transit financing mechanisms. We do so on the basic premise that public transportation is a public good, benefiting the entire community and, therefore, deserving the support of all levels of government.

With cutbacks in federal aid to transit, some of the resulting financial burden ultimately falls on the state and local governments. Even states which have previously declared transit to be a local responsibility now acknowledge that the state is quickly becoming the only entity capable of filling the transit financial void.

Studies of state participation in transportation have found increasing state activity. For example, a recent survey by the American Association of State Highway and Transportation Officials (AASHTO) found that 31 states contribute operating assistance and 32 states provide some capital funding. This trend is borne out by our findings.

As the financially hard-pressed states face this new transit burden, they must look beyond the traditional revenue sources for innovative methods and mechanisms. To identify new methods and to assess the present levels of state financial support for transit, a comprehensive survey (see Appendix A) was sent to the transportation directors of all 50 states. This survey was conducted with advice and direction from a task force comprised of state legislative leaders, state and local transportation officials, and nationally recognized transportation experts. Information was received from all states but Alaska. The responses varied considerably, but the data provide basic information about the extent of state involvement in mass transit. The results of the survey are presented in tables which accompany the text.

In addition to the surveys, CSG conducted four case studies that examine mass transit problems and solutions in various regions of the country. The case studies were chosen for their relevance to the larger picture, timeliness of the developments in each location, and applicability to other states. Four very different types of cases are represented but each contains a common thread--the important function of state government in mass transportation.

The survey and the case studies will be referred to throughout the report in order to provide examples. A state-by-state summation of important transit finance data, a copy of the survey instrument, key remarks from task force meetings, and the case studies are included in the report. The information should contribute to improved policy-making among state government leaders.

II. THE CURRENT FINANCING SITUATION

Transportation in the United States during the 1980s faces a dilemma of rising costs and declining revenues. This is the case for both highway and mass transit systems, and while varying in substance and degree from state to state, it holds true nationwide for both urban and rural systems. Mass transit systems, particularly the older systems of the Northeast and Midwest, need immediate infusions of money for structural repairs and to replace antiquated equipment.

The situation causes political and economic problems for the states, which are increasingly expected to shoulder a larger financial role in the transportation partnership. The goal of the current federal administration is to phase out completely federal mass transit operating assistance, and localities everywhere are looking to the states to fill the revenue gap caused by the declining federal dollars and increasing transit deficits.

The 1983 Maryland State Report on Transportation said: "During the past decade, major changes in program responsibilities have taken place, particularly the substantial increase in state-funded transit operating subsidies." The 1982 New York annual report on public transportation found the state doubly hit by decreases in federal and local transit assistance. Local and state aid for transit operations in New York had been an equal match through 1979. By the end of 1982, the state share of the match had increased from 6.5 percent to 17 percent, while the local match had decreased from 6.5 percent to 4 percent. This situation is not unique to Maryland and New York.

The landmark U.S. Surface Transportation Assistance Act of 1982 (STAA) increased money flowing into the Highway Trust Fund and enacted other reforms in highway and mass transit finance. The act likewise increased the state matching fund requirements. Some of the STAA's other reforms, such as the Buy America provisions and the 10 percent minority business requirement, will contribute to a weightier role for state governments.

Several other factors, in addition to decreases in federal and local assistance, also have contributed to the present situation facing the transit industry. Transportation operational planning has generally been short-range and piecemeal. Many reduced fare plans were implemented during the 1970s, and fare structures in general did not keep up with the increased costs of operations. Labor costs have risen astronomically, due to increasing wages and benefits, decreasing labor productivity, and restrictive labor agreement provisions. Transit routes and service have not changed in response to changes in transit ridership patterns.

As states assume a larger share of transportation costs, they must seek additional revenues from traditional sources, such as dedicated taxes, vehicle registration and license fees, bond issues, highway user taxes and tolls. And, in addition, states need to

explore new funding sources such as local option taxes, special assessment districts, taxes on private entities such as oil companies, public-private ventures, earmarking lottery funds, and new bonding mechanisms.

The state of Washington has local option retail sales and motor vehicle excise taxes dedicated exclusively to transit capital and operating support. Oregon has a local option Self Employment Tax levied on the net earnings from self-employment of individuals working within special transit districts. Several states, such as Virginia and Florida, have contracted out to private operators to provide commuter van-pool services. New York has implemented Service Contract Bonds, which are special issues of the New York Metropolitan Transit Authority backed by state appropriations and are used to finance a portion of New York's transit capital programs. Arizona and Pennsylvania have earmarked a percentage of their state lottery proceeds for transit and road repairs.

States are also looking beyond revenue-raising mechanisms to resolve transit problems. Several states are in the midst of or already have renegotiated labor contracts. Fare structures are being raised to more accurately reflect system costs, and perhaps most importantly, states are making state transit subsidies contingent upon system financial and operating performance standards, and minimum farebox recovery ratios.

Other cost reduction ideas include the movement in New Hampshire toward increased coordination with private carriers and not-for-profit human services transportation providers. The state also puts emphasis on preventive maintenance programs, performance evaluation, and reduced administration and overhead. Applying microcomputers to rural transit systems for cost allocation, fleet maintenance, routing and scheduling, and accounting is significantly reducing cost in New Hampshire.

Maryland legislation requires that 50 percent of operating costs be generated from fares and other operating revenues. This policy applies to rail and bus operations in Baltimore, rail and bus operations in the Washington, D.C. area, and state commuter rail operations. In addition, the Maryland Transportation Authority has established a program of replacing 80 buses per year at an estimated cost of \$13 million per year. This program will gradually reduce the average age of the bus fleet and also allow the establishment of cost-effective and programmed maintenance procedures based on a 12-year life cycle and a six-year average age for the entire fleet by the end of the decade.

Arizona is attempting to increase transit efficiency through transit management workshops in rural areas and increase revenues through an advertising program.

Other programs receiving serious consideration but not yet implemented include:

• The Oregon Lottery Committee has filed a petition with the secretary of state, seeking a state lottery. Proceeds would be dedicated to funding public transportation throughout the state. The profits have been estimated by the legislature's revenue office at over \$40 million the first year, leveling off to more than \$30 million annually. In addition to providing funding for general public transit support, the lottery proceeds would also be dedicated to transportation operated for the benefit of senior citizens and the handicapped.

• New York officials are formulating a proposal for cost-sharing whereby users, local governments, and the state would be responsible for set shares of transit operating costs. However, the outlook for this proposal is unclear since there is resistance to the high cost increases of local transit operations over the next few years.

• Vermont is considering allocation of surplus contingency funds to public transportation operators for use as local match for capital acquisition within federal transit programs.

Direct State Funding

States provide money for transit either directly or indirectly. Direct state funding takes two forms: money for capital costs and money for operating costs. Capital costs are those expenses incurred when transit systems require updating or expansion. Such capital funds are required, for example, to purchase new buses or subway cars, and are very high when systems are being established or expanded to accommodate new population growth.

Operating costs, on the other hand, are expenses incurred during the day-to-day operation of the transit system, such as labor costs, minor repairs and upkeep, and fuel costs. Over 50 percent of these costs are paid for by state and local governments. Before states can take on a larger percentage of operating costs, in addition to the capital costs which have traditionally been paid for by federal subsidies, new sources of revenue have to be found.

Total direct support from states has increased since 1971 (each year except 1975), and was estimated at \$2.3 billion for 1983. Direct support can take the form of grants, taxes, bonds and general fund allocations. As states are expected to contribute more and more of the funds necessary for transit systems to survive, however, direct support must either be increased or alternative sources of revenue located. Currently, the highest levels of state capital assistance can be found in New York (\$86.6 million), New Jersey (\$84 million), Washington (\$54.2 million), Illinois (\$51.4 million) and Maryland (\$41 million).

The largest state commitments to operating assistance are in New York (\$496 million), Pennsylvania (\$201 million), Maryland (\$134 million), New Jersey (\$121 million), Massachusetts (\$113 million)

and Michigan (\$59 million). In order to boost transit revenue, New York passed a 2 percent tax on the gross receipts of the major oil companies which did business there in 1980. This Gross Receipts Tax (GRT) was intended to, "improve the stability of transit financing by providing permanent, predictable and inflation-sensitive aid." In 1981, a group of dedicated taxes was passed in New York to finance transit: a revised GRT, a sales tax, a unitary tax (since repealed), a long lines tax, and a New York City Capital Gains Tax.

In addition to dedicated taxes, states can also allocate a portion of their general fund to finance transit, and an increasing number are beginning to do so. Likewise, several types of bonds, particularly revenue and general obligation bonds, may be issued to raise revenue.

Each of these types of funding has its drawbacks. Sales taxes, for example, tend to be somewhat regressive, meaning that lower income consumers must pay a higher percentage of their income than their wealthier counterparts. General fund appropriations tend to vary widely even though there is a built-in sensitivity to inflation. Other dedicated taxes, such as those enacted by New York, may be more stable than general fund appropriations, but court challenges have left the status of the funds in doubt.

The Council survey of state transportation directors discovered several trends in direct state funding. Fourteen states now use general fund dollars to support capital programs. The percentage of total capital funding this assistance represents ranges from 100 percent in 11 of the 14 states, to 3 percent in Illinois. Florida and Massachusetts supplement their capital assistance programs with revenue derived from fees and, in the case of Florida, a dedicated fuel tax. Only one state, Arizona, received 100 percent of its capital funds from a lottery. Delaware derives both operating and capital funding exclusively from tolls, while Arkansas uses a dedicated corporate tax and Indiana a dedicated sales tax for support of operating and capital functions.

General obligation bonds are the primary source in Connecticut (100 percent), Illinois (97 percent), New Jersey (34 percent), Pennsylvania (100 percent), and Rhode Island (100 percent); while Michigan receives nearly one-fifth of its capital funds through revenue bonds.

Fees are an important revenue source in five states (Florida, Maryland, Massachusetts, Michigan and Wisconsin), while eight states use a variety of dedicated taxes. Among these, the fuel tax is the most popular, as California (63 percent), Maryland (43 percent), Michigan (40 percent), Tennessee (100 percent), Virginia (100 percent) and Wisconsin (65 percent) have designed it as their primary source of capital funds. Nineteen states provide no capital assistance.

On the other side of the coin, 16 states use a portion of their general fund revenue to provide operating assistance. Eleven of

those states tap general fund money exclusively for this function. No state reported using bonds for this purpose. Only five states--Maryland (24 percent), Massachusetts (20 percent), Michigan (28 percent), Nebraska (7 percent) and Wisconsin (35 percent)--relied on fees; while four--Connecticut (48 percent), Florida (30 percent), Maryland (50 percent) and Oregon (26 percent)--indicated a significant amount of assistance from farebox revenue.

Many states have a variety of dedicated taxes which are used to provide operating support. California (100 percent), Indiana (100 percent), Michigan (23 percent), Nebraska (6 percent) and New York (13 percent) rely to varying degrees on the sales tax. Fuel taxes are used as a source in nine states, with Montana, Tennessee and Virginia depending on it exclusively. Corporate taxes are used in three states, while Oregon reported a strong reliance (52 percent) on a payroll tax. Although operating aid in New York comes from a combination of revenue sources, it is noteworthy to point out that 5 percent is received from a unitary tax and 6 percent from a long line tax.

Indirect State Funding

In recent years, indirect state funding has gained favor as a means of financing transit. This type of "funding" is actually state legislation which allows local entities, cities, counties or transit districts, to raise their own funds to pay for transit. Sources of revenue can vary but usually result in some form of tax such as income, property and sales.

Invariably, local citizens will pay the preponderance of operating costs for local transit systems. Of total operating revenues, 70 percent comes from fares plus other revenues generated by system operations (like advertising on transit vehicles) and local taxes. With the imminent cutbacks in federal funding of transit and with the increased competition for fewer state dollars creating tight budgets, many state laws prohibiting local taxing authority have been repealed and enabling legislation for special transit districts is gaining popularity. However, some states still resist conceding such local taxing authority and many restrictions are still in place. While 27 states responding to our survey grant local taxing authority for mass transit, 20 indicated that such authority is not allowed (three states did not respond to the question).

Communities in which state enabling legislation permits a local levy in support of transit clearly prefer the use of a dedicated sales tax. In 22 states, this is the most frequently used method with ceilings ranging from .25 in Nevada to 7 percent in Colorado. Alabama, Ohio and Georgia have no mandated ceilings. Other frequently used forms of taxation allowed by states include payroll taxes (five states), corporate taxes and fuel taxes.

Twenty-two states allow general local taxing authority and set

the required ceiling by state statute, while two others conform to their state constitution. In only three states (Colorado, New Mexico and Washington) are the ceilings set by local referendum.

The state role in allowing local taxing authority is most typically that of a collection and redistribution agent. However, in a few cases, such as Colorado, the state also acts as an auditor. An expansion of the predominate existing state role in this process would, in nearly every case, require the passage of legislation, and it appears highly unlikely that this will occur in any state in the near future.

In a significant number of states (21), local governments are permitted revenue-raising authority. This usually involves the issuance of bonds, yet a variety of other means are used as well.

Special transit districts are limited purpose governmental units that exist as separate corporate entities and theoretically have fiscal and administrative independence from general purpose governments. Thirty-two states currently allow the formation of special transit districts, while three others (Idaho, Oklahoma and Wisconsin) permit special districts but not for transit purposes. Such districts can be formed in a variety of ways: in 15 states legislation is required, but in 12 states local authorization is needed. In 11 states a special district may be formed through a public referendum, and in three--Alabama, Iowa and Michigan--this objective may be achieved through executive order. Special transit districts usually are permitted independent revenue-raising mechanisms much like local governments. Local sales and property taxes are the most common sources, and bonding authority is also frequently used.

The usefulness of such districts is still being debated. On the positive side, many state transportation directors see the following benefits:

- The revenue source has greater stability because it is specifically dedicated to transit and is protected from diversion to other uses.
- Special districts are more responsive to local needs and they foster coordination of services between neighboring local governmental units.
- The districts provide a focal point for transit policy and decision-making.

However, others saw liabilities in the operation of special transit districts:

- Some districts have more dollars than they need while others lack sufficient resources.
- Special districts remove transit from competition with other

public services for scarce resources, thus distorting the local decision-making process.

- Operations could be conducted more efficiently if contracted out to private operators.
- In some instances special transit districts have an unstable revenue source, particularly if voter approval is needed.

III. PUBLIC-PRIVATE COOPERATIVE VENTURES*

The history of transportation in this country shows that private sector involvement is by no means a new phenomenon. In the early 1800s, ambitious merchants were responsible for the building of the Erie Canal, which brought an 85 percent reduction in freight rates from Erie to New York. In 1827, an entrepreneur began public transportation in New York City with a horse-drawn vehicle. In the late 1800s, private business started train service from coast to coast. Similarly, electric train service had its beginnings in several major cities when private investors sought profits from their investments. Before the Depression, privately provided electric streetcars served almost 14 million customers. This industry was affected, as were many others, by the Depression. Public involvement rapidly increased as private transit companies faced bankruptcy, and ultimately resulted in the formation of the Federal Urban Mass Transportation Administration in 1964. UMTA provided funding to localities to acquire predominantly private transit companies that were going bankrupt. It was viewed in the national interest to maintain local mass transit as an urban mobility alternative to the automobile.

From the 1920s, the provision of highways was commonly accepted as a public responsibility to be funded by public monies--first state and local monies, followed by increasing amounts of federal funds. But, in the late 1970s, the demand for public services in all areas, including transportation, health and human services, education and others, began to outstep the financial ability of governments at all levels.

The first three years of the 1980s saw widespread recognition of and concern about our nation's growing transportation cost problems. This is perhaps best exemplified by the attention given by the public, the media, state and local governments, and the Congress to the successful effort to increase the federal tax on motor fuels in order to improve both highways and mass transit.

There is currently a growing involvement by the private sector in financing mass transit, motivated less by altruistic ideals than by the calculated, results-oriented realization of the importance of an effective and efficient transportation system to a strong and growing economy. Thousands of business people have examined their sales forecasts, operating expenses, balance sheets and profit and loss statements and have determined that their individual (and collective) support of improved transportation systems could mean the difference between black and red ink.

Examples of the private sector's importance abound from Seattle to Miami, from Boston to El Paso, and from corporate conglomerates

* This chapter is based on remarks by Gary L. Brosch, Director of the Urban Mobility Center at Rice University and a member of the CSG Advisory Task Force on Mass Transit.

to "Mom and Pop" small businesses. It is also important to recognize that private sector involvement is quite broad, including planning, financing, managing and providing transportation.

In some cases, the private sector is providing a transportation service more efficiently than could be provided publicly. In others, the private sector fills a funding gap brought about by insufficient public funds. In all cases, state and local governments are involved in new public-private partnerships.

The following are but a few examples that state governments should examine, which serve to illustrate both the breadth and the importance of the private sector's response to our nation's transportation problems.

In Miami, Florida, the private and public sectors have cooperated to create a special assessment district for the Miami Downtown People Mover. Assessment rates are estimated to be approximately 25 cents per square foot of net leasable space, declining to about 10 cents as more leasable space is contracted, and will generate \$27 million of the cost of constructing the People Mover. The assessment district was created by the local government under authorization of the state.

Also in Miami, the Office of Transportation Administration (OTA) for Metropolitan Dade County leased air rights over land adjacent to the Dadeland South Station of the rapid transit system currently under construction. OTA negotiated the agreement in exchange for acquisition of the one-acre site for the station. The air rights will enable the developer to build 600,000 square feet of office space, 50,000 square feet of retail space and a 300-room hotel. The lease requires the developer to pay 4 percent of unadjusted gross income for each year of the lease. Beginning in 1986, OTA expects to receive annual lease payments of at least \$2 million and as much as \$3 million a year in 1982 dollars.

A local improvement district also has been created, with state authorization, in Seattle, Washington, to provide \$1.1 million toward the cost of a 1.6 mile streetcar line. The local business community (without the support of residential condominium owners in the area) supported the planning and direct financing of a public transportation improvement which they believed vital to their economic welfare.

Two developers have paid the city of San Diego, California, \$3.5 million for realignment and construction of a new bridge that will improve access to Highway I-5 in the vicinity of their projects. This one-time fee to support infrastructure necessary to a new project was collected under San Diego's Facilities Benefit Assessment Program. Private developers and city engineers began the program, under state authorization, in 1980 to ensure that new development would not be limited and that the costs of supporting infrastructure would be shared fairly among developers.

In Boston, Massachusetts, the developer of Copley Place agreed to pay \$1.2 million per year to the Massachusetts Turnpike Authority for a 99-year lease of air rights over a portion of the turnpike. The hotel-office-retail project will also add \$550 million to the city's tax rolls. The Turnpike Authority was able to negotiate with the developer as a sole-source bidder, with both parties hiring real estate appraisers to determine the value of the air rights.

In Santa Cruz, California, the Metropolitan Transit District (SCMTD) is expecting a significant return from leasing office and retail space in its new downtown, intermodal transfer facility to offset operations and maintenance costs. Projected revenues from the approximately 4,600 square feet of leasable space are \$68,000 yearly (compared to management costs of \$177,000 yearly), SCMTD will execute individual leases with each business, negotiating rents based on a fixed or flexible rate or a percentage of gross income.

A major transit transfer and layover facility in Newport Beach, California, is being constructed on land (valued at \$1.6 million) donated by a shopping center developer who will also contribute \$300,000 toward the operation of an area shuttle service. The California Coastal Commission, which approves all development in the area, requested the 2.5 acre donation from the developer. The Orange County Transportation District will construct, own, operate and maintain the facility.

Similar arrangements to lease land for a transfer facility for \$1 per year are underway in such diverse areas as Detroit, Michigan, Phoenix, Arizona and Tacoma, Washington. In Detroit, a shopping center provided the low-cost land as well as approximately \$126,000 in construction costs. The mall management contributed to the improved facilities because an estimated one-quarter of its 40,000 daily shoppers use transit. In Phoenix, cooperation between a retail association and the transit authority was so successful that plans for similar arrangements with two other shopping centers are underway. In Tacoma, Pierce Transit has negotiated leases with a public school district, a community college and a shopping mall. (The latter used its cooperation as a bargaining chip with the city council during negotiations to reduce its parking space requirements.)

Bus service in Cedar Rapids, Iowa, is receiving a boost from 30 local merchants who are subsidizing and marketing discount coupons for bus fare. The main impetus is provided by the sole surviving large department store in the downtown area. Approximately \$21,000 per year is collected from the participating businesses.

A local grocery chain in Champaign, Illinois, contributes one-half the farebox revenues from a specially painted vintage 1960 bus which carries 3,400 passengers per month. The popular bus, which runs a different route each day, is painted to resemble a generic grocery product. Riders pay 25 cents instead of 50 cents, and the grocery store owner makes up the projected difference in an \$850 per month flat fee.

Merchants in Springfield, Massachusetts, sponsor free bus service for a portion of the Christmas holidays. For the four Sundays before Christmas, when service is not regularly offered, bus service is subsidized by merchants in four retail areas. This promotional program has been given partial credit for increasing year-round ridership in 1983.

In Houston, Texas, the private sector has been a major participant in planning and financing solutions to that city's mobility needs. A development corporation in the burgeoning north Houston area has contributed toward the cost of constructing a portion of a highway fronting its mixed-use development. This 1.4-mile portion of a belt, which will encircle Houston when completed, will cost \$11.5 million, of which the company is contributing 8.3 percent, or \$950,000, in the form of donated right-of-way, interchange design and cash. A second prominent development company, which is creating a community about 25 miles north of Houston, has been active financially and politically in expediting area highway improvements. This developer has contributed \$164,000, committed \$2.2 million and offered another \$15,000 to the Texas State Department of Highways and Public Transportation for a series of ramp and interchange improvements. The Metropolitan Transit Authority of Houston (METRO) has also received private sector cooperation. Since 1980, nine park-and-ride lots have been built as turnkey projects. METRO solicits and evaluates proposals for a lot to be developed in a specific area, then oversees the chosen developer until the lot is finished. The terms of the earnest-money contract guarantee that METRO pays for a lot only when it is ready to open. Because METRO has sufficient local funds for these projects, it has chosen turnkey development over slower federal grants and in-house construction.

In Pittsburgh, Pennsylvania, a private non-profit economic development organization provided the impetus, planning and partial funding for the renovation of a deteriorated downtown street. The Allegheny Conference on Community Development, whose members include many prominent business leaders, hopes that this project will stimulate the renovation of other downtown streets.

Private taxi companies throughout the nation are contracting with local public entities to provide public transportation at less expense than could be provided by the public agency itself. Contracted taxi service is providing efficient, cost-effective public transportation for elderly and handicapped citizens in major metropolitan areas like Houston and Los Angeles, as well as Illinois communities such as Kankakee, Aroma Park and Bradley. The Greater Kankakee Area, with a combined population of about 42,000, provides discount coupons for taxi rides. Over 20,000 coupons were used in the first year of operation. Although federal funds were suspended in 1982, when Kankakee was reclassified from a rural to urban area, the city has continued the program.

Contracted taxi service is also used in Ann Arbor, Michigan, to operate late-night, shared-ride general public transportation.

About 15,000 fixed-fare trips were taken in the first year. The transportation authority's subsidy is approximately \$2.30 per passenger, as it pays the taxi company \$7.50 per vehicle hour. Some passengers may be more willing to use public transit during the day since they now can return safely at night.

Government at all levels is faced with limited revenues and increasing demands for service. Traditional forms of provision of public services are being questioned. Many people see a reduction of government as desirable. At the same time, the private sector recognizes the importance of continuing many of these public services, particularly transportation, and therefore seeks methods by which it can ensure progress is continued. Local officials, seeing ever-tightening budgets, seek alternative methods of planning, financing and providing public services. This commonality of interest has sparked a true renaissance of private sector participation in transportation service and infrastructure.

However, this emerging trend of private sector involvement brings forth a new set of questions. The first is simply whether the trend will continue. Is this a short-term political phenomenon, or does it represent a fundamental, long-term shift to less government and more privatization? Are the concepts of benefit sharing and user fees merely short-term responses to growing government deficits and local tax revolts? Can we learn from the experiences of other countries such as England, Japan and Germany? Many may feel that privatization represents government abandoning its responsibilities.

What is the appropriate state role in shaping public-private partnerships? What are the potential problems? How quickly can and should the government reduce its role? Certainly, any major change must be allowed a reasonable transition period, but how do we define a reasonable transition period? Which areas of transportation offer the greatest promise for private involvement? The private sector is most eager to become involved where it sees the most direct, significant impact on business. New subdivision developers obviously will be more interested in funding for local roads than for major freeways. Similarly, businesses on downtown streets clogged with autos will be more interested in mass transit.

Will the private sector influence which roads are built and maintained to the benefit of the affluent while the needs of the less fortunate are pushed aside? Will public transit serve only the most profitable routes to the detriment of those who are transit dependent? Will the needs of the elderly and handicapped be ignored as unprofitable to service? In the area of deregulation, from taxis to airlines, who will prove to be the long-term winners and losers?

Which areas have the greatest potential problems? How far can privatization go, and how far should it go?

Researchers, businesses, politicians and citizens are all searching for the answer, but for now, the emergence of a new spirit

of public-private cooperation appears to offer the greatest potential for assisting in meeting this nation's transportation needs.

IV. STATE TRANSPORTATION OFFICIALS' VIEWS

The attitudes and perceptions of state transportation officials toward current and potential sources of funding for mass transit are important. In order to gather information, the Council identified frequently used revenue-producing mechanisms (general fund, bonds, tolls, fees, lotteries and dedicated taxes) and asked officials about them. The results are interesting and informative.

General Fund

Most transportation officials believe it will be difficult to convince the legislature of the need for additional general fund dollars, but the problem may be resolved with effort. Eight states see little probability in tapping this source, while five others--Georgia, Iowa, Nebraska, North Carolina and West Virginia--indicated no problems whatsoever in this area.

Lottery

Lotteries are controversial in many states, even when proceeds are used for necessary public purposes such as transportation or education. Arizona and Pennsylvania use lotteries very successfully, and Oregon is giving this possibility serious consideration. However, it seems doubtful that this will become a trend nationwide. Nineteen states believe they would have difficulty gathering public and legislative support for a lottery, and 10 additional states suggest that the problem is insurmountable and that it is highly unlikely that a lottery will be initiated in which funds would be earmarked for transportation. Nine states ventured no opinion.

Michigan, for example, already has a very successful lottery program, but state law requires proceeds to be earmarked for education. Other states are unable to generate either legislative or public support on moral grounds, while several others do not have the need for a well-developed transportation network and would prefer to spend lottery monies for other purposes.

General Obligation Bonds

General obligation bonds are secured unconditionally by the full faith, credit and taxing powers of the issuing government. If the taxes levied are insufficient to meet the debt service payments in any period, the issuer is legally obligated to either raise the tax or broaden the tax base. These bonds are more secure than revenue bonds, and in many states, officials must seek voter approval.

Eleven states see little future for general obligation bonds as a source of transit revenues, while eight other states, including Louisiana, Rhode Island, Tennessee, Georgia, New Mexico, Nebraska

and Washington, have few problems in using this revenue source. The balance either had no opinion (eight) or viewed this source as only a possibility.

Revenue Bonds

Revenue bonds finance their debt service payments through user charges (i.e. service charges, tolls, special taxes, etc.). If revenues from user charges are insufficient, the issuer is generally not legally obligated to levy taxes in order to avoid default. The use of revenue bonds has grown dramatically from \$6 billion in 1970 to \$40 billion in 1980, and from one-third to two-thirds of the municipal bond market.

The results in this instance are mixed; however, seven states indicated the probability that their legislative bodies would not approve such a mechanism. Only Washington, Tennessee, Rhode Island and Georgia suggested that the issuance of revenue bonds presented no problem in their states.

Fares, Tolls and Fees

Levying tolls and fees also drew an array of responses ranging from little resistance in states such as Illinois, Delaware, Florida, Louisiana and Georgia to hard-core opposition in California, Colorado, Iowa, Maryland and West Virginia. In many states, fees seem to be a more preferable response to the need for transit revenue than tolls. Fares are, without a doubt, the most acceptable method, cited as most preferable in 32 states, while 12 others found it to be moderately acceptable. While transportation officials will continue to rely heavily on fares, these funds generally account for only 25-35 percent of operating costs in the best situations.

Dedicated Taxes

Earmarking revenues from a tax specifically levied to support transportation is a relatively common practice in many states. Our survey identified five taxes in which some portion of revenue received is dedicated to transit: sales, income, fuel, corporations and payroll. In large part, states tended to view dedicated taxes as a whole, meaning that opposition to one tax generally meant strong opposition existed in that state to the entire concept of dedication. Such is the case in Arizona, Colorado, Utah, Washington, Montana and West Virginia. Other states such as Maine, New Jersey, California, South Carolina and Wisconsin also indicated strong opposition to dedicated taxes; however, these states took a more moderate view toward fuel taxes, finding them to be the most acceptable. Perhaps the least resistance to dedicated taxes in support of transportation can be found in Illinois, Louisiana, Maryland and Missouri (in the latter case, sales and corporate taxes

only).

Overall, state leaders in transportation perceive that legislatures are likely to closely mirror the desires of the public at large on transportation issues. Because political and economic situations vary a great deal, even among neighboring states, it is difficult to identify a nationwide trend concerning state funding sources for transit. However, the most potential seems to lie in more traditional areas such as fuel taxes and general fund revenue.

V. THE FUTURE OF STATE INVOLVEMENT IN MASS TRANSIT

It seems clear that state governments will, for the present at least, attempt to increase support of transportation. Every state government will be forced to take a serious look at their transportation needs and devise ways of providing adequate public transportation both in the short term and into the next decade.

It is undeniable that economic prosperity is intertwined with our transportation system. Transportation gets people to jobs, schools and stores, and goods from farms to markets. While a national policy on transit is obviously needed, more states need to have long-range transportation goals and policies. Individual states have in the past been leaders in solving public problems and in many instances have served as laboratories in formulating a national plan. Transportation will be no exception.

However, planning for transit needs is only the first step for states. No plan is effective if necessary funds are not available. Responsibility for transportation facilities are clearly shifting from the federal to the state level, and due to existing fiscal constraints, the challenge will be difficult. Our survey queried state transportation directors on how this challenge will be met over the next two years.

Transit fares have been targeted for an increase in 43 states. Twenty-one states plan to increase their allotment of general fund dollars to transit, while 16 will increase dedicated tax sources. Less frequently cited are boosts in fees (California, Delaware, New York, New Jersey, South Carolina and Massachusetts), and an increase in the use of bonds (Arizona, California, Colorado, Florida and Nebraska).

Perhaps even more significant than the plans to generate revenue are expected service reductions. Twenty-one states will cut transit service in rural areas, while 23 plan reductions for urban areas.

Reduced transit service during off-peak hours is slated in as many as 30 states, and special transportation provided to the elderly and handicapped will be reduced in California, Colorado, Michigan, North Dakota, Ohio, Pennsylvania, Tennessee and Virginia. In addition, California, Michigan, North Dakota and West Virginia plan to cut back paratransit services.

Transportation officials must evaluate how these gaps can be filled and at least the present level of service maintained.

Local governments have begun partnerships with private businesses to fund some transit programs, an approach that may offer potential to states as a revenue source. Conventional public transit cannot meet the range of changing needs and, therefore, this option should receive consideration. In addition, legal restrictions and regulations must be reviewed and in some cases

removed.

Reviewing the structure and functions of transit agencies and working toward their improvement is another key area in which states can play an effective role.

The outlook for transit revenues from the states is encouraging and the potential for a significant state role is already starting to develop. This role need not necessarily be one of providing financial assistance, but certainly money is one of the most effective means of aiding transit projects. In the long run, a total package of support may be the best hope for transportation.

Table 1
SOURCES OF STATE CAPITAL TRANSIT SUPPORT,
AS PERCENT, FISCAL 1983(a)

State	General Fund	General Obligation Bonds	Fees	Sales Tax	Fuel Tax	Corporate Tax	Other
Arkansas						100%	
California				37%	63%		
Connecticut		100%					
Florida	63%		8%		19%		10%
Georgia	100%						
Illinois	3%	97%					
Indiana				100%			
Iowa	100%						
Kentucky	100%						
Maine	100%						
Maryland			48%		43%	9%	
Massachusetts	80%		20%				
Michigan(c)			23%	19%	40%		
New Jersey		34%					66%(d)
New York	100%						
North Carolina	100%						
Ohio	100%						
Oregon	100%						
Pennsylvania		100%					
Rhode Island		100%					
South Carolina	100%						
Tennessee					100%		
Texas	100%						
Virginia					100%		
West Virginia	100%						
Wisconsin			35%		65%		

Source: Survey of states by The Council of State Governments, February 1984.

Key: Blank cell means zero quantity.

Notes:

(a) The following states either do not provide capital funds for transit or did not respond to this part of the survey: Alabama, Colorado, Hawaii, Idaho, Kansas, Louisiana, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Mexico, North Dakota, Oklahoma, South Dakota, Utah, Vermont and Wyoming.

(b) Arizona draws 100 percent of capital transit funds from a state lottery--the only state to use this source. Delaware gets 100 percent of capital transit funds from tolls--also the only state to use this source. Washington draws all capital transit funds from a motor vehicle excise tax.

(c) Michigan relies on revenue bonds for 18 percent of capital transit funds. No other state uses this source.

(d) New York/New Jersey Port Authority.

Table 2
SOURCES OF STATE OPERATING TRANSIT SUPPORT,
AS PERCENT, FISCAL 1983(a)

State(b)	General Fund	Lottery	Fees	Farebox Revenue	Sales Tax	Fuel Tax	Corporate Tax	Other
Arizona		100%						
Arkansas							100%	
California					100%			
Connecticut	52%			48%				
Florida				30%		70%		
Georgia	100%							
Illinois	100%							
Indiana					100%			
Iowa	100%							
Louisiana	100%							
Maine	100%							
Maryland			24%	50%		22%	4%	
Massachusetts	80%		20%					
Michigan			28%		23%	49%		
Minnesota	100%							
Montana						100%		
Nebraska	65%		7%		6%		22%	
New Jersey	100%							
New York	53%				13%	6%	17%	11%(c)
Ohio	100%							
Oregon				26%				74%(d)
Pennsylvania	78%	22%						
Rhode Island	100%							
South Carolina	100%							
Tennessee						100%		
Virginia						100%		
West Virginia	100%							
Wisconsin			35%			65%		

Source: Survey of states by The Council of State Governments, February 1984.

Key: Blank cell means zero quantity.

Notes:

(a) The following states either do not provide operating funds for transit or did not respond to this part of the survey: Alabama, Alaska, Colorado, Hawaii, Idaho, Kansas, Kentucky, Mississippi, Missouri, Nevada, New Hampshire, New Mexico, North Carolina, North Dakota, Oklahoma, South Dakota, Texas, Utah, Vermont and Wyoming.

(b) Delaware draws 100 percent of operating transit funds from a unique source--tolls. Washington relies exclusively on a motor vehicle excise tax.

(c) New York draws 5 percent from a unitary tax and 6 percent from a long line tax.

(d) Oregon gets 52 percent from a payroll tax (the only state to use this source) and 22 percent from miscellaneous, unclassified sources.

Table 3
 LOCAL TAXING AUTHORITY, EXCLUDING PROPERTY TAX,
 BY TYPE OF TAX, FISCAL 1983 (CEILING IN PERCENT)(a)

States(b)	Sales	Income	Payroll	Corporate	Other	Ceilings Set by:
Alabama	(c)		(c)			...
Arkansas	1%					R
Colorado	7%(d)					S
Florida	1%				5% Fuel	S
Georgia	(c)					...
Idaho					(e)	...
Illinois	1%				(f)	S
Indiana	0.76%					S
Kansas	(g)	(g)				S
Kentucky	U		U		(h)	...
Louisiana	3%					S
Maryland		(i)				S
Nebraska	1.5%					S
Nevada	0.25%					C,S
New Mexico					4.75%	S,R
					Gross receipts	
New York	3%(j)	4.7%				S
North Carolina	1.5%(k)				(l)	S
North Dakota	(m)	(m)	(m)	(m)		C,S
Ohio	1.5%	(c)	(c)	U	U	S
Oregon		1%	0.6%	U		S
Pennsylvania		1%				S
Tennessee	1.75%				1¢/gal. fuel	S
Texas	1%					S
Utah	1.25%					S
Virginia	1%			(c)	2% fuel	S
Washington	(n)				(n)	S,R
Wisconsin	0.5%				(o)	S

Source: Survey of the states by The Council of State Governments, February 1984.

Key:

U--Specific limit not given

C--Constitutional

S--Statutory

R--Local referendum

...--No data

Blank cell--Not applicable

Notes:

(a) The following states do not permit local government tax authority for transit: Arizona, California, Connecticut, Delaware, Hawaii, Iowa, Maine, Massachusetts, Michigan, Minnesota, Mississippi, Montana, New Hampshire, Oklahoma, Rhode Island, South Dakota, Vermont and West Virginia. Data for Alaska, Missouri and Wyoming was unavailable.

Table 3--Continued

(b) In New Jersey, only Atlantic City is allowed to levy a "luxury sales tax" on selected items. At the time of the survey, legislation was pending in South Carolina to allow local taxing authority for public transportation.

(c) No ceiling limit.

(d) Denver has a \$4 per employee head tax.

(e) Liquor by the drink tax only in resort areas.

(f) Non-home rule units are permitted to levy the following: motor vehicle; cigarette; gross receipts (certain occupations); utility; use; and auto renting occupation taxes. No ceilings listed.

(g) One percent sales tax each for counties and cities; 2-1/4 percent intangible earnings tax for cities and 3/4 percent for counties.

(h) Local transit authorities may be funded by a special transit fund using ad valorem taxes, occupation taxes, public transportation sales taxes, or other taxes voted by the electorate. Local systems are often funded by local general tax receipts.

(i) The 23 counties and Baltimore City are allowed an extra piggyback tax up to 50 percent of the state income tax. The revenues, collected by the state, are returned to each jurisdiction for designated uses.

(j) Four percent in New York City.

(k) Only counties may levy the sales tax with cities receiving a pro-rated share.

(l) Cities only may impose a \$5 vehicle registration tax.

(m) Home-rule cities may levy any type of tax for transit, but currently the three qualified cities with bus service use only property taxes to support service.

(n) Metro district may levy up to 0.6 percent sales and use tax. All other districts may levy up to 0.3 percent sales and use tax. In lieu of the sales and use tax, jurisdictions may levy up to \$1 per household per month and/or business and occupation taxes.

(o) Both room taxes and wheel taxes are permitted.

Table 4
LOCAL TAX LEVIES FOR TRANSIT,
EXCLUDING PROPERTY TAX, FISCAL 1983

State(a)	No. of Local Govts. Eligible to Levy Local Taxes	No. of Local Govts. Using Tax Authority	No. of Local Govts. Using Portion of Tax for Transit	State Administered Local Taxes	Nature of State Administration
Alabama	All	350	...	Y	Collection & allocation
Arkansas	547	62	3	N	
Colorado	331	198	25	Y	Collection & auditing
Delaware	...	...	0	Y	Authorization required
Florida	67	30	...	Y	Collection & distribution
Georgia	All	2	2	Y	Collection
Hawaii	4	0	0	N	
Idaho	3	1	1	N	
Illinois	2,864	1,350(b)	50	Y	Collection of sales tax
Indiana	92	37	0	Y	Review & approval of local budgets
Kansas	732	140	...	Y	Collection of sales tax
Kentucky	All	Most	43	NR	NR
Louisiana	All	...	1	N	
Mississippi	0	0	0	N	
Montana	NR	NR	NR	Y	Collection & allocation of property tax
Nebraska	535	12	7	Y	Collection & distribution of sales tax
Nevada	...	...	...	Y	Collection & distribution of taxes by formula
New Jersey	1				
New Mexico	All	46	0	Y	Collection & redistribution
New York	All	...	0	Y	Collection of sales & income taxes
North Carolina	All	99	...	Y	Collection & allocation
North Dakota	6	0	0	N	
Ohio	1,027	5	5	Y	Collection & redistribution of sales tax
Oregon	6	2	2	N	
Pennsylvania	2,700	2,700	...	Y(c)	Statutory ceiling on local tax rate
Tennessee	All	Most	8	N	
Texas	6	2	2	Y	Collection
Utah	All	All	...	Y	Administration & disbursement
Vermont	0			N	
Virginia	5	5	5	Y	Collection & distribution
Washington	All	21	21	Y	Collection & distribution
Wisconsin	All	...	0	Y	Collection

Source: Survey of the states by The Council of State Governments, February 1984.

Table 4--Continued

Key:

...--No data

Blank cell--Not applicable

Y--Yes

N--No

NR--No response

Notes:

(a) New Hampshire has no local tax levies for transit. The following states did not respond to this part of the survey: Alaska, Arizona, California, Connecticut, Iowa, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Oklahoma, Rhode Island, South Carolina, South Dakota and West Virginia.

(b) Estimated.

(c) Pennsylvania planned, at the time of the survey, to increase state involvement in administration of local sales and income taxes.

Table 5
 POWERS OF LOCAL/REGIONAL TRANSIT AUTHORITIES
 TO RAISE REVENUE INDEPENDENTLY(a)

State(b)	Specific Powers
Arkansas	Issuance and sale of revenue bonds
California	(c)
Colorado	Commission set ad valorem mill levy subject to qualified voter approval
Georgia	...
Illinois	1% sales tax in Cook Co., 0.25% sales tax in surrounding counties
Iowa	Formula encourages independence from state and federal revenue
Kentucky	Issue revenue bonds; special transit taxes possible
Louisiana	Bonding and taxing authority
Maine	Communities assessed according to population
Michigan	Property tax authorization with voter approval
Nebraska	One authority levies 70¢ per \$100 of valuation property tax
Nevada	...
New Hampshire	...
New York	Fares, tolls and bonding authorized
North Dakota	Have powers but not currently used
Ohio	May increase property and sales taxes with voter approval
Oregon	May levy variety of taxes; bonding authority
Rhode Island	Authorized to sell revenue anticipation notes
South Carolina	Purchase of service contracts; bonding; advertising
Utah	...
Vermont	Assessment power
Virginia	May issue bonds
Washington	May issue bonds; levy taxes with public approval

Source: Survey of the states by The Council of State Governments, February 1984.

Key: ...--No data

Notes:

(a) The following states do not allow local/regional transit authorities the power to raise revenue independently: Alabama, Arizona, Delaware, Florida, Hawaii, Idaho, Indiana, Kansas, Massachusetts, Mississippi, New Jersey, North Carolina, Oklahoma, Pennsylvania, South Dakota, Tennessee, Texas, West Virginia and Washington.

(b) Alaska, Connecticut, Maryland, Minnesota, Missouri and Montana did not respond to this part of the survey. Data were unavailable for Wyoming.

(c) The California Transportation Development Act (TDA) provides for each county to establish a Local Transportation Fund (LTF) from a 1/4¢ of the retail sales tax collected statewide. This 1/4¢ is returned to those counties by the State Board of Equalization based on the amount of sales tax collected in that county. These funds are used for transit planning and administration, and in the cases of counties with populations under 500,000, the funds can be used for streets and roads purposes, if there are "no unmet transit needs that can be reasonably met."

Table 6
SPECIAL TRANSIT DISTRICTS (a)

Required to Form Districts						
State(b)	State Legis- lation	Public Hearing	Public Refer- endum	Local Author- ization	No. of Existing Districts	Independent Revenue-Raising Mechanisms
Alabama(c)	*	--	--	--	0	None
California	*	--	*	--	16	Sales & gas tax; bonding authority
Colorado	--	*	*	--	1	Bonds; service fees
Connecticut	--	--	--	*	15	Fare collection; local assessment
Florida	*	--	--	--
Illinois(d)	--	--	*	--	16	Property tax; sales tax
Indiana(d)	*	--	--	--	9	Prop. tax; genl. obligation bonds
Iowa(c)	*	--	--	--	5	None w/o statutory authorization
Kansas	*	--	--	--	3	Service fees; advertising
Kentucky	--	--	--	*	5	Revenue bonds, spec. transit taxes
Louisiana	*	--	*	--	1	None
Maine	--	--	*	--	1	Community assessment
Maryland	*	--	--	--	2	...
Massachusetts	--	--	--	*	15	Local property tax
Michigan(c)	*	--	--	--	0	None
Minnesota	*	--	--	--	4	Levy authority
Montana(e)	--	--	*	--	2	Property taxes
Nevada	*	--	--	--	1	Sales tax
New Hampshire	--	--	--	*	4	Set by statutory formula
New Jersey	*	--	--	--	2	Variable by district
New Mexico(e)	*	*	*	--	0	
New York	*	--	--	--	5	Fares; tolls; bonding
North Carolina	--	--	--	*	3	None
North Dakota	*	*	--	*	0	...
Ohio(f)	--	--	--	--	12	Sales; prop. tax; voter approval
Oregon(e)	--	*	*	--	6	Bond'g author.; variety of taxes
So. Carolina(f)	--	*	*	--	10	Purchase ser. contracts; bonding
Tennessee	--	--	--	*	1	None
Utah(d)	--	--	*	--	3	Spec. taxes; fares; bonds; invest.
Vermont(g)	--	--	--	--	1	Assessment authority
Virginia	--	--	--	*	4	Bonding authority
Washington	--	--	*	*	14	Bond'g auth., tax. by voter appvl.

Source: Survey of states by The Council of State Governments, February 1984.

Key:

...=No data

*=Required

--=Not required

Table 6--Continued

Notes:

(a) The following states do not allow the formation of special transit districts: Arizona, Arkansas, Delaware, Georgia, Hawaii, Idaho, Mississippi, Nebraska, Oklahoma, Pennsylvania, Rhode Island, South Dakota, Texas and Wisconsin.

(b) Alaska did not respond to the survey. Data were unavailable for Missouri, West Virginia and Wyoming.

(c) Also requires state executive order.

(d) Also requires local ordinance.

(e) Also requires petition.

(f) Also requires local resolution.

(g) Requires certification by State Transportation Board.

Table 7
STATE RESPONSES TO TRANSIT DILEMMA---SERVICE CUTS/INCREASES

State(a)	LIKELY TARGETS FOR CUTS					
	Number of Rural Routes	Number of Urban Routes	Off-Peak- Hour Tran- sit Serv.	Elderly & Handicapped Special Transit Serv.	Para- Transit Service	None
Alabama						*
Arizona						*
Arkansas		*				
California	*	*	*	*	*	
Colorado	*	*	*	*		
Connecticut						*
Delaware						*
Florida		*	*			
Georgia						*
Hawaii						*
Idaho	*	*	*			
Illinois	*	*	*			
Indiana	*	*	*			
Iowa			*			
Kansas	*					
Kentucky	*		*			
Louisiana		*	*			
Maine	*	*				
Maryland			*			
Massachusetts	*	*	*			
Michigan	*	*	*	*	*	
Minnesota						*
Mississippi			*			
Missouri	*	*	*			
Montana						*
Nebraska		*	*			
Nevada(a)						*
New Hampshire	*		*			
New Jersey(a)						
New Mexico		*	*			
New York	*	*	*			
North Carolina						
North Dakota	*	*	*	*	*	
Ohio	*	*	*	*		
Oklahoma		*	*			
Oregon		*	*			
Pennsylvania	*	*	*	*		
Rhode Island	*	*	*			
South Carolina						*
South Dakota	*		*			
Tennessee	*	*	*	*		
Texas						*
Utah	*		*			
Vermont						*
Virginia	*	*	*	*		
Washington			*			
West Virginia			*		*	
Wisconsin(b)						

Table 7--Continued

State(a)	LIKELY TARGETS FOR INCREASES					
	Fares	Taxes for Transit	Fees	Muni- cipal Bonds	General Fund	None
Alabama	*	*			*	
Arizona	*			*	*	
Arkansas	*	*				
California	*	*	*	*		
Colorado	*	*		*	*	
Connecticut	*				*	
Delaware	*		*			
Florida	*	*		*		
Georgia	*					
Hawaii						*
Idaho	*					
Illinois	*	*				
Indiana	*					
Iowa	*				*	
Kansas	*					
Kentucky	*				*	
Louisiana	*	*			*	
Maine					*	
Maryland	*	*				
Massachusetts	*		*		*	
Michigan	*	*			*	
Minnesota						*
Mississippi	*					
Missouri	*					
Montana	*					
Nebraska	*			*	*	
Nevada(a)						*
New Hampshire	*					
New Jersey	*		*		*	
New Mexico	*				*	
New York	*	*	*			
North Carolina						
North Dakota	*	*			*	
Ohio	*	*				
Oklahoma	*					
Oregon	*	*				
Pennsylvania	*	*			*	
Rhode Island	*	*			*	
South Carolina	*	*	*		*	
South Dakota	*					
Tennessee	*					
Texas	*					
Utah	*					
Vermont	*				*(c)	
Virginia	*				*	
Washington	*					
West Virginia	*				*	
Wisconsin	*				*(c)	

Source: Survey of the states by The Council of State Governments, February 1984.

Notes:

(a) Alaska and Wyoming did not respond to this part of the survey.

(b) Local responsibility

(c) Special transportation fund

Table 8
TRANSIT REVENUE COST GAP SOLUTIONS

State(a)	LABOR ISSUES--LIKELY TARGETS (next 2 years)				Cash Flow Problems Created by Timing of Federal Allocation?
	Increase Part- time Transit Labor	Renegotiate Transit Labor Contracts	Reduce Equipment Maintenance	None	
Alabama				*	N
Arizona		*			Y
Arkansas				*	N
California	*	*			N
Colorado	*	*			N
Connecticut	*	*			N
Delaware	*	*	*		Y
Florida	*		*		N
Georgia				*	Y
Hawaii				*	N
Idaho				*	N
Illinois	*	*			N
Indiana	*				N
Iowa	*	*			N
Kansas	*				NR
Kentucky	*				N
Louisiana		*			N
Maine	*	*			NR
Maryland	*	*			NR
Massachusetts	*	*			Y
Michigan	*	*	*		Y
Minnesota				*	N
Mississippi	*				N
Missouri				*	N
Montana				*	Y
Nebraska	*	*			N
Nevada				*	N
New Hampshire				*	N
New Jersey		*			Y
New Mexico				*	N
New York	*				Y
No. Carolina					NR
North Dakota				*	N
Ohio	*	*			N
Oklahoma	*				N
Oregon	*	*			N
Pennsylvania	*		*		Y
Rhode Island	*				Y
So. Carolina				*	N
South Dakota				*	N
Tennessee	*	*			Y
Texas				*	N
Utah	*	*			N
Vermont				*	Y
Virginia	*	*			N
Washington	*				N
West Virginia	*	*			N
Wisconsin	*	*	*		N

Source: Survey of the states by The Council of State Governments, February 1984.

Key: NR--No response, Y--Yes, N--No

Note: (a) Alaska and Wyoming did not respond to this part of the survey.

Table 9
DEGREE OF PROBLEM WITH FUNDING SOURCES

State(a)	General Fund	Lottery	General Obligation Bonds	Revenue Bonds	Tolls	Fees
Alabama	NOp	NOp	NOp	NOp	NOp	NOp
Arizona	P	NP	A1, P1	A1, P1	NOp	L1, P
Arkansas	L2, LG2	L2, LG2	LG2	LG2	LG2	L2, LG1
California	L2	LG1, P1	L2, P2	L2, A2, P2	L1, P1	L2, P2
Colorado	L1, LG1, P2	L1, LG1, P2	L2, A2, P2	L2, A2, P2	L1, LG1, P2	L1, LG1, P2
Connecticut	L2	L	L2	A2, LG2	L2	L2
Delaware	L2, A2, P2	LG2, P1	NOp	NOp	NP	NP
Florida	L2	L2, P1	P2	NOp	NOp	NP
Georgia	NP	L1	NP	NP	NP	NP
Hawaii	NOp	NOp	NOp	NOp	NOp	NOp
Idaho	L2, P2	L1, P2	L1, P1	L1, P1	L1	NOp
Illinois	L2, P2	L2, P2	L1, P1	L1	L3, A2, P3	L3, P3
Indiana	A2	L2, P2	LG2	L2	NOp	NOp
Iowa	NP	L2	P1	P1	LG1, P1	P1
Kansas	L1, P2	L2, LG1, P2	L2, P2	L2, P2	L2, P2	L2, P2
Kentucky	A2	P3	A1, P2	A1, LG1	P2	P2
Louisiana	L2, P2	L3, P3	LG3	L3, A3, LG3, P3	P3	P3
Maine	L2, LG2	NOp	L1, P1	L2, LG2, P1	L2, LG3, P1	L3, LG3, P2
Maryland	P2	L2, P2	NR	NR	L1	P1
Massachusetts	P2	NOp	P2	NOp	L1	P2
Michigan	L1, P1	L1, P1	L2, P1	NP	NOp	NP
Minnesota	L2	NOp	NOp	NOp	NOp	NOp
Mississippi	L2, P2	L1, A3, LG2	L2, A2, LG3, P2	L2, A2, LG3, P3	L1, LG2, P2	L2, A3, P2
Missouri	L1	NOp	L1, A2, P1	L1, P2	L1, A1, LG2, P1	NOp
Montana	L3, P3	LG1	L1	L1	LG1	L2
Nebraska	NP	L2, A2, LG2, P2	L3, A2, P2	L2, A2	NOp	NOp
Nevada	L	L	NOp	P	LG	A
New Hampshire	L2, LG2	L2, LG2	L2	L2	L2, LG2	L2, LG2
New Jersey	L2	L2, LG1, P2	L2, P2	L2, A3, P2	L2, LG2, P2	L2, LG2, P2
New Mexico	L2, P2	NOp	L2, A2, LG2, P3	L2, A2, LG2, P3	NOp	NOp
New York	NR	NR	NR	NR	NR	NR
No. Carolina	NP	L1, LG2, P2	L2, LG3, P2	L2, P2	L1, P1	P2
No. Dakota	L2, LG2, P2	L2, LG2, P2	L2, LG2, P2	L2, LG2, P2	L2, LG2, P1	L2, LG2, P1
Ohio	L2	NR	NR	NR	NR	NR
Oklahoma	L1, LG1,	L2, A2, P2	L2, LG2	L2, LG2	NOp	NOp
Oregon	L2, A2	LG2, P2	L1, P1	NP	LG2, P1	LG2, P2
Pennsylvania	L2, A2	NP	A2	NR	NR	NR
Rhode Island	L1	NOp	NP	NP	NOp	NOp
So. Carolina	L2, P2	L1, P2	NOp	NOp	L2, P1	NOp
So. Dakota	L1, P1	L1, LG2, P1	L1, A2, P1	L1, A2, P1	NOp	NOp
Tennessee	L2, P2	L1, A2, LG1, P2	NP	NP	L2, A2, LG2, P2	L2
Texas	L2	NR	NR	NR	NR	NR
Utah	L1, P2	P1	NOp	NOp	LG1, P1	P2
Vermont	L2, P2	NOp	NOp	NOp	NOp	L2, P2
Virginia	L2	L2, P2	NOp	NOp	NOp	NP
Washington	L3	L1, A1, LG1, P1	L2, LG3	NP	NP	A2, LG2, P1
West Virginia	NP	A2, LG3, P2	P2	L1, A1, LG3, P1	L1, A1, P1	L1, A1, P1
Wisconsin	L2, P2	L2, LG2, P2	L1	L1	L1, A1, LG2, P2	NP

Table 9--Continued

State(a)	DEDICATED TAXES				
	Sales Taxes	Income Taxes	Fuel Taxes	Corporate Taxes	Payroll Taxes
Alabama	NOp	NOp	NOp	NOp	NOp
Arizona	L1, P1	P	L1, P1	L1, P1	L1, P1
Arkansas	LG2	LG2	LG2	LG2	LG2
California	NP	L1, P1	LG2, P2	L1	L1, P1
Colorado	L1, LG1, P2	L1, LG1, P2	L1, LG1, P2	L1, LG1, P2	L1, LG, P2
Connecticut	L2	L1	L2	L2	L2
Delaware	NOp	NOp	NOp	NOp	NOp
Florida	NP	LG	NP	L2	NOp
Georgia	NP	NOp	NOp	NOp	NOp
Hawaii	NOp	NOp	NOp	NOp	NOp
Idaho	L2, P2	L2, P2	L2, P2	L2, P2	L2, P2
Illinois	L3, P3	L3, P3	L3, P3	L3, P3	L3, P3
Indiana	A2	L2, A2	L2, A2	L2, A2	L2
Iowa	P2	P2	P2	P2	P2
Kansas	L2, P2	L2, P2	P1	L2, P2	L2, P2
Kentucky	P3	A2, LG2, P3	P2	A3, P1	LG2
Louisiana	P3	P3	P3	P3	P3
Maine	L2, P2	L1, P1	L2, P2	L1, P1	L1, P1
Maryland	L2, P2	L2, P2	NP	NP	LG2, P1
Massachusetts	L2, P2	L2, P2	L2, P2	L1, P1	L1, P1
Michigan	L2, A2, P3	L1, P1	LG1	NOp	NOp
Minnesota	L2, P3	NOp	NOp	NOp	NOp
Mississippi	L1, P1	L1, P1	L2, LG2	L2, A2	L1, P1
Missouri	NP	P1	L1, A1, LG1	NP	L2
Montana	L1	L1	L1	L1	L1
Nebraska	L2, A2, P2	L2, A2, P2	L2, A2, P2	L2, A2, P2	L2, A1, P1
Nevada	LP	L	LP	L	L
New Hampshire	L2, LG2, P2	L2, LG2, P2	L2, LG2, P2	L2, LG2, P2	L2, LG2, P2
New Jersey	L1, LG1, P1	L1, LG1, P1	L2, LG2, P2	L1, LG1, P1	
New Mexico	L2, P3	NOp	L2, LG2, P3	NOp	NOp
New York	NR	NR	NR	NR	NR
No. Carolina	NP	L1, P1	L2, P2	L1, P1	L2, P2
No. Dakota	L2, LG2, P1	L2, LG2, P1	L2, LG2, P1	L2, LG2, P1	L2, LG2, P1
Ohio	NR	NR	NR	NR	NR
Oklahoma	L2	L2	L1, LG1	L2	L2
Oregon	L1, LG1, P1	L2	L2, LG1	L2	NP
Pennsylvania	NR	NR	NR	NR	NR
Rhode Island	L1, A3, P1	L1, A3, P1	L1, A3, P1	L1, A3, P1	L1, A3, P1
So. Carolina	L1, P1	L1, P1	L1, A1, LG3, P2	L1, P2	L1, P1
So. Dakota	L1, A2, P1	L1, A2, P1	L1, A2, P1	L1, A2, P1	L1, A2, P1
Tennessee	L2, P2	L2, LG2, P2	L2, P2	L2, P2	L2, LG2, P2
Texas	L3	NR	NR	NR	NR
Utah	L2, P1	L1	A1	J	L2, P1
Vermont	NOp	NOp	NOp	NOp	NOp
Virginia	L2	L1	NP	L2	L1
Washington	L2, LG2	L1, A2, LG1, P1	L1, LG1	L1, A2, LG1	L1, A2, LG1, P1
West Virginia	L1, A1, LG1	L1, A1, LG1	L1, A1, LG1	NR	NR
Wisconsin	L2	L1, P1	L2, A2, P2	L1, A1, LG2, P1	L1, P1

Source: Survey of the states by the Council of State Governments, February 1984.

Table 9--Continued

Key:

L--Legislative
A--Administrative
LG--Legal
P--Public support
NP--No problem
NOp--No opinion
NR--No reply
1--Major problem
2--Middle case
3--Minor problem

Note: (a) Alaska and Wyoming did not respond to this part of the survey.

Table 10
PUBLIC SUPPORT/VOTER ACCEPTABILITY OF TRANSIT REVENUE SOURCES
BASED ON THE OPINION OF STATE TRANSPORTATION DIRECTORS

State(a)	Fares	General Fund	Lottery	General Obligation Bonds	Revenue Bonds	Tolls	Fees
Alabama	2	2	2	2	2	3	3
Arizona	2	2	1	2	3	3	3
Arkansas	2	3	3	2	2	3	3
California	1	2	3	2	2	3	2
Colorado	1	3	2	2	2	3	2
Connecticut	3	1	2	1	1	3	3
Delaware	1	3	3	2	2	1	1
Florida	1	2	3	3	2	...	2
Georgia	1	1	...	...	...	...	...
Hawaii	3	3	3	3	3	3	3
Idaho	1	1	3	3	3	3	2
Illinois	1	2	2	2	1	3	3
Indiana	1	1	3	2	2	...	2
Iowa	1	1	2	3	3	3	3
Kansas	1	3	2	2	2	2	2
Kentucky	1	1	3	2	2	3	3
Louisiana	2	2	3	3	3	3	3
Maine	1	1	3	3	3	2	2
Maryland	1	2	2	2	2	3	2
Massachusetts	1	2	3	1	3	2	2
Michigan	1	3	3	2	1	3	1
Minnesota	1	2	1	2	3	3	3
Mississippi	1	2	3	3	3	...	2
Missouri	2	3	2	3	3	3	3
Montana	1	3	3	3	3	3	2
Nebraska	1	1	3	3	2	...	...
Nevada	2	2	1	2	2	3	3
New Hampshire	2	3	...	...	...	3	3
New Jersey	1	1	3	1	1	2	2
New Mexico	2	1	3	1	1	3	2
North Carolina	1	1	2	3	2	3	2
North Dakota	1	2	1	2	2	3	2
Ohio	1	1	2	2	2	3	3
Oklahoma	1	2	3	3	2	...	...
Oregon	2	3	2	3	2	3	3
Pennsylvania	3	2	1	2			
Rhode Island	2	1	...	...	1	...	...
South Carolina	1	2	...	...	...	3	2
South Dakota	2	3	2	2	2	2	2
Tennessee	1	2	2	2	1	2	2
Texas	2	2	...	...	...	...	...
Utah	1	3	3	2	2	3	3
Vermont	1	2	3	3	3	3	2
Virginia	1	3	2	2	2	2	2
Washington	1	1	3	1	1	3	3
West Virginia	1	2	2	2	3	3	3
Wisconsin	1	2	3	2	3	3	1

Table 10--Continued

State(a)	DEDICATED TAXES				
	Sales Taxes	Income Taxes	Fuel Taxes	Corporate Taxes	Payroll Taxes
Alabama	3	3	3	2	3
Arizona	3	3	3	3	3
Arkansas	2	3	3	2	3
California	1	3	2	2	3
Colorado	2	3	2	2	2
Connecticut	2	3	2	1	1
Delaware	3	3	1	2	2
Florida	1	...	2	2	...
Georgia	1	...	...	...	...
Hawaii	3	3	3	3	3
Idaho	1	1	3	1	1
Illinois	2	3	3	2	2
Indiana	2	2	2	2	2
Iowa	2	3	3	3	3
Kansas	1	3	2	2	2
Kentucky	3	3	3	2	1
Louisiana	2	3	3	3	3
Maine	2	3	2	3	3
Maryland	2	2	1	1	3
Massachusetts	2	2	2	3	3
Michigan	2	3	2	3	3
Minnesota	1	3	2	3	3
Mississippi	3	3	2	2	3
Missouri	2	3	3	2	3
Montana	3	3	3	3	3
Nebraska	2	3	1	3	3
Nevada	2	3	2	3	3
New Hampshire	3	3	3	3	3
New Jersey	3	3	2	3	3
New Mexico	2	3	2	2	3
North Carolina	2	3	2	3	3
North Dakota	3	3	3	3	3
Ohio	2	3	2	2	3
Oklahoma	2	2	3	2	3
Oregon	3	3	3	2	2
Pennsylvania					
Rhode Island	1	3	1	3	3
South Carolina	3	3	2	3	3
South Dakota	3	3	3	3	3
Tennessee	3	3	1	2	3
Texas	2	...	...	...	...
Utah	1	3	2	3	3
Vermont	3	3	3	3	3
Virginia	3	3	2	2	3
Washington	1	3	2	2	3
West Virginia	3	3	3	3	3
Wisconsin	2	3	1	3	3

Source: Survey of the states by The Council of State Governments, February 1984.

Key: 1--Most acceptable to voters

2--Moderately acceptable

3--Least acceptable

Note: (a) Alaska, New York and Wyoming did not respond to this part of the survey.

Table 11
 TRANSIT REVENUE SOURCES USED BY STATES/PRESENTLY USING/CONSIDERING

State(a)	Fares	General Fund	Lottery	General Obligation Bonds	Revenue Bonds	Tolls	Fees
Alabama	U	C	N	N	N	N	N
Arizona	U	U	U	U	N	N	N
Arkansas	U	C	C	C	C	N	N
California	N	N	N	N	N	N	N
Colorado	U	N	N	N	N	N	N
Connecticut	U	U	N	U	N	N	C
Delaware	U	N	N	N	N	U	N
Florida	U	N	N	N	N	N	U
Georgia	U	U	N	U	U	N	N
Hawaii	N	N	N	N	N	N	N
Idaho	U	C	N	N	N	N	N
Illinois	U	N	N	U	N	N	N
Indiana	U	N	N	N	N	N	N
Iowa	U	U	N	N	N	N	N
Kansas	N	N	N	N	N	N	N
Kentucky	N	U	N	N	N	N	N
Louisiana	N	U	N	N	N	N	N
Maine	U	U	N	N	N	N	C
Maryland	U	N	N	N	N	N	U
Massachusetts	U	U	N	N	N	N	U
Michigan	U	U	N	N	U	N	U
Minnesota	U	U	N	U	N	N	N
Mississippi	U	N	N	N	N	N	N
Missouri	U	U	N	N	N	N	N
Montana	U	N	N	N	N	N	N
Nebraska	N	U	U	N	N	N	N
Nevada	U	N	N	N	N	N	N
New Hampshire	U	N	N	N	N	N	N
New Jersey	U	U	N	U	C	C	N
New Mexico	U	U	N	C	C	N	N
New York	N	U	N	N	N	N	N
North Carolina	N	U	N	N	N	N	N
Ohio	U	U	N	N	N	N	N
Oklahoma	U	N	N	N	N	N	N
Oregon	U	U	N	N	U	N	N
Pennsylvania	N	U	U	U	N	N	N
Rhode Island	U	U	N	U	U	N	N
South Carolina	U	U	N	N	N	N	C
Tennessee	U	U	N	U	N	N	N
Texas	U	U	N	N	N	N	N
Utah	U	N	N	N	N	N	N
Vermont	U	C(*)	N	N	N	N	N
Virginia	U	N	N	N	N	N	N
Washington	U	U	N	C	C	N	N
West Virginia	U	U	N	N	N	N	N
Wisconsin	N	N	N	N	N	N	N

Table 11--Continued

State(a)	DEDICATED TAXES				
	Sales Taxes	Income Taxes	Fuel Taxes	Corporate Taxes	Payroll Taxes
Alabama	N	N	N	N	N
Arizona	C	N	N	N	N
Arkansas	N	N	C	C	N
California	U	N	U	N	N
Colorado	U	N	N	N	N
Connecticut	N	N	C	N	N
Delaware	N	N	U	N	N
Florida	U	N	U	N	N
Georgia	U	N	N	N	N
Hawaii	N	N	N	N	N
Idaho	C	C	N	N	N
Illinois	N	N	N	N	N
Indiana	U	N	N	N	N
Iowa	N	N	N	N	N
Kansas	N	N	N	N	N
Kentucky	N	N	N	N	N
Louisiana	N	N	N	N	N
Maine	N	N	N	N	N
Maryland	C	C	U	C	U
Massachusetts	N	N	N	N	N
Michigan	U	N	U	N	N
Minnesota	C	N	N	N	N
Mississippi	C	N	N	N	N
Missouri	U	N	N	N	N
Montana	N	N	C	N	N
Nebraska	N	N	N	N	N
Nevada	U	N	N	N	N
New Hampshire	N	N	N	N	N
New Jersey	N	N	C	N	N
New Mexico	C	N	C	N	N
New York	U	N	U	U	N
North Carolina	N	N	N	N	N
Ohio	N	N	N	N	N
Oklahoma	N	N	N	N	N
Oregon	N	N	N	N	U
Pennsylvania	C	C	N	N	C
Rhode Island	C	C	C	N	N
South Carolina	N	N	N	N	N
Tennessee	N	N	U	N	N
Texas	U	N	N	N	N
Utah	N	N	N	N	N
Vermont	N	N	N	N	N
Virginia	N	N	U	N	N
Washington	U	N	N	N	N
West Virginia	N	N	N	N	N
Wisconsin	N	N	U	N	N

Source: Survey of the states by The Council of State Governments, February 1984.

Key: U--Using revenue sources currently

N--Not using revenue sources currently

C--Considering

*--Transportation fund

Note: (a) Alaska, North Dakota, South Dakota and Wyoming did not respond to this part of the survey.

VI. STATE-BY-STATE SUMMARIES

Alabama

Currently, Alabama does not provide capital assistance to mass transit and depends on federal grants, local taxes, local general funds, and local farebox revenues for operating support. Financing of transit operations are the responsibility of local transit districts which are permitted through state enabling legislation. The state role in actually providing revenues for transit costs has not been greater due to lack of political support in levying the necessary resources. Generally, the Department of Transportation believes the public views using bonds, fare increases and general fund dollars as more acceptable means of financing transit operations than tolls, fees or dedicated taxes. Some consideration will be given in the near future to using general fund dollars to finance transportation; however, there are no plans pending which would involve a significantly larger role for state government in mass transit.

Note: The City of Birmingham in 1983 imposed a beer tax dedicated to transit. The tax is currently being challenged in the courts, but is being collected.

Arizona

Arizona supplies approximately \$2 million in capital assistance to mass transit, in the form of lottery funds provided primarily to Phoenix. The lottery also provides \$3.4 million and \$5.8 million in operating assistance to Tucson and Phoenix respectively. Arizona does not permit the formation of special transit districts and does not have specific policies governing public-private ventures to provide transportation.

Likely revenue sources which may be increased in the next two years include transit fares and the use of municipal bonds. However, sponsoring workshops on increasing efficiency and effective advertising which has increased ridership are viewed as a few methods by which rising costs can be contained.

Note: The lottery funds dedicated to transit in Phoenix and Tucson may be used for transit, road construction, and/or cultural projects in rural areas. The state does not perceive the need to increase funding.

The Arizona lottery was established as a result of a citizen's initiative, passed on November 4, 1980. The proceeds of the lottery were originally slated to be placed in the General Revenue Fund. However, in July 1981, the legislature earmarked \$190 million of lottery revenues over the following 10 years for the Local Transportation Assistance Fund. In 1991, the legislature will reconsider the allocation of lottery funds, which are currently distributed to each incorporated city and town in the state on the

basis of population. The legislature has committed itself to appropriate sufficient funds out of the lottery proceeds, or other revenues if necessary, to meet a minimum distribution of \$20.5 million a year. For cities over 300,000, namely Tucson and Phoenix, the funds must be spent on mass transit, as capital or operating assistance. Cities and towns under 300,000 may use their funds for any transportation purpose, including road maintenance. Each city or town is guaranteed a minimum of \$10,000 a year.

Financial Results: In fiscal 1982, a total of \$115 million was generated by lottery sales; net revenue was \$44 million. Phoenix received \$7.8 million, and Tucson received \$3.4 million.

Arkansas

State support of both capital and operation activities comes from the corporate franchise tax. In March 1983, the legislature approved an increase in this tax from \$11 a year to a \$17 a year minimum fee. This additional \$6 per corporation will generate in excess of \$150,000 a year, and these funds will be used for matching for federal funds. The legislation is a major piece of funding by a primarily rural state. The money is administered by the Arkansas State Highway and Transportation Department which operates solely out of "special revenues" from highway user fees and federal funds.

Local governments are permitted to levy a sales tax which is set by local referendum. Additional independent revenue raising authority at the local level is provided through the issuance and sale of revenue bonds. Over the next two years, increases in transit fares and dedicated transit taxes are projected, while the number of urban routes may be reduced from current levels of service.

California

The state provides over \$104 million in capital assistance, derived from dedicated taxes. The sales tax (37 percent) and fuel taxes (63 percent) are the two primary sources. Nearly \$70 million in operating assistance was provided in fiscal 1983, funded in total from sales tax revenue. The California Development Act allows each county to establish a Local Transportation Fund from one-fourth cent of the retail sales tax collected statewide. The Fund is returned to counties by the State Board of Equalization based on the amount of sales tax collected by each county. These funds are used for transit planning and administration, and in the case of a county with a population under 500,000, the funds can be used for streets and roads if there are "no unmet transit needs that can reasonably be met."

Special transit districts are permitted, as well as the following independent revenue-raising mechanisms:

- Up to 12 percent additional sales tax.
- Up to 5¢/gallon local gasoline tax.
- Revenue and general obligation bonds.

In each case, however, a two-thirds majority of local voters must approve any of these levies.

The California Transportation Commission's policy for funding new guideway projects (beginning in fiscal 1984 and 1985) requires local agencies and private firms to develop cooperative relationships for financing a portion of projects. Each local agency may develop its own plan which may include private sector contributions to a system's operating costs, joint development, gifts tax increments, fees, assessing districts or other mechanisms. The plan must succeed in obtaining private funds directly related to the benefits provided by public transit service.

Colorado

Colorado provides neither capital or operating assistance to mass transit operations; however, local governments are given authority by the state to levy both sales (7 percent ceiling) and payroll taxes. Local and regional transit authorities set the ad valorem mill levy subject to voter approval and are also responsible for setting fares, advertising and charter bus operations.

In response to rising costs, reductions are expected in the number of both urban and rural routes, off-peak hour transit services, and special services for the elderly and handicapped. At the same time, transit fares and dedicated transit taxes will increase and additional bonding measures will be necessary. Private sector funding is being examined as one possible way in which costs can be reduced. A greater degree of state involvement is not likely in the immediate future due in large part to the perception that needs can be met without a state subsidy.

Connecticut

The state provided over \$18.3 million in capital assistance in fiscal 1983 through the use of general obligation bonds. Over \$55 million in operating assistance was also provided, primarily (52 percent) from general fund revenues.

Fifteen special transit districts are permitted by statute, and they are allowed to own and operate mass transit systems which include responsibility for fare collections and receiving funds from both member cities and towns and the state government.

Although a reduction in the level of transportation service provided to Connecticut residents is not expected in coming years,

transit fares and the level of general fund support is likely to increase. An increase in part-time transit labor and a renegotiation of labor contracts is also likely within the next two years, and both are viewed as ways in which costs can be held in check.

Note: Following a prolonged strike in 1976, Connecticut purchased the Connecticut Company, which operates transit in three of the state's four largest cities--Hartford, New Haven and Stamford--and carries 85 percent of the state's bus-transit riders.

For other operators, the state provides the whole local share of all UMTA capital grants. The state makes up operating deficits where fares are 60 percent or more of operating costs. If fares are less than 60 percent, the state pays 40 percent of operating costs and splits with localities the remaining difference between fares and operating costs. The state also pays 50 percent of the local share of costs of planning grants which receive federal assistance.

Delaware

All capital assistance for transit operations is derived from tolls and totaled over \$1.2 million in fiscal 1983. Operating assistance is from the same source and amounted to over \$2.7 million. Special transit districts are not allowed by state law. Funding for transportation depends upon revenue from fares, tolls and fuel taxes, all of which are viewed as the most acceptable means of supporting transportation by Delaware residents.

Florida

On March 3, 1983 the Florida state legislature enacted a new transportation financing package which includes provision for a local option, 4 cent per gallon gasoline tax. The measure will raise an additional \$236 million at the state level, and potentially \$223 million at the local level if all counties levy the full 4 cent gas tax. The local revenues can be used for either highway or transit projects, and capital or operating expenses are eligible. State gas tax collections are reserved for transportation activities, with 10 percent set aside for public transit and rail capital projects.

The local gas taxes can be imposed by county ordinance, without a referendum. The first 2 cents of the new tax can be levied by a majority vote of a County Commission, and the third and fourth cents require a majority plus one vote. Localities began collecting the tax as of September 1, 1983, and enabling legislation can be passed beginning March 14, 1983. All revenues from the local measures remain within the county they are collected.

Florida counties already possessed the powers to levy a 1 percent sales tax dedicated to fixed guideway transit projects and a

1 cent gas tax (Voted Gas Tax) by referendum. The new law continues these options with minor modification.

The new law also provides that if a county chooses not to levy the tax, City Councils representing a majority of the county population may pass resolutions calling for a countywide referendum on the issue, which the county must then hold. If the voters approve the measure, the tax is put into effect countywide.

Distribution of proceeds from the local tax among jurisdictions within the county can be accomplished by either of two methods:

- Negotiation: The county and cities representing at least 50 percent of the incorporated population may negotiate a distribution formula on any mutually agreeable basis.

- Formula: If an agreement can not be reached, the required formula is then derived from the proportional share of transportation expenditures made by cities and counties within the state over the previous five years.

Only jurisdictions eligible for State Revenue Sharing or the one-half cent Local Government Sales Tax can receive local option gas tax revenues. Once imposed, the distribution formula remains in effect for five years, after which it must be renegotiated for an additional five years.

Proceeds may be spent on "transportation expenditures" which are defined in the new law as covering most capital or operating/maintenance costs associated with transit, roads and bridges. The share of funds allocated to transit is up to the local jurisdiction.

At the state level, the law repeals an existing, 4 cent per gallon gasoline tax and removes the sales tax exemption on motor and special fuels. The result is replacement of the existing gas tax with a 5 percent sales tax, and a boost in revenues from \$204 million per year to about \$292 million.

In addition, increases in auto and truck tag fees and new methods of calculating sales taxes on aviation fuel will yield \$150 million in new transportation revenues. The state funds spent for transit can only be used to provide up to one-half of the local contribution required (either 10 percent or 12.5 percent of the total project cost, depending upon its approval date, or 15 percent for ride-sharing projects) for federally-supported capital expenditures. No state funds can be used to subsidize operating deficits.

Georgia

Georgia uses general fund revenues to supply both operating and capital assistance to transportation. A local sales tax may be levied in all jurisdictions, but only two counties use this

mechanism to provide transit service. Special transit districts are not permitted by law. Fares, general fund revenues, and the sales tax are perceived to be the most acceptable means of financing public transit; however, revenue and general obligation bonds are also used.

Hawaii

The state plays a minimal role in transportation finance in Hawaii. Only four local units of government were eligible by statute to levy local taxes in support of transportation and only two have taken advantage of this opportunity. The public perceives mass transit as a low priority in the state, and it is doubtful that any type of state levy would receive approval.

Idaho

Idaho does not provide assistance for transit operations but does allow, through local government, taxing authority in specifically designated resort areas. This involves a tax on liquor by the drink and a surcharge on hotel and motel room rentals. Due to the fact that fares are the primary source of funds for transportation it is very likely that they will escalate in the near future and the frequency of service will be reduced.

Illinois

The state plays a significant role in transportation, having provided over \$51 million in capital assistance in fiscal 1983 through the use of general obligation bonds (97 percent) and general fund money (3 percent). More than \$12.7 million was also provided in operating assistance, all of which was received from general fund monies. There are about 100 home rule units in Illinois which have very broad powers, including taxing authority. Municipalities over 25,000 population automatically have home rule unless voted out locally. Smaller municipalities may obtain home rule by referendum. Cook County (Chicago area) is the only county government having home rule. The following taxes are those generally permitted for other than home rule units: motor vehicle taxes, cigarette tax, gross receipts tax, use tax, utility tax and auto renting occupation tax. In addition, local government may levy a sales tax up to 1 percent.

Renovation and construction of common rail stations are capital projects which have involved public/private cooperation in Illinois. In addition, Chicago recently conducted a shared ride project with the cab companies wherein group loading rates were established from O'Hare and Midway airports and McCormick Place, a major convention and exhibition center.

Reductions in service on less productive routes, fare increases, and labor costs are three areas that will receive close

attention in order to keep transportation costs in line. However, another aspect will be a statutory provision that state operating assistance be tied to a requirement that farebox revenues be at least 50 percent of operating costs.

Indiana

State capital and operating assistance is provided through a dedicated sales tax (76 percent). These funds can be used for expenses in either category at the discretion of the local government. Local governments also may levy an income tax. Special transit districts are permitted by state statute and are generally supported through the use of general obligation bonds and property taxes.

Public/private cooperation is encouraged in Indiana, and among the best examples are: the employee pass subsidy programs in Ft. Wayne and Indianapolis; the operation of the Chicago, South Shore and South Bend railroad by a private railroad company under contract to a public entity; and the refurbishment of Union Station in Indianapolis using various public and private sources to develop a transportation center.

As in many states, transit fares are likely to increase over the next two years, while the level of service on both urban and rural routes will diminish. There is also a trend toward part-time transit labor.

Iowa

Iowa provides state assistance to transportation through the appropriation of general fund monies. Local governments do not possess the authority to levy taxes to support transportation; however, local transportation authorities are granted independent revenue-raising authority. The state encourages local transit systems to become less dependent on both state and federal transit assistance, and factors are built into the performance formula for allocating state transit assistance to accomplish this objective.

Iowa has developed a number of innovative applications of public-private cooperation including the Cedar Rapids Grand Transportation Center, the public/private carriers project, and a ridesharing program. Although fares and general fund revenues are currently used to support transit operations, lottery funds and the imposition of a dedicated sales tax are viewed as moderately acceptable possibilities for raising necessary funds in the future.

According to the Iowa Public Transportation Association (IPTA), a major proponent of public transit in the state, during the fiscal year 1984, the Iowa Legislature will make available approximately \$1.9 million for use in operating Iowa's 33 public transit agencies. This appropriation level has remained static for the past seven years.

IPTA projects that an additional \$25 million must be spent over the next five years if Iowa's transit systems are to maintain today's service levels. Federal losses in operating assistance during the next four years are projected to be \$18.9 million, and an additional \$6 million is needed to continue with necessary capital acquisitions. IPTA has proposed that the state act to commit funding to offset half of these operating losses and capital needs and pass legislation providing local governments with the ability to generate the other half.

Kansas

In Kansas, state financing is limited to the state-matching shares of planning and administration costs. A portion (10 percent) of the state motor fuels tax distributed to cities and counties may be used for public transportation purposes.

The state permits the use of a local sales tax and an intangibles earnings tax. Three special transit districts have been set up in Topeka, Wichita and Kansas City, whose primary revenue sources are property taxes, farebox revenue and federal funds.

State funds are provided through a number of social service programs for transportation as part of specific social service objectives. However, there has not been sufficient demand for mass transit to justify a greater degree of involvement of state funding.

Kentucky

Kentucky provided \$500,000 in capital assistance in fiscal 1983 for transportation, but local governments are given the authority by the state to levy payroll taxes. Local transit authorities can be funded by a special transit fund using ad valorem tax receipts, occupational tax receipts, or public transportation sales tax receipts, as voted by the electorate. Other local systems are often funded by local general tax receipts. Transit authorities may petition for a local referendum for special transit taxes (if passed, it is a trust fund and they may also issue revenue bonds). The state's policy on public-private cooperation in mass transit is that private operators should be involved to the maximum extent feasible.

The Transit Authority of Lexington has an agreement with a private, non-profit company to provide funds for the local match needed for vehicles in a downtown circulation. The company also provides some of the local operating funds. The transit authority also has an agreement with a local cab company to provide Saturday transit and on-call service in rural parts of service area. The number of rural routes and off-peak-hour transit services are likely targets for cuts in the next two years, while transit fares and general fund transit allocations are targets for increase. An increase in part-time transit labor is a targeted labor issue.

Increased fares, increases in general fund, and payroll tax increases are most acceptable, and lotteries, increased tolls, increased fees, increased sales taxes, increased income taxes, and increased fuel taxes are least acceptable.

The Commonwealth of Kentucky receives UMTA funds for state planning and research, and development. These funds are received by the state Department of Transportation and are used by municipalities to organize and develop mass transportation systems. The state either channels funds directly to a city to hire consultants for its study, or the Kentucky Department of Transportation provides staff members to the municipality for organizational and planning purposes. Currently several Commonwealth cities are planning transportation systems with the use of these funds.

Louisiana

No state financial support for capital expenses is provided, but operating assistance funds are made available through the general fund (100 percent). Local taxing authority is permitted with a maximum of 3 percent sales tax set by state statute. All local governments are eligible to levy this tax, but only one has done so to provide transit service. The state does not administer local taxes and there are no plans for it to do so. Transit authorities are allowed independent revenue-raising authority: bonds (approval of State Bond Commission) and taxes (majority vote in tax election). Special district formation is allowed but they are permitted no independent revenue-raising mechanisms. There is no policy promoting public-private cooperation activities in urban/rural development. The number of urban routes and off-peak-hour transit services are likely targets for cuts, and transit fares, taxes dedicated to transit and general fund allocations are likely targets for increases. It is also likely that transit labor contracts will be renegotiated. Increased fares, increased general fund, and increased sales tax are viewed as moderately acceptable with all other options seen as least acceptable.

On March 26, 1983, voters in New Orleans approved continuation of a 1 percent sales tax (1/2 cent dedicated to transit). The measure extends current levy from May 31, 1983, for a two-year period. The regional Transit Authority will receive an estimated \$18 million per year from the tax.

Maine

Currently, the state provides all capital and operating assistance from general fund sources. Local government taxing authority is not permitted. Local transit authorities can raise revenue independently by assessing the community served for a proportion of an operating deficit based on population. Special districts are permitted. The state has a policy which makes specific reference to public-private initiatives in mass transit.

Private operators must be given an opportunity to submit bids to provide service before it is undertaken by a public agency. Numbers of rural and urban routes are likely targets for cuts; general fund transit allocation is expected to increase; part-time labor increases and renegotiated transit labor contracts are expected. Increased fares and general fund contributions are seen as most acceptable to voters, with lottery, bonds, income, corporate and payroll taxes seen as least acceptable.

Maryland

The state provides capital assistance (with 48 percent coming from fees, 43 percent from fuel tax, and 9 percent from corporate tax) and operating assistance (22 percent from fuel tax, 4 percent from corporate tax, 24 percent from fees, and 50 percent from farebox revenues). Charter service and advertising on vehicles also provide operating revenue. The 23 counties and Baltimore City are allowed to make a piggyback tax up to 50 percent of the income tax. These funds are collected by the state and returned to the jurisdictions for designated uses. Transit authorities are not allowed independent revenue-raising authority. Special districts are allowed and there is a state policy promoting public-private transit activities. Off-peak-hour transit services are likely to be cut, and transit fares and dedicated taxes are likely to increase over the next two years. An increase in part-time transit labor and renegotiated transit labor contracts are also likely. Increased fares, fuel taxes and corporate taxes are the most acceptable revenue sources, with increased fares, fuel fees and payroll taxes the least acceptable.

Maryland has gone further than other states in establishing a consolidated transportation trust fund, which is financed by revenues from state motor fuel taxes and other highway use taxes, including a motor vehicle title tax. The fund also receives revenues from various transportation enterprises including the Baltimore port and airport and several toll bridges and tunnels.

The state fund finances the entire state-local share of subsidies for the Baltimore Transit System, and the share of the costs of the Washington mass transit system imposed on the Maryland communities served. In smaller communities, the state pays three-quarters of the local share of projects receiving UMTA capital grants. It also pays up to 70 percent of the local operating deficits. These operating subsidies include, but are not limited to, matching funds for federal operating grants. The state also assists smaller community projects not eligible for federal assistance.

Maryland pays for 75-100 percent of the non-federal portion of the costs for capital or operating grants related to urban bus, rail transit and commuter rail programs in Baltimore and in the state's portion of the Washington metro area. As a state-run agency, the Baltimore MTA is directly funded by the state, so that the state

also assumes the financial burden of a major locality, clearly raising its per capita transit expenditure.

Massachusetts

The state provides both capital and operating assistance funds with 80 percent and 20 percent coming from the general fund and fees, respectively. Local government taxing authority and independent revenue-raising by transit authorities are not permitted, but the formation of special districts is allowed. At present, the state does not have a documented policy promoting public-private cooperative activities, yet the Massachusetts Bay Transit Authority has actively pursued joint projects such as air rights development over stations and parking lots. Over the next two years, a decrease in the number of rural routes, number of urban routes and off-peak-hour transit services is anticipated, while transit fares, transit fees and general fund transit allocation are expected to increase. Additionally, the labor issues of the next two years are likely to be an increase in part-time transit labor and reduced equipment maintenance. Increased fares and the issuance of general obligation bonds are seen as being most acceptable to voters, with a lottery, increased corporate and payroll taxes being least acceptable.

In Massachusetts, transit capital outlays for the Boston area are financed by bonds issued by the Massachusetts Bay Transit Authority with the state's permission. MBTA bonds carry a clause which in effect commits the state to assure the payment of debt service. The state is paying 50-90 percent of the debt service on most MBTA bonds now outstanding.

Michigan

In fiscal 1983, the state provided capital and operating assistance funds. Of the former, 19 percent came from a sales tax, 40 percent from a fuel tax, 18 percent from revenue bonds, and 23 percent from fees. Twenty-three percent of the operating assistance funds was derived from a sales tax, 49 percent from fuel tax, and 28 percent from fees. Michigan allows the formation of transit districts. Transit authorities have the ability to request residents of their district to raise property taxes with voter approval to raise revenue but no other form of local taxing authority is granted. There is no policy promoting public-private ventures in transit at this time. The numbers of rural and urban routes are likely targets for cuts in the next two years, as are off-peak-hour transit services, special services for the elderly and handicapped, and para-transit services. Likely targets for increases are transit fares, local property taxes dedicated to transit, local general fund transit allocation and state sales tax allocation. Increased use of part-time transit labor, renegotiated transit labor contracts and reduced equipment maintenance have been labor issue targets in the past and may be again in the future.

Fares, revenue bonds and fees are the most acceptable revenue sources, and general fund, lottery, tolls, income taxes, corporate taxes and payroll taxes are the least.

In December 1982 the Michigan Legislature approved a "Transportation Survival Package" comprised of an immediate two-cent per gallon gas tax increase, an additional two-cent gas tax in 1984 and higher auto and truck registration fees. Transit agencies are receiving 10 percent of gas tax receipts and vehicle levies under the new package.

The Michigan picture is extremely complex because of the large numbers of allocation mechanisms used to dedicate various revenue sources to transportation activities. In addition to securing 10 percent of the newly-increased motor fuels and vehicle taxes, transit interests have made a number of other gains. For example, sales taxes of 4 percent on motor vehicle-related items are divided among several funds, with 25 percent of the general fund share of these revenues going into the Comprehensive Transportation Trust Fund for allocation between transit and other non-highway transportation related activities (railroads, waterways, etc.).

Minnesota

The state currently provides only operating assistance, all coming from the general fund. No local taxing authority is allowed. The formation of special districts is permitted by the state. The state has no documented policy promoting public-private cooperative activities. No targets for cuts or increases were mentioned in the survey, nor were any labor issues targeted. The sources of transit revenue most acceptable to the public are thought to be fares, lottery and sales tax, with revenue bonds, tolls, fees, income taxes, corporate taxes and payroll taxes the least acceptable.

Although Minnesota does not provide capital assistance to mass transit, in fiscal 1983 the state provided nearly \$23 million in operating assistance from the general fund. Local taxing authority other than property tax is not permitted; however, Minnesota has enacted legislation which allows for the formation of special transit districts. These districts currently exist in the twin cities (Minneapolis/St. Paul) area, along with Duluth, St. Cloud and Morehead.

Neither operational reductions or fare increases are anticipated over the next two years. However, if the need for increased revenues should arise, fares, sales tax, and a lottery with earmarked funds for mass transit are seen as the most acceptable sources.

The state pays from general funds two-thirds of operating deficits not covered by federal grants except in the Minneapolis area, where the amount of state aid is set by an appropriation.

The Twin Cities metropolitan area imposes a property tax whose rate is determined annually by the state legislature.

Mississippi

The state provides neither capital or operating assistance funds. Local governments are not permitted taxing authority, nor are local transit authorities given independent revenue-raising authority. The state does not allow the formation of special districts, nor does it have a policy encouraging public-private cooperation in transit. Off-peak-hour transit services are expected targets for cuts, while transit fares and usage of part-time transit labor are expected to increase. Fares are seen as the most acceptable source of revenue for transit. Lotteries, bonds, sales taxes, income taxes and payroll taxes are viewed as the least acceptable to the public.

Missouri

No capital or operating assistance funds are provided by the state, although \$1 million in operating aid from the general fund is provided to non-profit companies serving the elderly and handicapped. The state has no documented policy on public-private cooperation on transit. Over the next two years, likely targets for cuts are the number of urban and rural routes and off-peak-hour transit services. Transit fares are likely to increase. Fares, lottery funds, sales taxes and corporate taxes are seen as having moderate public support as sources of revenue. General fund appropriations, bonds, tolls, fees, income taxes, fuel taxes and payroll taxes are the least acceptable.

Montana

Through a fuel tax, the state provides \$75,000 each year for cities operating public transit cities (five cities are involved). Other than the local property tax, the state government does not permit local government taxing authority. The formation of special districts is allowed and they may tax property. No policy promoting public-private cooperation in transit exists for Montana at the present time. Over the next two years, transit fares are a likely target for an increase and, in fact, are seen as the most acceptable revenue source for transit. Fees are viewed as moderately acceptable sources, and general fund, lottery, bonds, tolls and directed taxes are the least acceptable.

Nebraska

Of the operating assistance funds provided the state, 65 percent is from the general fund, and 35 percent is from an appropriation from the Highway Trust Fund and includes funds from a

sales tax, fuel tax, and motor vehicle registration fees. Local governments are permitted to levy a sales tax up to 1.5 percent, and seven had done so by 1983 to help fund transit service. The one transit authority in the state is authorized to levy a property tax to raise revenue. Special districts are not permitted. While the state does have a policy promoting public-private cooperative activities in development, no specific reference is made to initiatives in mass transit. Likely targets for cuts in the near future are the number of urban routes and off-peak-hour transit services. Increases are forecast for fares, municipal bonds and general fund transit allocations. Increased usage of part-time transit labor and renegotiated transit labor contracts are also likely to occur within two years. Revenue from fares, general fund and fuel taxes are seen as most acceptable to the public; revenue bonds and sales taxes are moderately acceptable; and lottery, general obligation bonds, income taxes, corporate taxes and payroll taxes are the least acceptable.

Nevada

The state provides capital assistance funds from a sales tax, the general fund and farebox revenues. The percentage contribution of each is unknown by the state. Local governments are permitted to levy a sales tax of up to 1/4 percent. Local/regional transit authorities can raise revenue through fares and the city/county general funds as well as by taking advantage of a gas tax through local counties. Special districts are permitted and can also raise revenue through a sales tax. There is no policy regarding public-private cooperation. Increases or cuts in services and revenue sources as well as labor issues are dealt with by the affected transit provider. A lottery would be the most acceptable revenue source to the public; tolls, fees, income taxes, corporate taxes and payroll taxes would be the least.

New Hampshire

No operating or capital assistance funds are provided by the state, nor is local taxing authority permitted. Local/regional transit authorities, however, are permitted as independent revenue-raising authority as are special districts. There is no state policy regarding public-private cooperation. The numbers of rural and urban routes are likely to be cut over the next two years and transit fares are likely to increase. Fares are a moderately acceptable source of revenue to the public, while the general fund, tolls, fees and dedicated taxes are the least.

New Jersey

The state provides both capital and operating assistance funds for mass transit. Of the former, in 1983, 34 percent was derived from general obligation bonds, and 66 percent was from surplus toll

revenues generated by the Port Authority of New York and Jersey. All of the operating assistance funds came from the general fund. Only Atlantic City is permitted local taxing authority and it is allowed to levy a Luxury Sales Tax on selected items. Local/regional transit authorities are not allowed independent revenue-raising authority but the special legislation which creates special districts can give them such authority. While no specific policy exists promoting public-private cooperation in mass transit, the state plans an active role in encouraging joint initiatives near mass transit facilities. The state also assists private bus carriers with capital and operating subsidies. No cuts in service are planned over the next two years since service is periodically adjusted to reflect demand requirements. Transit fares and fees, as well as general fund transit allocation, are likely targets for increases. Renegotiated transit labor contracts are also likely during the next two years. Fares, general funds, and bonds are the sources of revenue most acceptable to the public. A lottery and dedicated taxes are the least acceptable.

In 1983 the New Jersey Supreme Court ruled that the Emergency Transportation Tax, imposed by New Jersey on New York commuters, violated the Privileges and Immunities Clause of the U.S. Constitution.

The ETT was enacted by New Jersey in 1961 to alleviate the tax burden imposed on New Jersey residents by the use of the state's highways by commuters from New York. The tax was levied, at the rate of the New York state income tax, upon New York residents earning income from sources in New Jersey. Those paying it could claim a credit against their New York income taxes. A group of New York commuters challenged the tax on the grounds that it violated the Equal Protection and Privileges and Immunities Clauses of the Constitution.

New Mexico

The state provides no assistance funds for either capital or operating expenses. Local governments can levy a 4.75 percent gross receipts tax, but so far none have used this to provide transit service. Special districts are permitted but there are none currently. The state does have a policy promoting public-private cooperation, but no specific reference is made to initiatives in the area of mass transit. Cuts are anticipated over the next two years in the number of urban routes and off-peak-hour transit services. Transit fares and general fund transit allocation, on the other hand, are likely to increase. Those sources of revenue viewed as most acceptable to the public are the general fund and bonds. A lottery, tolls, income taxes and payroll taxes are the least acceptable.

In Santa Fe, the city relies solely on three private taxi operators to provide public transit service anywhere within the city limits. Anticipating an increase in population and related needs

for transit, the city decided to contract for taxi service as a cost effective alternative to setting up a publicly owned and operated bus system. The taxi companies serve approximately 40,000 people a year. Ninety percent of the ridership is elderly or handicapped.

New York

New York provides both capital and operating assistance funds. The general fund provides all of the capital assistance funds, although the Metropolitan Transportation Authority (MTA) receives funds annually which they may bond against.

Of the operating assistance funds provided by the state, 53 percent come from the general fund, 17 percent from a corporate tax, 13 percent from a sales tax, 6 percent from a fuel tax, 6 percent from a long line tax and 5 percent from a unitary tax on oil companies.

Local governments are permitted to levy a sales tax of up to 3 percent (except in New York City where the limit is 4 percent) and an income tax up to 4.7 percent. None of these are dedicated taxes, however. Regional transit authorities are allowed independent revenue-raising authority through fares, bond issues and tolls. Special districts are the same as regional transportation authorities and there are five in the state.

The state is currently updating its statewide transportation plan to document support of private transit involvement. During the next two years, cuts are likely in the numbers of rural and urban routes and in off-peak-hour transit services. Transit fares, dedicated taxes and transit fees are expected to increase. Currently, proposals for state legislation mandating part-time labor to be at the discretion of management are being considered by the administration.

North Carolina

The general fund provides all of the capital assistance funds contributed by the state. Counties can levy a 1 1/2 percent sales with cities receiving a pro-rated share. Additionally, cities can impose a \$5 vehicle registration fee. Local/regional transit authorities are not given independent revenue-raising authority and neither are special districts. Fares and the general fund are seen as being the most acceptable revenue sources while general obligation bonds, tolls, income taxes, corporate taxes and payroll taxes are the least.

North Dakota

There is no direct state aid for transit in North Dakota. There are six home-rule cities which could levy any kind of local tax for transit, but those with bus systems all use property taxes.

Local/regional transit authorities also have independent revenue-raising authority but none are currently exercising this authority. Special districts are permitted by the state. There is no state policy promoting public-private cooperation. Cuts are likely to be made over the next two years in the number of routes (rural and urban), off-peak-hour services, special transit services and para-transit services. Transit fares, dedicated taxes and general fund transit allocation are expected to increase. All gambling receipts (blackjack, bingo and tip jar) must be donated to charity and thus can be used to fund non-profit transit projects. This source of revenue and fares are viewed to be the most acceptable forms while tolls and dedicated taxes are the least.

Ohio

The capital and operating assistance funds provided by the state come completely from the general fund. Additionally, local governments can levy a sales tax (up to 1.5 percent), income tax, and a payroll tax to help provide transit service. Regional transit authorities can also raise revenues through property or sales taxes based on a vote of the people. Regional transit authorities are synonymous with special transit districts. The state has no documented policy on public-private cooperation but such cooperation has taken place in Cleveland and Toledo. Over the next two years, cuts are likely in the number of rural routes, number of urban routes, off-peak-hour transit services and special transit services for the elderly and handicapped. Transit fares and dedicated taxes are likely targets for increases. Increased usage of part-time transit labor and renegotiated transit labor contracts are also likely issues during the next two years. Those revenue sources thought to be most acceptable to the public are fares and the general fund. Tolls, fees, income taxes and payroll taxes are seen as the least acceptable.

An employee-paid tax is levied by Cincinnati, Ohio. A 3 percent tax dedicated to transit is deducted from the paycheck of each employee who either lives or works in Cincinnati. Money raised by the tax goes directly into the Transit Fund which is administered by the city for capital and operating expenses. The Southwest Ohio Regional Transit Authority (SORTA) is funded in part by the Transit Fund. More than \$12 million annually is received by SORTA from the payroll earnings tax. This represented about 30 percent of SORTA's total operating budget.

Oklahoma

The state plays almost no role in the funding of mass transit either directly or indirectly. It provides no operating or capital assistance funds, does not permit local taxing authority for cities or transit authorities, and does not allow special transportation districts. Cuts are likely during the next two years in the number of urban routes and in off-peak-hour transit services while transit

fares and the usage of part-time transit labor are likely to increase. Fares are the most acceptable source of revenue for transit while a lottery, general obligation bonds, fuel taxes and payroll taxes are the least acceptable.

Oregon

More than \$6.7 million in capital assistance funds for transit were provided from the state's general fund in fiscal 1983. An additional \$220,000 in operating assistance funds were derived from a payroll tax (52 percent) and farebox revenues (26 percent), with the remaining 22 percent coming from interest, property taxes and other sources. Indirect state aid through local taxing authority also helped to fund transit services. Local governments, transit authorities and special transit districts are eligible to levy a 1 percent net income tax, a 6 percent payroll tax, property tax, and a business license fee. There are six special transit districts in the state. The state expressly promotes public-private cooperation in coordinating public transportation and continuing and developing privately-owned, intercity common carriers of passengers. In an effort to respond to the transit revenue-cost gap over the next two years, the number of urban routes, off-peak-hour transit services, transit fares and dedicated taxes will be re-examined. The increased usage of part-time transit labor and renegotiated transit labor contracts is also likely. In addition, the Oregon Lottery Committee has petitioned the secretary of state for a state lottery with the anticipated \$30-40 million annual profits dedicated to public transportation throughout the state. This proposed revenue source is thought to be moderately acceptable to the public as are fares, revenue bonds, and corporate and payroll taxes. The general fund, general obligation bonds, tolls, fees, and sales, income and fuel taxes are the least acceptable.

Oregon has authorized local transit agencies to use a payroll tax to generate revenue. Since 1970, the Tri-County Metropolitan Transportation Authority has imposed a .6 percent payroll tax. Revenue from payroll taxes in Oregon must be used for operating expenses before the revenue can be used for any capital expenditures. In 1980 and 1981, the Portland tax generated \$35 million and \$37 million, respectively, or 55 percent of the system's operating budgets in those years.

Taxes are paid quarterly, along with other state taxes collected by the state treasurer, by employers within the transit districts. The state, however, serves only as the collector of this tax. All revenues, except handling costs incurred by the state, are forwarded to the transit district.

Pennsylvania

The state provided \$67 million in capital assistance funds in fiscal 1983, with nearly 17 percent coming from general obligation

bonds. In addition, more than \$200 million in mass transit operating assistance funds came from the general fund (78 percent) and a state lottery (22 percent). Indirect funds were provided since the state permits local governments to impose an income tax of up to 1 percent (although this may be split 50/50 with the school district). The number of local governments using a portion of this tax to provide transit service was unknown. Local/regional transit authorities are not permitted independent revenue-raising authority. The state does not have a policy promoting public-private cooperation in mass transportation. Service cuts, fare, tax and fund allocation increases are likely measures to be taken to close the revenue-cost gap. Increased usage of part-time labor and reduced equipment maintenance are also possibilities. A state lottery is the most acceptable revenue source, while the general fund and general obligation bonds are moderately acceptable to the public. The least acceptable source is fares.

In 1972, the Pennsylvania legislature authorized a statewide lottery to benefit senior citizens. The lottery revenues were dedicated to programs by the State Department of Aging and the Department of Transportation.

The lottery law stipulates that 50 percent of the proceeds be returned to the players in the form of prizes. The remaining funds are to be appropriated annually to two transit and two non-transit programs, all for senior citizens. The Department of Transportation subsidizes mass transit services for the elderly by compensating the 16 transit services for the elderly by compensating the 16 transit districts for 75 percent of the total fares for senior citizens using mass transit during off-peak hours. The Department of Transportation also offers a 75 percent discount on taxi fares for the elderly, through an agreement with the Yellow Cab Company. Senior citizens pay 25 percent or 25 cents, whichever is greater. There is a 24-hour advance reservation requirement. The Department of Revenue also finances with lottery revenues a "Property Tax and Rent Rebate" program and a "Senior Citizen Inflation Dividend" program.

Rhode Island

In fiscal 1983, the state did not provide any capital assistance funds for mass transit. The previous year, however, general obligation bonds accounted for \$2.7 million in such aid. Operating assistance funds in the amount of \$6 million were derived from the general fund in fiscal 1983. Rhode Island does not permit local governments taxing authority. The Rhode Island Public Transit Authority has the authority to sell Revenue Anticipation Notes to raise revenue. Public-private cooperation in transit--involving in particular public money and private taxicab companies--is currently being attempted. In addition, the Rhode Island Department of Transportation is actively involved in the Newport Gateway Project, which includes public-private development of a 15-acre parcel to include a transportation center, public parking, private hotel,

commercial area and combined sewage overflow facility. It is likely that the state will renegotiate transit labor contracts and increase the use of part-time transit labor over the next two years as well as impose service cuts and raise fares, dedicated taxes and the general fund transit allocation in response to the transit revenue-cost gap. The public would probably find the general fund, revenue bonds and sales and fuel taxes to be the most acceptable revenue sources. Fares are moderately acceptable.

Rhode Island, a large metropolitan area in itself, provides most local public transit through the Rhode Island Public Transit Authority, a state agency which serves three of the state's 39 cities and towns.

Capital outlays are financed from the biennial borrowing program, subject to voter approval. Operating subsidies, planning expenditures, and miscellaneous items are financed from general revenues.

In November 1982, voters approved a state transportation bond issue for highway and transit improvements. A portion of the proceeds are used for transit capital project.

South Carolina

From the general fund the state provides over \$118,000 in capital assistance funds and \$189,000 in operating assistance funds for mass transit. Currently, enabling legislation is pending that would allow local taxing authority for public transportation. Local/regional transit authorities and special regional planning districts are given limited revenue-raising authority (e.g. service contracts, private donations and contributions, advertising, loans and bonding). There are currently 10 regional planning districts in the state but two are not active. Public-private cooperation is encouraged. The Greenville Transit Authority is pursuing a safe-harbor leasing arrangement for capital purchase with a North Carolina-based lending institution and is also subcontracting public funds to a private carrier and local taxi operators to furnish vanpool and medical transportation services. Increases in fares, dedicated taxes, transit fees and general fund transit allocation are anticipated in response to the transit-revenue gap as are increases in unit cost under purchase of service contracts and financial support from the private sector. Fares are the most acceptable source of revenue, and tolls, sales taxes, income taxes, corporate taxes and payroll taxes are the least acceptable.

South Dakota

Due to a lack of both public and legislative support, the state does not provide any financial support for mass transit capital or operating assistance. Local government taxing authority is not permitted. Local/regional transit authorities are not given

independent revenue-raising authority. Furthermore, the state does not allow the formation of special districts. Cuts in the number of rural routes are likely as are cuts in special transit services for the elderly and handicapped. An increase in transit fares is also likely since this is at least moderately acceptable to the public. A lottery, bonds, tolls and fees are also viewed as moderately acceptable revenue sources.

Tennessee

With money from the state fuel tax, Tennessee provides mass transit with both capital and operating assistance funds. Local governments are also allowed to levy a fuel tax (1 cent per gallon) and a sales tax (1 3/4 percent). In fiscal 1983, eight local governments used a portion of these taxes to provide transit service. Transit authorities, on the other hand, are not permitted independent revenue-raising authority. There is no state policy promoting public-private cooperation in transit but the private sector has been very receptive to commuter ridesharing programs. Cuts in transit service and an increase in transit fares are likely targets in the next two years. An increase in the use of part-time transit labor and the renegotiation of transit labor contracts are also likely during that time. Fares, revenue bonds and fuel taxes are thought to be the most acceptable sources of revenue while sales taxes, income taxes and payroll taxes are the least so.

The state provides, from gasoline tax funds, 50 percent of the local share of UMTA-assisted projects. State legislation prohibits operating assistance, but it does supply several small planning grants, and also has made grants for several special transportation projects.

Texas

A total of \$28 million was provided from the state's general fund for mass transit capital assistance in fiscal 1982 and 1983. Two local governments used a portion of the 1 percent sales tax they can levy to provide transit service. The state does not have a documented policy promoting public-private cooperative activities in transit. In response to the transit revenue-cost gap, transit fares are likely to increase over the next two years since this source of revenue is moderately acceptable to the public. Revenues from the general fund and a sales tax are also moderately acceptable.

In September 1983, voters in Austin, Texas approved the city's bond package, which includes authority to issue \$1.4 million in general obligation debt over the next three years as the local match for federally-financed transit capital projects. The vote represents the first time Austin Transit has participated in the city's bond program.

Utah

The state grants the option to local jurisdictions to form transit districts and impose a local sales tax. This sales tax can be as high as 1 1/4 percent with the 1/4 percent being a transit tax, and in fiscal 1983, all cities in one three-county transit district and one city in another used this tax to provide transit service. Local/regional transit authorities are granted independent revenue-raising authority as are special districts. The number of rural routes and off-peak-hour transit services are likely targets for cuts during the next two years. Transit labor contracts are likely to be renegotiated, and an increase in fares and in the usage of part-time transit labor are also possibilities to bridge the revenue-cost gap. Fares and sales taxes seem to be the most acceptable revenue sources, with bonds and fuel taxes being moderately acceptable.

Vermont

Until recently, sufficient federal and local funds have generally been available to meet transit needs so the state has not provided any direct aid. Local/regional transit authorities are allowed to: accept gifts, grants or loans of money or other property; charge for services; and annually assess member communities to raise revenue. Special districts are also allowed the same revenue sources. The state has negotiated with private sector vehicle leasing companies and insurance companies for vanpools. Transit fares and transportation fund allocation are likely to increase over the next two years. The former revenue source seems to be the most acceptable to the public while the latter are moderately so. Fees from parking, registration, and licenses are also moderately acceptable.

Virginia

Transit capital funds in the state come from the State Highway Trust Fund with a fuel tax being the primary source of the \$6.3 given in fiscal 1983. The \$14.3 million in operating assistance funds also come from the fuel tax. These funds are restricted to administration, fuel, oil, tires and maintenance parts. Local governments can levy a 2 percent sales tax on gasoline as well as a business license tax to provide transit service. Transit authorities and special districts may issue bonds to raise revenue. Local transit providers are encouraged to work with and involve the private sector in their activities. A vanpool program has been initiated. An increase in transit fares is likely as is an increase in general fund transit allocation and the use of part-time transit labor. Cuts are likely in the number of routes (both rural and urban), off-peak-hour transit services and special services for the elderly and handicapped. The renegotiation of labor contracts is also likely. Fares are the most acceptable sources of revenue to the public and the least acceptable sources are the general fund,

sales taxes, income taxes and payroll taxes.

Virginia has modified the definitions used in its transit capital program. Previously, localities were eligible to receive 95 percent of their local share capital expenses from the state, but no reimbursements for operating cost. Now all cost other than labor will be eligible for 95 percent state funding. Of additional note is the fact that the State Joint Legislature Audit and Review Committee currently has a study underway to review transit and transit finding.

Washington

The state does not allocate support for transit on the basis of capital or operating assistance. The 1983 statewide assistance from the Motor Vehicle Excise Tax, attributed to this ad valorem tax collected in areas served by transit, amounted to over \$54 million and could be spent by local transit entities (transit authorities, special districts) for any transit-related expense. Local governments are permitted to levy a .3 percent sales and use tax (except the Seattle area METRO district which may levy a .6 percent sales and use tax). In lieu of this tax, entities may levy up to \$1 per household per month and/or business and occupation taxes. All cities and counties are eligible to levy local taxes for transit. In addition, any combination of cities and/or counties may elect to form any of the three types of special districts authorized to provide transit service and raise revenue by public referendum: metropolitan municipal corporations, county transportation authorities, and public transportation benefit areas. The Washington constitution prohibits the lending of state or municipal faith or credit for the benefit of the private sector, thus preventing all public-private enterprises except those exclusively involving federal funds. Cuts in off-peak-hour transit services are likely over the next two years as well as increases in transit fares and the use of part-time transit labor. The general fund, fares, bonds and sales taxes are the most acceptable revenue sources as far as the public is concerned. Fuel and corporate taxes are moderately acceptable.

West Virginia

The state provided \$43,000 in capital assistance funds and \$432,000 in operating assistance funds from the state general fund in fiscal 1983. Neither local governments nor local/regional transit authorities are permitted to levy taxes. The state's policy concerning public-private cooperative activities does not make specific reference to mass transit. Fares are the most publicly acceptable transit revenue sources and are likely to increase over the next two years as is the general fund transit allocation. Off-peak-hour transit services and para-transit services are likely targets for cuts. The labor issues of the period are expected to be the increase in usage of part-time transit labor and the

renegotiation of transit labor contracts. A lottery, general funds and general obligation bonds are moderately acceptable to the public as sources of revenue.

Wisconsin

The state has a segregated transportation fund of which a fuel tax accounted for 65 percent in fiscal 1983, and motor vehicle registration fees accounted for the remaining 35 percent. The revenues are dedicated to transportation but the amounts appropriated are determined through the state's biennial budget process. In fiscal 1983, over \$500,000 was allocated for capital assistance funds to mass transit and \$37 million was set aside for operating expenses. In addition, the state provided \$675 million in state general revenue-sharing funds in fiscal 1983 to local governments. These funds, along with federal revenue-sharing funds and locally generated tax revenues (i.e., .5 percent sales, tax, hotel/motel room tax, wheel tax), become the "local general fund." The local share of transit operating costs are derived from this fund. There is no state policy promoting public-private cooperation in transit, but in Milwaukee corporations underwrite the cost of providing free bus service on New Year's Eve. Transit fares and allocations from the state's segregated transportation fund are likely targets for increases over the next two years, which is thought to be most acceptable to the public. Part-time transit labor, reduced equipment maintenance, and transit labor contracts are likely labor issues in the near future. The public would probably find the general fund, general obligation bonds and sales taxes moderately acceptable as revenue sources.

According to the Wisconsin Urban Transit Association, effective January 1, 1984, Wisconsin began subsidizing 35 percent of the operating cost of the 23 transit systems within the state. The existing formula level of 30 percent was increased as part of the most recent state budget.

Formula money is provided by the state from the state transportation fund. This fund is financed through a variety of transportation taxes. The largest revenue source is the gasoline tax. Vehicle registration and license fees also contribute a significant amount of revenue to the fund.

In addition to being active in operating aids, Wisconsin provides a continual program for the financing of technical studies to assist in maximizing efficiency and reducing cost. Types of studies include performance audits, marketing plans, and computerization. One of the most successful technical studies was the basis for the cooperative purchase of insurance by several small transit systems. This cooperative purchase has been a model for the transit industry.

Wyoming

The state does not provide financial assistance for transit operations due to the feeling that existing federal assistance is adequately meeting transit needs. Before state financial assistance could be granted, state enabling legislation would have to be passed.

VII. METRORAIL: DADE COUNTY, FLORIDA'S ELEVATED RAIL AND PEOPLE MOVER

The Miami Herald called it "the most ambitious transportation project in South Florida since Henry Flagler whistled into town with his railroad." Like Flagler's railroad, the new Metrorail system is likely to have a profound effect on the growing population of South Florida, and in particular, Dade County. The implementation of a coordinated system of mass transit which will include Metrorail (an elevated rail system), Metromover (a downtown people mover), and a modernized bus system, is currently in its initial phase. This fully integrated system is unique in Florida and an important step in meeting the growing transportation demands of a population which now exceeds 1.8 million people.

Stage I of Metrorail, which is the primary component of the system, will consist of 20.5 miles of elevated guideway. This will be supplemented by the addition of 350 buses to the existing fleet over a five-year period. When it reaches its full growth at 52 miles, Metrorail will be the longest elevated transit system in the United States. In addition, when the 1.9 mile Metromover opens next year, Dade County will become the first place in the world to have a people mover connected to a rail system.

Milestones

The successful completion of Stage I of Metrorail is the culmination of a three-tiered effort spanning some 20 years. Federal, state and local dollars and initiatives are behind this massive undertaking and while the emphasis on the roles of each of these three levels of government has shifted frequently over the past two decades, each jurisdiction has contributed significant human and fiscal resources to the project.

The origins of this system can be traced to 1964 when the Miami Urban Area Transportation Study (MUATS) began to examine the feasibility of a mass transit system for Dade County. The population increased rapidly during the balance of the decade, MUATS recommended an \$800 million rapid transit system in 1971, and planning was begun. The following year, the voters of Dade County approved a \$132.5 million Decade of Progress bond issue to provide the local share of constructing a rapid transit system. In addition, the bond issue was to be used to expand bus service throughout the area.

Preliminary engineering was completed in 1974, and the U. S. Department of Transportation made a commitment in principle to participate in the construction of the Stage I Rapid Transit System by funding 80 percent of the costs. The following year the Urban Mass Transportation Administration (UMTA) of the U. S. Department of Transportation officially committed \$575 million to cover its share of the construction costs for Stage I, 16.5 miles of elevated track. In addition, final engineering of an additional four-mile segment to the city of Hialeah, an area northwest of the city of Miami, was

authorized. This was agreed to after the city convinced county officials of the necessity of this link. The four-mile extension was constructed once a financial package, which included an additional \$57 million from the Urban Mass Transportation Administration and a \$3 million contribution from the city of Hialeah, was put in place. The state and county funds provided the remaining 20 percent funding not covered by the federal government.

Late that same year, all the planning for a rapid transit system in South Florida nearly came to an end when a group of citizens petitioned the County Commission for a referendum to stop all further spending on the project. The issue was put on the ballot in 1978, and the citizens of Dade County reaffirmed their desire for a rapid transit network by voting not to repeal the bonds which were approved in 1972. However, the margin of victory was narrow. Of the 234,000 votes cast, only 2,500 votes kept the Metrorail on track. During construction phases, other problems were encountered as well. In September 1981, Dade County officials revealed a cost overrun totaling \$120 million. This resulted from inflation, in addition to increases in construction and land costs. In mid-1982, the U.S. Department of Transportation's Inspector General's office began a year-long investigation of allegations of poor construction practices on the project. In 1983, the Urban Mass Transportation Administration sent its own team of transit experts to analyze Metrorail construction. A three-volume report was subsequently issued which suggested that some components of the system were not built as designed and that the county's inspection efforts were not as stringent as they should have been. Dade County officials refuted these charges with a 10-volume report of their own. Increased inspections corrected potential structural flaws, and the county began a new quality assurance and control program. After overcoming other setbacks, including a delay on the delivery date of rail cars for the system, Metrorail began its initial revenue producing run in May 1984. A great deal of credit for bringing the initial phases of the project to fruition must go to the Dade County Commission who have given Metrorail its unwavering support.

Metrorail

The centerpiece of the mass transit operations in Dade County is the newest elevated rail system in the nation. The guideway will serve a wide area and will initially carry over 6,000 commuters in and out of the metropolitan area every work day. Once the system has matured and expanded, ridership is expected to increase to 200,000. Metrorail will operate five days per week from 6 a.m. to 7 p.m. but there are plans to run the system 18 hours per day and on weekends. Should demand increase, Metrorail could operate 24 hours per day.

An elevated guideway system was selected for the area because the high water table in South Florida would make tunnels and an underground system impractical, and the traffic patterns in Dade County make an at-grade transit system unfeasible.

Total expenditure for the system will be approximately \$1.018 million which will come from federal, state and local funds. Passengers will be served by 20 stations placed one mile apart along the transit route. Each station is monitored through closed circuit security television screens from the Transit Control Center. Each electrically powered rail car is 75 feet long and 10 1/2 feet wide and able to seat at least 74 passengers, and is specifically designed to withstand the summer heat and humidity as well as the corrosive effect of Biscayne Bay and the Atlantic Ocean. At full capacity a train could carry nearly 1,000 passengers into downtown Miami from outlying areas in 20 minutes, including all the station stops along the way.

The system also contains many innovative features. For example, during braking, the energy of the Metrorail train can be turned into electric energy by making the motors operate as generators. This electricity is fed back into a third rail for use by other vehicles. The third rail acts in a transit system much like an extension cord does in a home. It is connected to 18 electric power substations located along the guideway.

Coordination between the Metrorail rapid transit system and the Metrobus lines allow passengers to transfer at 25 cents. This coordination also means that most residents will be within five to ten minutes from a feeder bus line or the system itself, when the system is fully operational.

Operations and Maintenance Center

The William Lehman Operations and Maintenance Center is designed to store and maintain the Metrorail fleet as well as the equipment necessary to maintain the guideway and its components. The center was named to honor U.S. Representative Lehman (from Florida's 27th Congressional District) who was instrumental in securing funding for the entire project. The structure not only is designed for repair and cleaning of vehicles but also houses administration offices, record storage, and operations personnel. The latter group resides in the tower high above the main building where they control dispatch of trains in regular service as well as the movement of vehicles over the 5.5 miles of track within the yard itself. Communications are also controlled from the tower. Three train-control and communications satellite buildings house equipment to operate those systems in the yard area.

The Lehman Center has the latest technology in repair and service equipment and has been designed to maintain the fleet at maximum efficiency. In the future it can be expanded to accommodate 250 vehicles.

Metromover...A Downtown People Mover

Urban planners have dreamed for years of outflanking downtown

traffic by stringing lines of driverless electric cars above streets and sidewalks. These cars would whisk riders over clogged intersections that snarl buses.

Since 1976, the U. S. Department of Transportation has been interested in people mover projects, particularly in the cities of Miami, Detroit and Los Angeles. The Metro Dade County Board of Commissioners created a Downtown People Mover Policy Committee to assist in making preliminary engineering decisions. The committee included representatives from Dade County, Miami, the Downtown Development Authority, the Greater Miami Chamber of Commerce, the Downtown Merchants Association and civic organizations, along with the general public.

People movers, unlike conventional elevated cars, are entirely automated, and typically large enough to handle few seated passengers (primarily the elderly and handicapped), but up to 150 standing people. In some systems, cars come on demand when a rider presses a call button at the station; in others, they ply the route at frequent, regular intervals. In spite of their high capital cost, studies have indicated that people movers may be more economical than downtown shuttle buses on a long-term basis because up to 80 percent of the cost of bus service goes to labor. The Dade County/Miami, Metromover scheduled for completion in 1985, will be unique in that it completely interfaces with the entire mass transit system in the area, particularly the elevated rail network. Downtown workers will have easy access to libraries, museums, the Cultural Plaza and the Government Center Complex. It is estimated that approximately 40,000 trips will be taken on the Metromover every day.

Stage I of Metromover will consist of 1.9 miles of double guideway circling the downtown Miami area 20-50 feet in the air. The cars will be electrically operated and will glide along on rubber tires. Those on the inner guideway will circulate clockwise while those on the outer guideway will circulate counterclockwise. The system will serve 10 open air stations.

The movement of Metromover vehicles will be regulated by an automatic command and control system. That system controls the routing, speed, precision stopping and acceleration of the vehicles. It also handles the operation and safety locking of doors and switches, and the moving graphics and audio announcements in vehicles and stations. In addition, the system is responsible for monitoring Metromover operations.

Command and control equipment is located in several different areas. Transit Control in the Metro-Dade Center is the hub of the operation, but equipment is also located in wayside facilities along the guideway, switching locations, station areas and in the vehicles themselves. Because the command and control system must be operational at all times, back-up equipment is always available.

Metromover is overseen by operators at Transit Control. They may use push-button controls on a console to dispatch vehicles,

initiate or end service, remove vehicles from the guideway, regulate the time between cars so that they do not bunch up, adjust the length of time vehicles spend at a station, and create special routes which could carry a passenger non-stop to a special event. Under unusual conditions, human operators can use the control console to override the automatic operation of Metromover.

Financing the System

Funding for the rapid rail system is a combination of federal, state, and local funds. The federal share (70 percent of the total cost) was received from the Urban Mass Transportation Administration and amounted to \$670,400. Florida authorized funding in the amount of \$94,641, and the local match is a mix of bonds, interest, and safe harbor leasing. The following is a breakdown of the local participation funding for Stage I of the project:

Decade of Progress Bond Match	\$ 89,189
Decade of Progress Bond Interest.....	20,740
Florida Power and Light Bonds.....	23,810
Sales Tax Revenue Bonds.....	62,000
County and Municipal Contributions.....	19,000
Safe Harbor Leasing	4,000*
Project Revenue.....	\$715,000

* Future Funding

Although Dade County officials have been successful in securing the necessary funding thus far, they may be required to demonstrate an even stronger commitment to the system by funding a guaranteed source of local funds for both future construction and operating deficits. This may involve a special gasoline surcharge or a sales tax earmarked for Metrorail for example. The Dade County system is one of 12 which estimate a need for more than \$6 billion in federal funds over the next three years for transit construction. However, the Urban Mass Transportation Administration will only give assurances that \$1.2 billion will be available from federal gasoline taxes. In April 1984, UMTA announced a new policy which indicated that each city's plans would be rated on criteria such as the number of new riders it will attract, the share that local governments will put toward the project, and the time that can be saved by commuters. The cities will then be ranked and funding decisions made accordingly.

Neither of Miami's requests for funding in 1985 (\$80.7 million for the second phase of the people mover and \$28 million for the second phase of Metrorail) were ranked because necessary data was lacking.

UMTA is also giving very close scrutiny as to how system planners intend to cover operating deficits considering that mass transit operations rarely pay for their operation from revenue generated at the farebox. It is estimated that Metrorail will

recover 35-38 percent of its operating costs as early as 1985. Of that, 73 percent will be received from the farebox. A combination of bus-rail revenue will bring in approximately 10 percent, and fare gates on the rail system will bring in about 7 percent. The balance will be derived from a combination of advertising, parking revenues, and joint development funds. However, while 35 percent of total costs is an excellent start, it appears very likely that a guaranteed local subsidy will be needed.

According to Dade County officials, a number of potential finding options will be explored. The state has provided opportunities through the passage of enabling legislation, and options on the capital finding side include levying a one cent sales tax and an aggressive bond program. Whatever the long-term solutions may be, leading transportation experts see a bright future for Metrorail, commenting that it has the potential to be one of the most successful systems in the country.

Economic Development Along the Guideway

Along each station of Miami's new elevated guideway, fashionable high-rise residential and office buildings are being developed at a rapid pace. A study by the Metro-Dade Transit Administration projects that by the year 2000 nearly 25 million square feet of new development will be built around the 20 transit stations. An example of this growth in Futureworks, a cluster of five major South Florida computer and high tech office equipment firms who have signed leases for space at the Fort Dallas Station of the metromover line. The selection of this particular site was far from coincidental in that their business will be linked with all of the Dade County population and business centers. Other significant growth along the route include:

- Datran Center, a 17-story office and hotel complex which is being developed in four phases.

- The Bakery Centre in South Miami includes a three-story, \$10 million shopping complex. A hotel and twin 24 story office towers are being planned.

- Grove Gate, a \$24 million, 12-story office tower will be connected by an overhead walkway to the Coconut Grove station. Two additional towers and a retail building are being planned.

- One Bricknell Station Plaza, a 30-story office tower which includes eight floors of parking and two floors of retail space, at an estimated cost of \$33 million.

The tremendous growth along the guideway has been a relief to transit officials because the development is necessary for Metrorail to succeed. The larger projects not only create riders they make a great deal of money for the rail system. For example, at the Datran Center site the county and developers have struck a partnership which

officials hope to duplicate at other stations. In exchange for leasing the station site to the developer, the county received 4 percent of the project's gross revenues, a figure which could total more than \$1 million per year within 10 years. The same terms have been negotiated at the Dadeland North Station, with a big bonus - the developer will build the county a \$12 million parking garage. The same developer is already financing Metrorail's Dadeland South garage.

Dade County's planning director believes that joint development is the key to the future break-even of the system. The combined income from riders fares and joint development fees could enable Metrorail's southern leg to pay its own way within 20 years.

A Dade County Commissioner has proposed tapping an even larger potential revenue source: new property tax revenue from projects developed around the Metrorail stations. Under this concept, tax revenue would be earmarked to help offset the system's projected operating deficits and to pay for future expansion of the rail line. Based in part on the transit administration's development projections, such a plan could bring in more than \$50 million per year if enacted.

The State Role

The state of Florida's role in the development of the Miami Metrorail system was essentially threefold. As early as 1964, the state became involved with the project through its Department of Transportation's staff contribution to the Miami Urban Area Transportation Study (MUATS). Twelve years later, the state's elected officials passed enabling legislation which permitted Dade County to pursue a local, committed source of revenue for rapid transit development. And, in 1978, the state made an outright dollar appropriation to the project in keeping with a newly-enacted statutory formula for funding public transit in Florida. Throughout, the state was at the center of the federal/state/local triumvirate which saw Stage I of the Miami Metrorail to completion.

The 1964 MUATS itself was undertaken at the state's direction--the state, for its part, acting in compliance with federal legislation requiring states to develop long-range transportation plans. There were several stages to the study and these were completed over several years by a team of combined state and local transportation officials. During this period, the Miami area population reached the 800,000 mark and the feasibility of a rapid transit system was expressed in the first completed stage of the MUATS studies.

By 1976, the Dade County Decade of Progress bond issue was in place and the U.S. Department of Transportation made a commitment in principle to participate in the construction of the Stage I Rapid Transit System by paying 80 percent of the costs--this commitment contingent upon Miami's ability to identify a committed source of

revenue to fund the ongoing costs of the project. At this juncture, the state's role focused upon the legislature in Tallahassee: Miami needed statutory authority for local funding in order to compete for federal dollars.

This statutory authority was embodied in section 212.055 of the Florida Statutes: Discretionary Tax-Charter Counties. This section provides that Florida counties which were chartered under the state's old constitution (1885) are empowered to levy a one cent local option sales tax with the approval of the voters in the affected territory. The revenue thus generated is to be earmarked for development of "fixed guideway systems." As enacted by the Florida Legislature, this measure circumvented the possible opposition of most other counties in the state, who, by virtue of their charters, are not governed by the law, yet the measure satisfied the "dedicated revenue" requirement for Miami to obtain federal transit funds.

The Florida Legislature again played a key role in the development of Metrorail with the 1978 enactment of the Florida Public Transit Act (Florida Statutes Chapt. 341.011-341.051). Herein the role of the state Department of Transportation is defined to include "... developing the transit element of an effective multimodal transportation system for this state." In regard to the state role in financing public transit programs and projects §341.051 (5)(a) stipulates that: "The department may fund up to 50 percent of the nonfederal share of the costs of any eligible public transit capital project. Department participation shall not exceed 12.5 percent of the federal participation in federally assisted projects." This language acknowledged the federal commitment to fund 80 percent of the Metrorail project and effectively committed each of the state and local governments to a 10 percent share of the cost. That year, the legislature appropriated \$2.1 million as part of a total state commitment of \$72 million capital funding for Metrorail.

Since 1978, the state's commitment to transit in Dade County has increased significantly. Its 1983-84 appropriation includes \$9.9 million for Metrorail; \$1 million for Metrorail Extension; \$3.7 million for the DPM; and \$4 million for the DPM extension.

VIII. NEW YORK STATE'S SERVICE CONTRACT BONDS

Summary

The New York State Metropolitan Transportation Authority (MTA) has developed a five-year capital plan to overcome its huge backlog of deferred maintenance. To help finance this program, the state legislature authorized the MTA to issue service contract bonds that are secured solely by the legislature's annual appropriations of state capital aid (up to \$80 million per year). The MTA has raised \$497 million and expects to raise a total of \$673 million through the sale of these long-term bonds.

The service contract bonds have facilitated the MTA's rapid advance on its immediate capital needs. Other states may also find contract bonds to be beneficial, depending on the availability of alternative funding mechanisms and the nature and size of the state's capital program.

The MTA Capital Program

The Metropolitan Transportation Authority--an agency of the state of New York--is responsible for bus and subway service in New York City and commuter rail service from the city to Long Island and upstate New York. The MTA's facilities are an economic lifeline of the state. More than five million riders use the system daily, while three-fourths of all workers in the Manhattan central business district arrive to work on MTA transportation.

Yet, by 1980, decades of neglect--underinvestment and deferred maintenance--had left the system in a state of emergency. Old and deteriorating facilities were restricting vital transit services.

In 1980, the Chairman of the MTA, Richard Ravitch, a former private developer and financier, guided the creation of a new financial plan to resurrect the transit system. First, the MTA staff analyzed the condition of the capital plant. The ensuing Staff Report on Capital Revitalization for the 1980s and Beyond concluded that restoring the system to a condition of "good repair" would require an investment of \$14 billion (1980 dollars) over a 10-year period.

This large but conservative estimate of need far exceeded the existing financial resources of the MTA. Ravitch began looking for a large capital infusion. He searched especially for "bankable funds," or front-end money, that could be used immediately to overcome the backlog of deferred maintenance.

In the spring of 1981, Ravitch brought his proposals to Albany for discussions with legislative leaders and staff. The MTA proposed that the state:

- Relax regulatory rules to speed up the contracting and construction process.

- Authorize an additional issuance of Triborough Bridge and Tunnel Authority Bonds for transit purposes.

- Authorize the issuance of MTA revenue bonds (secured by operating revenues of the MTA).

- Authorize the issuance of Service Contract Bonds secured by state capital aid.

The negotiations for state action were conducted primarily by Ravitch; the late John Caemmerer, Chairman of the Senate Transportation Committee; Arthur Kremer, Chairman of the Assembly Ways and Means Committee; and Stanley Fink, Speaker of the Assembly. Governor Hugh Carey was not actively involved.

The Assembly, led by Democrats from New York City, supported all elements of the MTA plan and pushed for a doubling of the state's capital aid to \$80 million per year.

The Senate, dominated by Republicans from upstate New York, was concerned with balanced funding between highways and transit, and between upstate and New York City projects.

The Senate also argued for less reliance on bonding because of the high interest rates being charged in the municipal bond market. Some senators proposed cash accrual or pay-as-you-go financing (instead of service contract bonds) but the large, immediate needs of the MTA system precluded this option.

In the final compromise, the legislators doubled the state capital aid for transit to \$80 million, increased funding for upstate highways by \$40 million, increased the state share on bus purchases to fully match the federal share, and apportioned the Service Contract Bonds at 65 percent to transit facilities (in New York City) and 35 percent to commuter facilities (primarily suburban).

In June, the state legislature passed the Transportation Systems Assistance and Financing Act of 1981. In addition to the above programs, the act authorized the Triborough and MTA revenue bonds and called for the preparation (by the MTA) of a five-year capital plan and the creation of a Capital Program Review Board with appointees of the governor, legislature, and mayor of New York.

The Role of Service Contract Bonds

The 1981 act authorized the Director of the Budget to sign a 35-year service contract with the MTA. In this contract the budget director agreed to request annual appropriations from the

legislature to appropriate up to \$80 million for state capital aid (service contract payments). The director further agreed to forward this payment to the MTA if the appropriation was made and funds were available. In turn, the MTA was authorized to sell bonds secured by the state aid. If the principal and interest payments were less than the service contract payments in a given year, the MTA could use the residual funds on capital projects.

To date, the MTA has raised \$497 million by issuing service contract bonds. In addition, the MTA expects to raise \$176 million in future bond issues and receive \$219 million in service contract payments which will be spent directly on capital projects.

The bonds are long-term, tax-exempt municipal bonds that are secured solely by the state-aid payments. The bonds are not general obligations of the state of New York or the MTA. Furthermore, the legislature does not commit future legislatures to annually appropriate the state aid of \$80 million. (Committing future legislatures is unconstitutional in New York.) If the legislature does not make an appropriation, the bonds are not in default and the service contract is not in breach.

But in a practical sense, the state of New York is committed to making annual payments to the MTA. The state is economically and politically bound to continued support because New York City is economically dependent on its transit system. Furthermore, if the legislature did not appropriate the service contract payments, its "moral obligation," the state itself could be shut out of the bond market.

Investors perceive a strong state commitment to transit support. Therefore, the bonds have been generally accepted in the municipal bond market, as evidenced by their successful sale. The bonds are rated A- by Standard and Poor's and A by Moody's.

Contract bonds had been used previously by the state in the construction of the South Mall (a complex of state office buildings in Albany). The county issued revenue bonds secured by a guarantee of rental payments by the state. In this manner, a statewide referendum was avoided.

A variation of service contracts has also been used in the federal financing of low-income housing. In its Section 8 program, the Department of Housing and Urban Development agreed to provide a specified number of rental subsidies if new housing units were constructed.

In addition, the Turnpike Authority of Kentucky issues revenue bonds (for road construction) that are secured by lease payments from the State Department of Transportation.

The Benefits

Through the issuance of service contract bonds, the MTA has leveraged annual state appropriations into up-front capital funds totalling \$497 million (expected to increase to \$673 million). In concert with other bond sales, this revenue has created a large capital pool for immediate application to the MTA's huge backlog of deferred maintenance. Annual appropriations would not have been sufficient for the task.

The Metropolitan Transportation Authority Capital Program of 1982 Through 1986 calls for expenditures of \$8.5 billion. The service contract bonds will finance 8 percent of this program. Other revenue sources include federal funds (30 percent), MTA general pledge revenue bonds (22 percent) and Triborough Bridge and Tunnel Authority bonds (13 percent).

The large capital pool also facilitates long-range planning and the letting of multi-year contracts for big projects. The fluctuations in annual state and federal aid had frustrated this process in previous years.

The capital program has experienced a few delays. In 1983, the Long Island Railroad, a subsidiary of the MTA, re-evaluated and amended its five-year plan, causing some delay in letting of contracts. In 1984, David Gunn, the new President of the New York City Transit Authority (also a subsidiary), expressed concern that the NYCTA management should be restructured before substantial (and perhaps unwise) capital investments are made. Further, the MTA has postponed letting contracts for modernizing some stations pending further legislative and judicial actions concerning access for handicapped persons. But despite these slowdowns, \$3.9 billion (46 percent of the total \$8.5 billion program) had been committed to projects by early 1984.

Meanwhile, the issuance of service contract bonds has delayed a heavier MTA reliance on its revenue bonds, thereby moderating recent fare increases. These bonds are secured by most revenues of the MTA, but primarily by farebox revenues. When the MTA issues additional revenue bonds, significant fare increases (a very unpopular move) may be necessary. As of June 1984, the MTA had issued only \$250 million in transit revenue bonds out of a projected use of \$1.6 billion of transit and commuter revenue bonds in the five-year plan. Furthermore, commuter facility revenue bonds remain untested in the bond market. So far they have received no credit rating.

One of the drawbacks to the service contracts is the commitment of the state's entire capital aid for the next 35 years to pay off bonds already issued (and whose revenues are nearly all spent). Officials at the MTA and in the State Capitol are now asking how the next five-year plan will be financed. One option is to increase the state capital aid and authorize additional service contract bonds. Or, part of the state's operating assistance (now totalling

\$600 million annually) could also be converted to service contract bonds.

Service Contract Bonds in Other States

Most states provide capital assistance for transit programs. This assistance includes:

- Granting local taxing or bonding authority to transit districts or local governments.
- Issuing state general obligation debt.
- Guaranteeing the issuance of transit agency debt.
- Providing aid from state general funds or a dedicated revenue source.

Service contract bonds are a means of expanding a transit agency's bonding capacity through the pledge of state aid payments. At present, only New York State uses these bonds to finance transit programs. In other states the applicability of service contract bonds will depend on the availability of alternative funding mechanisms and the nature and size of the state's capital program.

Advantages

The issuance of service contract bonds can provide a rapid infusion of capital to meet large, immediate needs. Bond proceeds can facilitate long-term planning and the letting of multi-year contracts. On the other hand, these advantages are also provided by most forms of debt financing.

Service contract bonds may not require voter approval. Some states share New York State's constitutional requirement for a voter referendum on general obligation debt. New York State officials believe that a referendum for transit financing (primarily benefitting New York City) could not pass statewide. However, some states can issue general obligation debt (or guarantee transit agency debt) without a referendum.

Many states may not have a capital aid program of sufficient size to warrant the institution of service contract bonds. Two-fifths of the states provide no capital aid at all. On the other hand, 10 states provide over \$10 million per year: the largest aid states in fiscal 1983 were California (\$104 million), Illinois (\$51 million), New Jersey (\$84 million), New York (\$86 million), and Pennsylvania (\$67 million).

As with all forms of debt financing, contract bonds commit future revenues to pay for current expenditures. Future capital

projects may be handicapped. Debt financing also incurs borrowing costs (interest, underwriting fees, etc.). On the other hand, pressing needs and rising construction costs may preclude pay-as-you-go financing.

Finally, states may resist committing themselves to a long-term contract for state capital aid. More importantly, the municipal bond market may perceive that a state's commitment is weak. Unless the state is seen to be politically and economically bound to its transit support, the bonds' rating will suffer.

Service Contract Bonds have benefitted New York State as one element of the MTA's overall capital plan. Other states may want to explore how such bonds could play a similar role in their transit programs.

IX. THE REFORM OF THE REGIONAL TRANSPORTATION AUTHORITY IN CHICAGO

In his 1984 state-of-the-state address, Illinois Governor James Thompson made cautious reference to the progress being made in that state's mass transportation network when he remarked: "In mass transit we achieved the reform and subsidy that I had sought for four years. We took the first step toward ending a 'crazy quilt' patchwork system of financing for a transit system that nearly one million Chicago-area riders rely upon every day. We now have an interim board that will run the Regional Transportation Authority (RTA) until a permanent board is selected. We have acknowledged, through the membership of these boards, a shift in population within the RTA region."

In actuality, these remarks probably understate the case. Chicago is one of the most important centers of transportation in the nation. Any map clearly shows its strategic location not only for highways, rail and air transportation, but Great Lakes shipping and inland waterways as well. But the important network of mass transit which serves the people of Northeastern Illinois, and Chicago in particular, has had serious problems in the past several years. Mired in both controversy and politics in early 1983, the Regional Transportation Authority was on the verge of collapse. Without the expeditious action of the Illinois Legislature, service disruptions would have caused serious economic problems for the entire state. Achieving the delicate balance needed to push the reform legislation through was very difficult, and it also created some interesting political alliances.

Recognizing the need to bring organizational and financial stability to the RTA, a coalition involving the governor, the mayor of Chicago, and the leadership of both houses of the legislature was formed to rescue the RTA. When the dust had settled, the reform legislation was adopted, and the legislature had significantly altered the structure of the RTA.

The new board will be politically weaker than the old since it will not be directly involved with hiring and firing and, thus, will have no potential for patronage. But the new board will be stronger fiscally because it will have veto power over the budgets of the three operations boards--including the power to reopen negotiations if it determines that labor contracts are too costly. The three operating boards will be required to show the cost of labor contracts within their budgets.

Controlling labor expenses will prove to be a very difficult challenge, but one which the new RTA board must face if it is to resolve the system's financial problems. Chicago Transit Authority (CTA) bus drivers, for example, earn a base pay of \$13 an hour, believed to be the highest in the nation. With 40 hours per week and 52 weeks per year guaranteed by their contract, secured by the Amalgamated Transit Workers Union (ATWU), they can earn more than \$30,000 per year including normal overtime pay. The average for most metropolitan bus drivers is about \$20,000 per year. As part

of the legislative reform package, the CTA was ordered to control these costs in the future, primarily by refusing to give the unions automatic cost-of-living increases and by agreeing to part-time drivers in the contract.

Operation costs are being reduced in other ways as well. The combined RTA-CTA budget for this year limits expense growth to 2.4 percent compared to an average 9 percent annual increase over the past decade. To save \$1.5 million in the \$825 million budget, plans are being implemented to close or curtail operations at some lightly-patronized stations. Buying fuel and electricity in bulk, adopting stern fuel conservation measures, and purchasing more efficient electric switching and standby power systems will save an estimated \$500,000. In addition, duplicate service will be eliminated. Some suburbs are served currently by both the CTA and private commuter rail lines, and several bus lines parallel train service.

The Regional Transportation Authority's old city-controlled board was replaced with a temporary nine-member board headed by Illinois Secretary of Transportation John Kramer. The permanent, 13-member RTA board will be a suburban controlled and dominated fiscal regulatory board with veto power over the budgets of three separate operations boards. These include boards for city buses and trains, suburban buses, and commuter trains (see attached chart). The new RTA regulatory board maintains financial oversight and service coordination powers over the service boards, while the service boards themselves make local decisions and are the only entities permitted to operate or contract for operation of transit service.

An additional key provision adopted by the legislature was a permanent subsidy given to the RTA on an annual basis. This combination of a local fiscal regulatory board and a state subsidy was intended to place the RTA on solid financial ground by October 1984. At the same time, the package was designed to prevent any more deficits, to decrease the surcharge on commuter train fares (the 33 percent surcharge along with fare increases had doubled the fares in 1981), and to prevent future shutdowns.

Under the formula outlined in the reform package, the maximum state subsidy will be equal to 25 percent of the RTA's local sales tax revenue. To collect the maximum subsidy, however, the RTA must recover from its own fareboxes 50 percent of what it spends on operations. Thus, if the RTA fails to reduce costs when the fares no longer generate half of what is spent, the RTA will fail to capture the maximum state subsidy. The state subsidy will be \$75 million in state fiscal 1984. However, since the RTA's local sales tax revenue is expected to rise with the recovery of the economy, the maximum state subsidy may reach \$80 million in state fiscal year 1985. With one-half of its operating revenue coming from the farebox, the other half is received primarily from federal subsidies, the new state subsidy, and the RTA's local sales tax.

A final key provision of the RTA reform package, which was

necessary to appease suburban interests, was the ability of a county to "opt-out" of the six-county regional mass transit system. Within days after passage of the reform legislation, one of the six, Will County, became the first to announce plans to put such a referendum on the March 1984 primary ballot. However, the referendum never appeared. If a "collar county" (a suburban county surrounding the city of Chicago) votes to secede from the RTA, its sales tax earmarked for mass transit will still be in force but the revenues will go to locally-operated systems instead of the RTA.

Speaker of the Illinois House of Representatives Michael J. Madigan was a key player in the passage of this legislation. His capsulized comments analyze the struggle to adopt the reform package: "The reforms adopted provided a \$75 million subsidy in 1984 and imposed a variety of budget cuts and budgetary safeguards on the RTA and the Chicago Transit Authority. Those who contended that \$75 million isn't enough to 'bail out' the RTA rarely mention the fact that the subsidy isn't pegged to the RTA sales tax. Because the sales tax rises with inflation, the subsidy could increase in future years. Compromise was necessary to secure the subsidy both during the drafting of the RTA legislation and during the 'summit meetings.' I was willing to compromise because restoration of the subsidy was my first priority. Without it, RTA shutdown would have been inevitable."

The suburbs gained control of the RTA Board because the original RTA statute required reapportionment of the board based on the 1980 census. In addition, under the original statute enacted in 1974, the RTA was designed to be a financial oversight agency with budgetary control over the entire metropolitan transit system, including the CTA. Prior law required nine of 13 votes to elect an RTA Board Chairman and nine votes to adopt an RTA budget which meant that Chicago had the power to control its own destiny in those areas. But it did not have this same power in four other major operational areas: adoption of a five-year capital program for the entire system; adoption of fixed ratio between costs and revenues generated by the system; adoption of a formula for allocation of any subsidies; and arbitration of disputes among carriers over service routes. This was because only a simple majority (seven votes) was required for passage of these measures. The reform legislation now requires an extraordinary nine-vote majority to achieve these same objectives. Therefore, instead of taking power away from Chicago, the reform actually protects Chicago's interests in ways the previous law did not.

Finally, the legislation incorporates many of the reforms urged by almost every responsible individual or group that has studied the RTA over the past several years. These reforms include a cap on RTA administrative costs. This legislation was the best RTA proposal to win significant legislative support in recent years because it would both restore the state subsidy the RTA lost in 1979 and make major structural reforms in the system.

Financial Reform of the Regional Transportation Authority

As noted previously, the compromise which formed the basis for the reform legislation had two major components: financial reform designed to make the system fiscally sound, and organizational restructuring aimed at making the system more accountable and responsive. The following initiatives have been designed and implemented in each area:

- Fares were rationalized. Passenger fares on the CTA system and the commuter railroads increased dramatically in the past three years and ranked among the highest in the nation. Since 1981, suburban commuter fares have doubled and city fares rose 50 percent. As a result, suburban ridership fell 25 percent and city ridership dropped 12 percent. However, since February 1, 1984, commuter fares have been reduced. The CTA has also considered eliminating the 10 cent charge for transfers in addition to lowering fares, but action on this has not yet been taken. Although these reductions will cost the system \$9 million per year if ridership remains the same, it is hoped that an increase in numbers of riders will offset the cost. Some experts such as Joseph L. Schofer, research director at Northwestern University's Transportation Center, dispute this, saying: "Lower fares never make up for loss of revenues. Even when losing riders by increasing fares, revenue usually goes up. It's a law of economics."

However, this decision was made in order to provide a short-term inducement for people to become reacquainted with using the buses and trains and to improve the system's relationship with the public. Even though fares may begin to rise once again in 1985, the increases will likely be moderate compared to those in the past.

- A minimum 50 percent farebox recovery ratio is mandated. This recovery ratio is lower than that currently achieved by the system, but higher than that likely to occur without requiring a minimum contribution. A 50 percent ratio ensures that riders continue to pay a fair share of the services they use. This recovery ratio also disciplines costs and prevents the build-up of large deficits which require drastic fare increases imposed to avert collapse of the system. The net result will be small incremental fare increases that link fare revenues with actual costs.

- A \$75 million annual state subsidy, which will grow at the rate of the regional sales tax, provides stability to the system. However, the subsidy is only provided once the region demonstrates that a balanced budget was adopted and followed and the fare recovery ratio was met. The state operating assistance is transferred monthly to the Public Transportation Fund and, after certification annually by the RTA that the budget is in place, the funds are released to the RTA. The state also continues to assist in the match for federal capital projects through an increase in state Service B bond authorization totalling \$250 million over five

years.

• Increased cost containment through stronger management and improved labor productivity. The statute requires a combination of labor and management cost savings of \$36 million from the CTA during fiscal year 1984. Also assumed in the projections are comparable savings for suburban services. Additional CTA cash payment savings of \$33 million through December 1984 would be achieved by forgiveness of indebtedness to private noteholders. Though not expressly required in the statute, it is assumed that savings will be achieved through reductions in CTA pension contributions since assets are more than sufficient to cover liabilities.

• Future labor contracts will reduce costs. The CTA and other service boards will continue to negotiate their own labor contracts, and they must price all the provisions and incorporate those costs into a revised budget submitted to the regional board. If the budget is not approved, a new budget must be submitted. Future contracts must allow a reopener provision to adjust the contract if the operating budget that first incorporates the cost of the contract is not approved by the regional board. The labor provisions apply to all service boards, except for commuter rail workers where expressly prohibited by federal law.

Organizational and Structural Reform

The structural changes made by the legislation are every bit as important as the financial reforms. Returning the area's mass transit system to a financially sound condition could not be achieved without a strong regional oversight board. The Regional Transportation Authority now serves as a coordinating body, a financial review board, and a funding agency.

The RTA will be comprised of 13 members allocated among counties in the region to reflect a one-man one-vote principle. There will be five directors from the City of Chicago (including the CTA chairperson); four from suburban Cook County (which encompasses Chicago), one from DuPage County, two from "collar counties" other than DuPage, and a chairperson from the region at large. The mayor of Chicago will appoint four city members and the fifth position will be filled by the chairperson of the CTA. This is to ensure the improved communication between the largest transit operating entity in the system and the regional oversight body. Inasmuch as the CTA chairperson is elected by the CTA board (a majority of whom are appointed by the mayor), it is assumed that under most circumstances the CTA chairperson will be a Chicago resident responsive to the mayor.

The first new RTA chairperson will be appointed by the governor subject to the advice and consent of the state senate. All mayoral appointments will be confirmed by the Chicago City Council. Board members will have five-year staggered terms of office and will be compensated at a rate of \$25,000 per year.

The division of responsibilities among the regional board and the service boards is based upon the belief that there should be a clear separation between day-to-day operating decisions (which are essentially local in nature and vary according to the type of service provided) and the regional oversight responsibilities of financial accountability, capital programming, and service coordination.

- The RTA will have the authority for total financial oversight of the services within its purview through a budget process defined in statute. It will also have continued authority to impose a sales tax (1 percent in Cook County and 1/4 percent in collar counties), receive and allocate federal and state operating assistance among the service boards, borrow for long-term capital and short-term cash needs, perform centralized services such as joint purchasing, establish uniform accounting standards, and perform timely audits.

- Each service board will have the authority to determine fare and service levels for services provided in their area subject to final budget review by the RTA and the 50 percent fare recovery ratio requirement. The RTA will also have responsibility for mediating service coordination disputes among the boards.

- Both the RTA and the service boards will be policy bodies and will employ a professional executive director to conduct day-to-day staff and management responsibilities. Citizen advisory boards will be appointed to provide public input to the regional board and each service board.

Sales Tax Allocation

In order to make funding within the region more predictable from year to year and to ensure that each service within the region has a guaranteed base of funding, the regional sales tax will be allocated among the service boards by statutory formula: 15 percent will be taken off the top to be distributed by the RTA Board; 100 percent of the remaining tax collected in Chicago will be provided to the CTA; of the remaining tax from suburban Cook County, 30 percent will be provided to the CTA, 55 percent for commuter rail purposes and 15 percent for suburban bus purposes; 70 percent of the remaining tax collected in the five collar counties will be provided for commuter rail purposes and 30 percent for suburban bus purposes. This formula replaces the "county of origin" provision and will acknowledge and limit the subsidy of the CTA from suburban Cook County.

The Opt Out Provision

A special provision of the legislation included a section which had nothing to do with subsidy or the regulatory board, but represented the one reform the suburbs valued a great deal. This was the ability to opt out, meaning that any collar county could,

by referendum authorized by the county board, choose to withdraw from the RTA. However, a county choosing to withdraw would still be subject to the RTA sales tax. In such a case, the proceeds of the sales tax imposed by the regional board would be used to defray that portion of the cost of rail service properly attributable to the county, as determined by the Commuter Rail Board. Any proceeds which might remain would be released to the county to be expended for general transportation purposes.

Recent Developments

The restructuring represented by the RTA reform legislation has only been in effect a short time; however, the results are already evident. The Transition Board was in place until October 1984 reported that the financial condition of the RTA and its major carrier improved and is expected to improve further in nearly every major respect. The following highlights demonstrate the case:

- An operating deficit of \$14.5 million was reduced to \$2.5 by December 31, 1983. A modest balance of \$40.1 million is anticipated by the end of 1984.

- Debt to vendors, which had reached an average of six months in some cases, was reduced by the close of 1983. The payments of these debts are now essentially current, including the CTA.

- The cash flow statement shows the RTA is staying current with its vendors and substantially reducing, if not totally eliminating, its bank debts. The RTA elected to retire its 1982 Interim Financing Notes early (April 1984).

- A steady three-year decline in ridership was slowed by the end of 1983 and should halt during 1984.

- The RTA's fiscal 1984 budget not only meets every budgetary mandate in the new law, but in several cases exceeds those requirements so as to provide a financial cushion against unforeseen developments.

The RTA has also taken steps to provide better service to its riders--and at a lower cost when possible. These include the following measures:

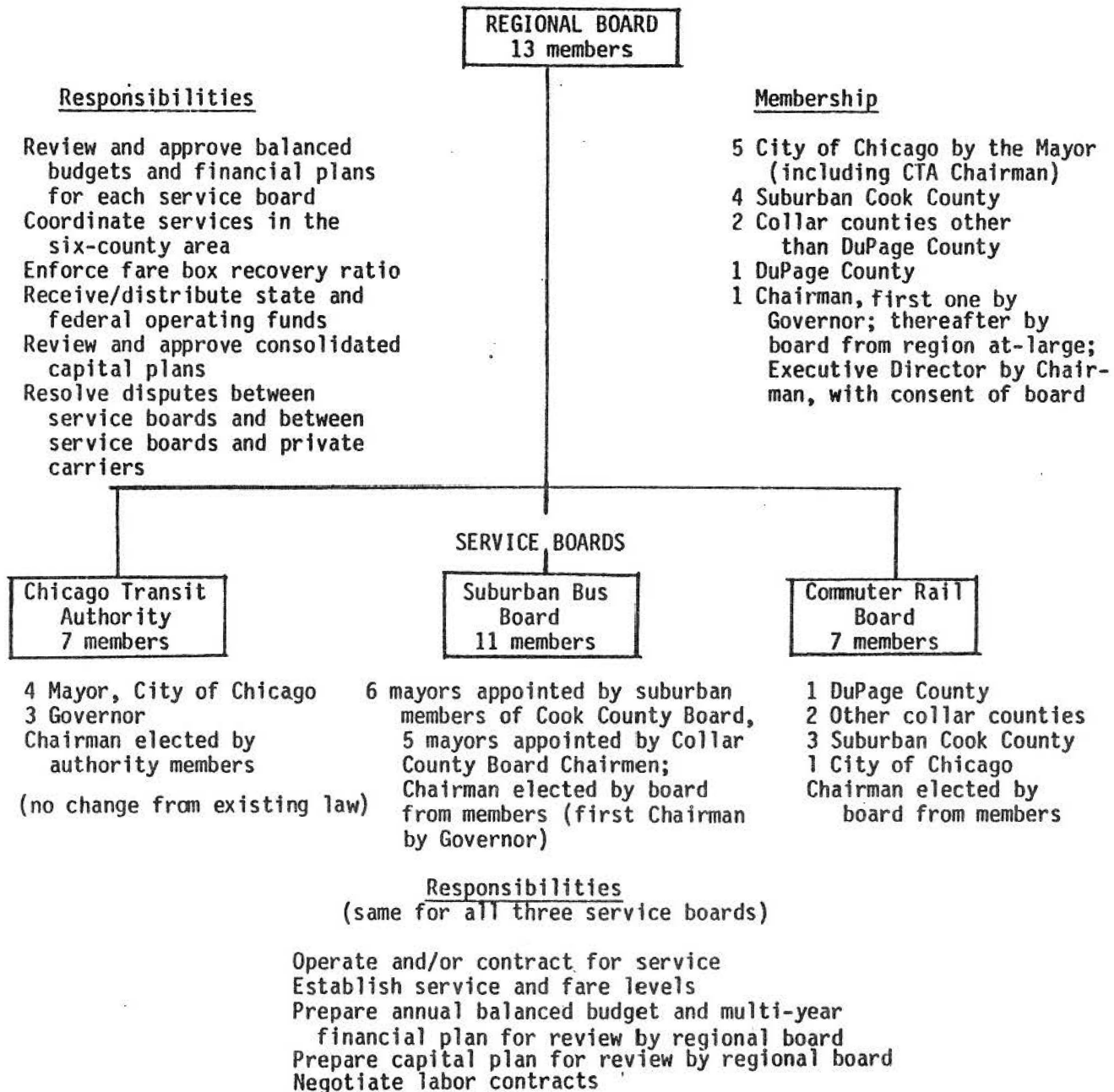
- Across-the-board fare cuts for commuter rail passengers took effect February 1, 1984. They will save commuters between \$49 and \$228 a year, depending on distance traveled, and should lead to an increase in ridership.

- Additional evening, mid-day and weekend commuter trains have been added to encourage people to use the trains in off-peak hours.

- The new "Link-Up" pass, good for a ride on a feeder bus at both ends of a commuter rail trip, went on sale in March. This pass will save the average rider an additional \$180 per year.

• The quality and timeliness of service has been improved on approximately 20 suburban bus routes.

PROPOSED NEW RTA STRUCTURE



FINANCIAL SUMMARY
(\$ Millions - RTA FY)

	<u>FY84</u>	<u>FY84-87 Annual Average</u>
Baseline shortfall*	(94)	(152)
Fare restructuring		
- Reduce 2/3rds of commuter rail surcharge	(20)	(20)
- CTA 50¢/75¢ no transfer proposal	(9)	(9)
RTA capital debt service for RTA local share of capital match and refinancing of interim note	(3)	(4)
	—	—
Adjusted shortfall	(126)	(185)
 <u>INITIATIVES TO REDUCE SHORTFALL</u>		
Cost savings	44	63
50% revenue to cost ratio	18	45
New state operating subsidy (25% of RTA sales tax)	75	80
	—	—
	137	188

* The baseline shortfall assumes that no major cost cutting measures are taken other than those already underway, that current services are continued at current fare levels, and that no State public subsidies are provided other than the existing RTA sales tax.

X. TRANSIT FINANCING IN WASHINGTON STATE

Overview of Service

Mass transit in Washington is primarily a matter for local government. Twenty-one local public transportation systems operate in the state, offering service to 3.2 million persons or 75 percent of the state's population.

Although many local systems facilitate or offer such services as carpooling and vanpooling, local systems primarily offer bus service. Light rail and commuter rail transportation have not been developed by the local systems, with the exception of Seattle's limited monorail and waterfront streetcar service, originally constructed for the 1962 World's Fair. Column 3 of Table I below displays aggregate data for the 20 systems operating in 1982.

Table I
Selected Operating Statistics for Local Transit Systems
in the State of Washington for the Year
Ending December 1982

	<u>Seattle Metro</u>	<u>Other Transit Systems</u>	<u>Total</u>
Population Served	1,311,000	1,888,000	3,199,000
Annual Passengers Carried	65,057,000	34,208,000	99,265,000
Vehicle Miles Traveled	33,336,000	23,476,000	56,812,000
Revenue Vehicle-Hours	2,427,000	1,587,000	4,014,000
Total Route Miles (Actual Miles)	3,426	3,698	7,124
Total Number of Buses	1,056	837	1,893

Source: 1982 Annual Public Transit Statistics, Washington State Department of Transportation, August 1983.

Over the past decade, local transit service has expanded to cover the most populous areas in the state, the Puget Sound and other Pacific coast areas. Service has also expanded to many larger communities in the eastern portion of the state and feasibility studies for new systems have been conducted in other communities across the state. The system serving the Seattle-King County metropolitan area, the Metro system, dwarfs any other single system. Columns 1 and 2 of Table I show how the Metro system compares to all other local systems combined in the state. Metro operates more buses than all of the other 20 transit systems in the state combined and carries nearly twice as many passengers annually.

Overview of Transit Finance

In Washington, the state provides only a very small amount of discretionary funding to local transit systems. In the finance system that has evolved, the state makes a portion of one relatively minor source of general fund revenue, the Motor Vehicle Excise Tax (MVET), available to local transit systems. The local systems, which are subject to a match requirement in obtaining the MVET funds, must dedicate those monies to transit uses. To help the local systems generate additional funds, the state legislature has authorized the systems to impose special local taxes for transit service. The transit systems, with some limitations, can use the special tax revenues to help meet the match requirement for MVET funds. Once the local service area has received MVET funds, the state has little say in how the local area uses the funds to provide transit services. The local area can use the funds as it sees fit, for either operating or capital purposes, except to pledge for the issue of general obligation bonds.

In addition to adopting this finance system for locally provided transit service, the Washington Legislature has established a system of organizational forms that local governments can choose to adopt for the provision of transit services. There are five organizational options characterized by different authorizing, governing, and finance requirements. This system has evolved over the years, as differently situated local areas across the state realized the need for becoming involved in mass transit.

System of Local Transit Financing

The Washington Legislature, in establishing the state's transit finance system, recognized the difficulty that local governments were having in funding transit activities:

"We find that an increasing number of municipally owned, or leased, and operated transportation systems in the urban areas of the State of Washington, as in the nation, are finding it impossible, from the revenues derived from the tolls, tariffs, and fares, to maintain the financial solvency of such systems, and as a result, thereof, such municipalities have been forced to subsidize such systems to the detriment of other essential public services." (State of Washington, RCW 35.95.010 [1969])

To assist local areas in meeting the costs of public transit service, the legislature authorized the use of funds from the Motor Vehicle Excise Tax by local transit systems and provided the local systems with new taxing authority to help them meet match requirements that were coupled with MVET use. Today, farebox revenues provide only about one-quarter of the operating costs and approximately 15 percent of total transit system costs including capital acquisitions. The operation of transit systems in Washington is heavily subsidized by the special locally raised tax revenues and state MVET funds.

Motor Vehicle Excise Tax

The Motor Vehicle Excise Tax is a state-administered tax on the fair market value of motor vehicles. The tax is assessed and collected when a vehicle is licensed and each year thereafter, based on the average Bluebook value of the vehicle. The MVET rate is 2.2 percent and is applied uniformly statewide. A portion of MVET revenues are dedicated to special purposes, with the remainder turned over to the state's general fund.

All cities and counties are authorized to levy a 1 percent MVET to support transit. The 1 percent municipal levy is not actually an addition to the state 2.2 percent rate; it is credited against the state 2.2 percent and the monies raised by the 1 percent levy are returned to the local area. Thus, the 1 percent local levy is not a new tax--it amounts to a diversion to local transit systems of funds that would have gone to the state. All revenues derived from the 2.2 percent MVET are collected by the county and sent to the state treasury on a monthly basis. The local transit system utilizing the 1 percent levy submits an annual budget to the Department of Licensing (the administrator of the MVET fund) in December projecting local receipts from the 1 percent levy for the upcoming calendar year. Based on those estimates, the Department of Licensing distributes the local share of MVET funds to the transit system on a quarterly basis during the year, with a three-month lag from the time the funds are actually collected. By April of the following year, the local transit system submits a report of the amount of tax receipts it actually collected from its 1 percent share. The Department of Licensing compares the actual tax receipts with the MVET dollars it disbursed and adjusts the transit system's current year MVET funds upward or downward as the case merits.

Only those MVET funds generated within a transit system's service area may be returned to the transit system. This restriction helps ensure that those taxpayers living within the service area--persons most likely to use the local system's services--are responsible for sharing in the costs of providing the service and persons residing outside of the area are not burdened for service not readily available to them.

To receive any MVET funds from the state, a local transit system must come up with a dollar-for-dollar match, to be raised from a local tax source from within the system's service area. The upper limit on the amount of MVET funds any local transit system can receive is an amount equal to the total revenue generated by the 1 percent MVET on the value of vehicles in its service area. The local system receives the amount that it is able to provide an equivalent match for. In practice, local areas do not have problems in meeting the full match. In 1982, almost all of the transit systems then in existence were able to meet the match limit.

The source of the local match may be local general fund revenues. However, local systems more commonly use revenues derived from one of a number of tax options which the legislature has

provided them with.

Local Revenue Sources

State law provides a number of options for raising monies to support public transit. Local transit areas are authorized to levy a sales and use tax of up to .6 percent, in .1 percent increments, to support public transit. Imposition of the sales and use tax is subject to a majority vote of the people of the service area. The sales tax revenues must be dedicated solely to transit uses and, subject to the type of organizational form the service area takes, may be used as a match to obtain MVET funds from the state. The sales and uses tax cannot be used as a match for MVET funds by two forms of transit systems, cities and unincorporated areas of counties. See descriptions of organizational forms in Table II. The sales tax may only be imposed within the boundaries of the transit system's service area. One transit system, Seattle Metro, levies a .6 percent sales and use tax, 14 levy a .3 percent rate, and one uses a .2 percent rate. Until 1984, only transit systems taking the form of a Metro system could levy a .6 percent sales tax. All other systems were limited by a .3 percent ceiling. The 1984 legislature changed the law to allow all transit systems to levy a .6 percent rate. Thirteen of those 16 systems use their sales and use tax revenues as a MVET match.

Local transit areas are also authorized to impose household and/or business and occupation taxes for the support of public transit, subject also to the restriction that the taxes must be levied in the transit service area. The household and business tax revenues may be used toward the MVET match. Voter approval is required for imposition of any of the household or business and occupation taxes with two of the five transit organizational forms. The household tax may be levied on all persons who are served and billed by a public utility. The tax may be set at any amount up to one dollar a month per household. The business and occupation tax is applied against the value of products, gross income, or gross proceeds of sales of a business. There is no limit on the amount of the tax levied. A local transit area can also apply a flat percentage utility tax to the monthly bills of utility customers (household or business), regardless of the type of utility service or the form of utility ownership. There is no limit on the rate.

Finally, local governments have authority to appropriate monies from their general funds to public transit. They may use those monies dedicated to public transit as an MVET match, as long as the monies were collected in the service area of the local transit system.

There exists a hierarchy of permissible uses of the types of local revenue sources described above. Any local area using a sales tax for transit purposes cannot impose a household or business tax for transit purposes.

Table II
ALTERNATIVE ORGANIZATIONAL FORMS FOR PUBLIC TRANSIT FUNDING

Transit Operating Authority	Description	Approval Required Before Conduct of Business	Local Revenue Before Available for Transit Purposes	Restrictions on Procuring MVET Funds	Notes
Metropolitan Municipal Corporations (Metro's)	Area may be greater than, equal to, or less than countywide (except in three specified counties) and must include at least two code-size cities. An extensive specifications for the establishment and performance of metro functions, as well as for the composition of the authority's governing council. Metro's can be established for purposes other than transportation.	Establishment of a Metro is subject to a majority vote of the proposed service area's voters. Further voter approval is required before additional duties may be undertaken by a Metro.	May utilize sales tax; household and/or business and occupation tax. Use of sales tax for transit requires approval of voters within services area.	May use local revenue sources as MVET match.	The only Metro in the state providing transit service is the Seattle-King County Metro, which encompasses King County and all communities within it. Seattle-King County Metro performs two functions, public transportation and sewage disposal.
County-Wide Transit Authorities (CTA's)	Must be countywide. CTA must adopt a public transportation plan. Governing board must be comprised of three county commissioners and three city mayors. Public transportation is the only function allowed.	Established by resolution of the county commissioners. Popular vote is not required.	May utilize sales tax, household and/or business and occupation tax; or general fund revenues. Use of sales tax or household and/or business and occupation tax for transit requires voter approval.	May use local revenue sources as MVET match.	Only one CTA, the Grays Harbor Transportation Authority, exists

Adopted from Table III, page 11, of Report: Public Transportation in Washington State 1981, Washington State Department of Transportation, December 1981

Table II--Continued

Transit Operating Authority	Description	Approval Required Before Conduct of Business	Local Revenue Sources Available for Transit Purposes	Restrictions on Procuring MVET Funds	Notes
Public Transportation Benefit Areas (PTBA's)	May be less than one county, a full county, provided that there is only one PTBA per county. PTBA is a municipal corporation with the legal powers of a city or county. Composition of governing board varies according to city/county make-up of jurisdiction. Public transportation is the only function which PTBA may undertake.	Process of establishing PTBA involves several steps. A public transportation conference must first be convened by county board(s) of commissioners. Conference must then determine and adopt boundaries of the service area and establish governing board. Popular vote not required.	May utilize sales tax; household and/or business oppuation tax. Use of sales tax of household and/or business and occupation tax for transit requires voter approval.	May use local revenue sources as MVET match. However, PTBA can only use MVET funds after it has adopted a public transportation plan and the Washington State Department of Transportation has approved the plan.	Fourteen PTBA's are in existence. PTBA concept is largely a result of rural voters and county commissioners rejecting establishment of county-wide systems. PTBA permits better "fit" of services area - allowing those areas of a county desiring transit service to obtain it, with those areas not wanting service not required to participate or pay for it.
Cities and Towns	Cities and towns may operate public transportation within their corporate limits, with extension of service up to 15 miles beyond these limits. Transportation is simply one function that cities or towns may choose to undertake. Transportation function is governed under normal city government structure.	City government chooses to become involved in public transit. Popular vote is not required.	City may utilize sales tax; household and/or business and occupation tax; or general fund revenues. Use of sales tax for transit purposes requires voter approval. Use of household and/or business and occupation tax does not require voter approval.	May use household and/or business and occupation tax for MVET match. Revenues from sales tax do not qualify for MVET match.	There are five city transit systems in the state. The restriction prohibiting use of sales tax as MVET match is seen as alleviating tax burden on rural residents who shop in a city but who benefit less from the city's transit services. Restriction prohibiting sales tax as an MVET match is meant to encourage creation of larger systems.
Counties	Area to include unincorporated areas of counties. County Commissioners serve as governing board.	County commissioner chooses to establish transit service district. Popular vote not required.	Same as for city system.	Same as for city system.	No unincorporated county area systems exist. Primary reason is lack of revenue sources available in service areas which are limited in population and business.

Organizational Options for Transit Service

Present Washington law offers local governments five alternative organizational forms for providing public transit services. Each form offers local government a different combination of taxing and governance structures to address the different needs and capabilities of local areas across the state.

Each of the five service areas, upon adoption, is a legal entity which may contract with any private company or public organization to provide transportation services within its geographic area of jurisdiction. Table II presents a summary of the primary characteristics of each organizational form.

Revenues by Source

Table III shows revenues by source for the 20 local transit systems combined, for 1982. Local tax source revenues provided 37 percent of total system revenues. The MVET provided 19 percent and

Table III
Revenues by Source for all Local Transit Systems
Combined for the Year Ending December 1982

<u>Local Revenues</u>	
Local tax sources	95,524,128
Fare box	36,293,053
Other ¹	7,526,427
Total	<u>139,343,608</u>
<u>MVET²</u>	49,491,131
<u>Federal Revenues³</u>	57,578,055
<u>State and Other Revenues⁴</u>	<u>9,159,524</u>
Total All Sources	255,572,318

¹ Includes charters, advertising, and other miscellaneous local revenue.

² Motor Vehicle Excise Tax (MVET).

³ Includes CETA, FHWA, UMTA, and other Federal Revenues.

⁴ Includes state grants, B & O Tax Exemptions, interest, sale of fixed assets, reimbursements, and other miscellaneous revenues.

Source: Adopted from Table III, 1982 Annual Public Transit Statistics, Washington State Dept. of Transp., August 1983.

federal revenues (including monies from CETA, the Federal Highway Administration, the Urban Mass Transportation Administration, and other federal sources) provided the local systems with 22 percent of their total revenues. The bar chart on the next page shows revenues by source for each year since 1975.

Legislative History--Origins

Washington's modern transit finance system was born in 1969, when the state legislature passed a law allowing the Motor Vehicle Excise Tax to be used to fund public transportation systems in communities that levied local matching taxes for transit. At the forefront of the effort to pass the bill was a citizen action group from Seattle, pushing to get increased revenue for Seattle area transit. Over the decade that followed, members of that early citizens' group from the Seattle area and contingents from other areas of the state were responsible for initiating and helping push to passage other legislative initiatives to expand and buttress the state's transit finance system.

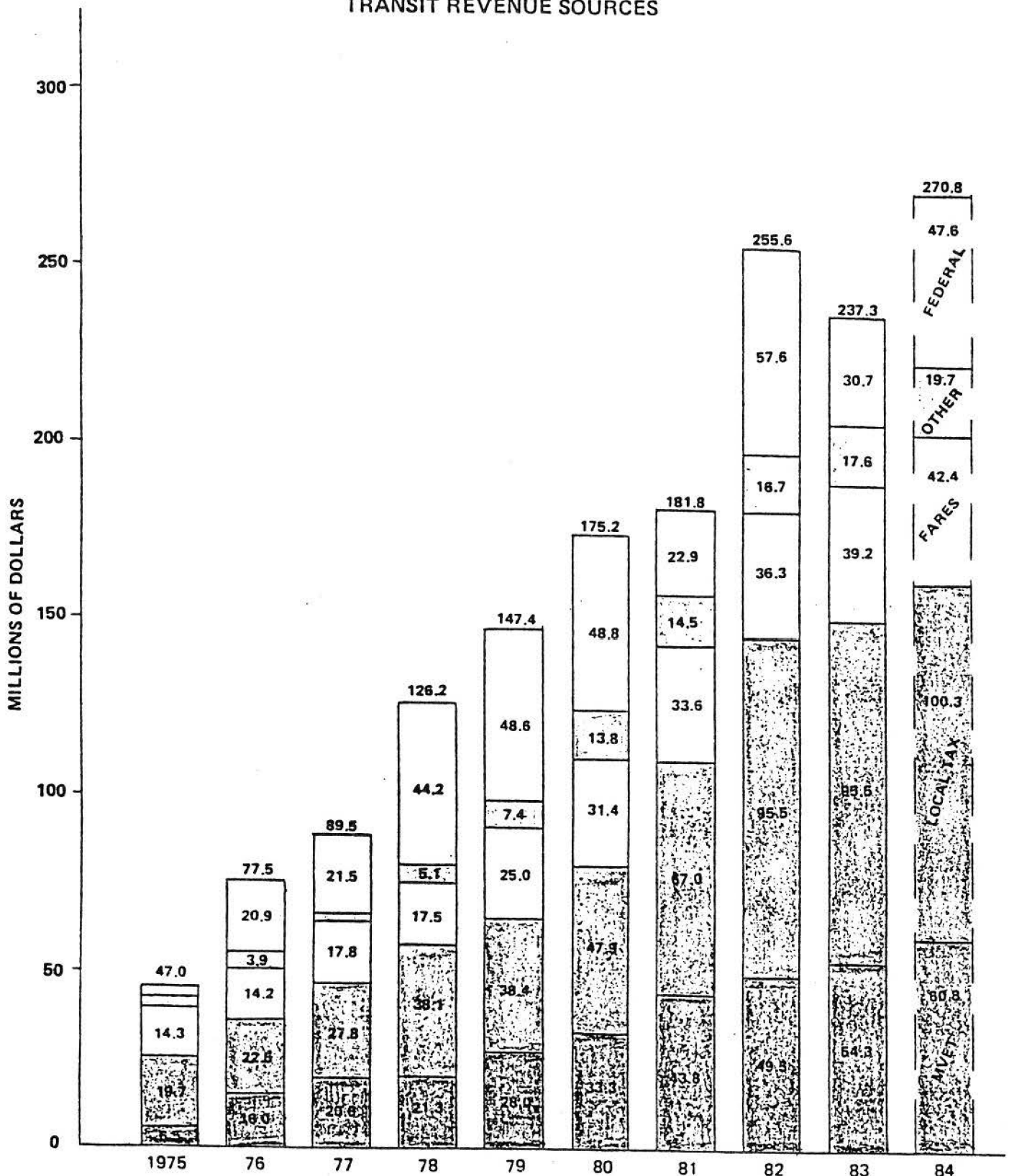
The Seattle-King County Metro system itself was a creation of the Seattle citizens' group. After conducting a three-year study of metropolitan problems in the Seattle area, the group of concerned citizens prepared a state law permitting local governments in the state to join in metropolitan federations, or Metros. In 1957, that measure was passed by the Washington Legislature by one vote on the last day of the session. The Metro law permitted metropolitan municipal corporations to undertake certain functions with a majority vote of its citizens. After 10 years of successfully dealing with sewage treatment in the Seattle metropolitan area, the Seattle citizens' group turned to the state for expanded revenue sources for transit. The result was the 1969 passage of the MVET enabling legislation.

The 1969 MVET legislation was spearheaded and pushed by a contingent of Seattle-area legislators. The local citizens' group--a coalition of businessmen, labor representatives, environmentalists, and other members of the community--provided lobbying assistance. Aiding the group in its efforts was widespread public recognition of Metro's highly successful sewage treatment and water-quality improvement program. Generally, opposition to the bills came from rural legislators who at that time questioned the value of the finance mechanism to their districts and from legislators who objected to tapping into the state general fund.

It is widely held today that many legislators did not realize that they were voting to actually divert MVET revenues from the general fund. Some, it is believed, thought they were authorizing an additional MVET levy.

For the first few years after the passage of the MVET law, local governments used general fund revenues as the MVET match. Unsuccessful in achieving passage of two local initiatives to secure

TRANSIT REVENUE SOURCES



NUMBER OF SYSTEMS
 (11) (12) (14) (14) (15) (18) (20) (20) (20) (21)

SALES TAX SYSTEMS
 (2) (4) (4) (5) (6) (10) (15) (16) (16) (17)

SOURCE: WASHINGTON LEGISLATIVE TRANSPORTATION COMMITTEE

property tax bonds to fund a transportation system and use as MVET match funds, the Metro citizens' group returned to the state legislature to obtain authority for local areas to levy a sales tax for transit to serve as a match for MVET funds. After over 60 days of lobbying, the local coalition, with the support of both the House and Senate leadership, won another close, final-hour victory.

When the state legislature returned in 1973, opponents of the MVET enabling legislation and others who were concerned that the 1971 sales tax law would lead to an out-of-control state support role, were successful in placing immediate and long-term limits on financing local public transportation.

Later Developments and Challenges

Between the 1973 session and 1984, the legislature expanded the tax options and authority permitted local areas and created the other organizational alternatives for local transit service. Enabling legislation for county-wide transit authorities was passed in 1974 and for public transportation benefit areas and unincorporated county areas in 1975. The creation of the special districts was largely the result of compromises reached by the legislature to aid in providing transit services to more diverse local areas. During the 1984 legislative session, a law was enacted to equalize sales and use tax authority for all transit systems--before, only Metro had the authority--to levy a .6 percent rate.

The finance system also weathered a number of challenges. Prior to 1975, the state legislature had been appropriating MVET funds to local transit systems. In 1973, the legislature chose to drastically reduce MVET funds available to the local areas. Seattle Metro, with other local systems backing it, filed suit against the state treasurer to free the funds. In early 1976, the state Supreme Court ruled that Metro and other local areas had the right to levy and collect the 1 percent MVET and could use the MVET revenues without state appropriation. In 1979, the state legislature passed a law ending local areas ability to pledge MVET receipts for repayment of general obligation bonds.

Summary and Discussion

The mass transit finance system in Washington provides simple, reliable funding for mass transit throughout the state, with the emphasis on local funding and local decision-making.

The Washington system permits those local areas that truly desire to provide mass transit to do so at their own initiative. State law provides the local area with statutory authority to create a special transit jurisdiction. The local area chooses the organizational form that best suits its transit service needs and its revenue generation capabilities. Once in operation, the transit authority can generate sizable funds for transit purposes, as the

state has granted local areas revenue options and permits the local areas considerable freedom as to what rate or level of tax to use. The local area can choose to divert monies from its general fund, away from other uses, or choose to enact a new tax specifically dedicated to transit service. To supplement the revenues generated locally within the transit service area, the state provides the local service areas with the opportunity to obtain MVET revenues, with few strings attached as to how the local area spends the funds. Eligibility for MVET funds, with the exception of a PTBA where the State Department of Transportation has to approve the local transit plan, is simply that the local area meet a match requirement from appropriate local revenues sources. The state imposes almost no restrictions on the local services areas use of the MVET funds, other than requiring that the funds be used to provide transit services.

Combining local tax source revenues, farebox revenues and other local revenues, local transit jurisdictions provided 54 percent of their total revenue needs. The state's primary share, from the MVET, amounted to 20 percent of total revenues. Overall, the mass transit in Washington derived nearly 75 percent of its revenues from steady, predictable, non-federal sources.

This reliability of revenue sources cannot be overemphasized. The Washington system differs greatly from one where the state legislature or a state agency annually (or biennially) appropriates funds for mass transit on a discretionary basis. This critical component of state transportation policy--finance--is removed from the political arena. Avoided are yearly political conflicts during the budgetary process and maneuvering for funds. From the local transit systems standpoint, a number of benefits accrue. The local transit systems are able to implement improved operational and capital plans and achieve system continuity, knowing fairly well the level of revenue they can expect into the short- and longer-term future. This permits improved managerial policy-making and policy execution. Local areas are also able to forego having to divert resources each budget cycle to lobby the state for monies. Being able to forego this institutional "fundraising," the transit system can devote its resources to planning and operating transit services. Additionally, because the state MVET funds and the local tax source revenues must be dedicated to transit purposes, the local transit system is also saved the time and resources of having to wage battle yearly with its parent government for funds. The transit system is not just another municipal service of city or county government.

The low level of state involvement in decision-making and in the distribution of funds characteristic of the Washington system offers additional benefits to the state and to local transit jurisdictions. Few state resources have to be allocated to monitoring lower-level detail in transit policy. A large state transit bureaucracy, with the costs associated with personnel, administration and overhead, is unnecessary. The public transportation staff of the Washington State Department of Transportation (WSDOT) is small, consisting of fewer than 15 staff members. The WSDOT Public Transportation Office functions primarily to assist local transit service areas. Its major

activities are to: (1) make loans for public transit feasibility studies; (2) provide technical assistance to transit planning agencies and transit operators; (3) assist in developing and fund high occupancy vehicle lanes in urban areas; and (4) administer federal grants for public transportation in smaller urban and rural areas. At the local level, the transit systems may forego reporting, documentation, and the provision of managerial and system performance information to state officials. Here too, the local transit system is able to devote its resources to planning and operating its system.

Two major disadvantages can be posed with a system where the state plays such a minor role in the allocation of funds and in formulation, implementation and evaluation of transit policy. With such decentralized decision-making and limited state oversight in how funds are spent, the money might not be spent as effectively as it could be and that broad policy goals may not be achieved, or even addressed. The only major requirement that Washington imposes on local transit systems is that they spend their transit funds--the local tax revenues and the state MVET funds--on transit. As the system now stands it may be argued that there is little assurance that local systems are, for instance: spending their monies in the most cost-effective ways, equitably serving different population groups in their communities, allocating funds appropriately between operations and capital needs, or adequately addressing future needs with their planning.

A number of points can be made against these lines of argument. First, PTBAs, the largest in number and the fastest growing transit system organizational form, are required to receive WSDOT approval of their transit plans before receiving MVET monies from the state. While the review does not insure adherence to the plan after the system begins operation, it does introduce state input and evaluation at the crucial start-up point for the systems. Second, since over 54 percent of local systems' revenues (local tax revenues, farebox revenues and other local sources) are generated locally and only approximately 21 percent of the funds the systems receive are from the state MVET funds, it can be argued that the state role should not be pervasive or all controlling. The transit systems are governed by local boards, comprised for the most part of locally elected officials, who are accountable to the people being served by the local transit system. If a system is not maintaining adequate service or if gross improprieties are found to exist, the board will in most instances hear from the people. Finally, public transit in Washington does seem to be working. Transit service provided by Seattle Metro, which serves over 40 percent of the population served by transit systems in the state, is the envy of transit systems across the United States. The service provided by most of the other systems in the state is generally regarded to be very good.

A second criticism of the Washington system has to do with the limited role the state plays in allocating funds to the local systems. Annual appropriation of funds would allow the state to weight transit needs against competing state needs. As it now stands, local transit is granted a special place separate from most

other state programs and problems facing the legislature each session. Under current statutes, the state has no control over the distribution of the funds.

Here again, it can be pointed out that the state's share in transit finance is small. Further, as a percent of general fund revenues raised by state taxes, the amount of MVET monies actually distributed to local systems is extremely small, averaging, over the past five years, less than 1 percent. In no year since the finance system has been in operation has the amount of MVET funds diverted to local transit exceeded 2 percent. Thus, the legislature actually foregoes control of only a very tiny amount of state spending. Finally, the state legislature purposely has given transit finance this special status. The finance system has evolved over a number of years and over the terms of many legislatures. The system has withstood a number of challenges in the legislature and in the courts over those years. By its actions, the legislature has placed its stamp of approval on the transit finance system.

Future Outlook for the System

The outlook for the Washington public transit finance system appears very stable. The public generally looks very favorably upon public transit in the state. Approximately 75 percent of the state's population has access to transit service, with the Puget Sound area, a heavy user of transit, accounting for approximately two-thirds of the state's population.

Public attitudes toward the transit finance system are harder to measure. While sales taxes--the revenue source most widely used source by local transit systems in the state--are generally viewed as the least offensive of taxes, it is widely agreed that most people in the state do not realize they are paying the sales tax increment for transit purposes. As for the 1 percent MVET, it is also a low-profile tax. Few people realize that a portion of the MVET is paying for transit. Owners of motor vehicles pay the 1 percent MVET levy throughout the state as part of the uniform 2.2 percent state levy, regardless of whether their local government utilizes MVET funds for transit.

Although the state has experienced an exceedingly tight fiscal situation in recent years, there have been no serious challenges to the MVET funds going to transit. The proponents of such moves--rural legislators whose districts are not served by public transit, truckers who are assessed the MVET but who see their benefits of the system to be less than those accruing to commuters, and certain highway interests who would rather see state transportation funds going to highways--are in the minority in Washington. Overall, the future for transit finance in Washington looks good.

APPENDIX A

SURVEY

STATE FINANCING OF MASS TRANSIT

This survey seeks to determine the current level of state financial support for mass transit and to explore state transit revenue raising potential for the future.

Please answer all questions that pertain to public transit in your state. Additional information or attachments are most welcome. All survey responses will be strictly confidential, with results published only in the aggregate. For clarification on any survey item, please contact Bob Reinshuttle or Gail Dorfman at The Council of State Governments (606) 252-2291.

PART I: CURRENT LEVEL OF STATE SUPPORT FOR TRANSIT

The following questions seek information on your state's Fiscal Year 1983 dollar support for mass transit, the sources of these funds, and the allocation of these funds between transit capital and operating costs.

1. What is your state's level of financial support for mass transit capital assistance in Fiscal Year 1983?

\$ _____

- 2a. Following is a list of some of the more common sources of state financial support for transit. Please provide the percent each revenue source contributed to the above Fiscal Year 1983 capital funds.

(Dedicated Taxes)	_____ % General fund
_____ % Sales tax	_____ % Lottery
_____ % Income tax	_____ % General obligation bonds
_____ % Fuel tax	_____ % Revenue bonds
_____ % Corporate tax	_____ % Tolls
_____ % Payroll tax	_____ % Fees (parking, registration, license, etc.)
	_____ % Farebox revenues

- 2b. Please describe any Fiscal Year 1983 transit capital revenue sources not listed above.

3. What is your state's level of financial support for mass transit operating assistance in Fiscal Year 1983?

\$ _____

4a. Following is a list of some of the more common sources of state financial support for transit. Please provide the percent each revenue source contributed to the above Fiscal Year 1983 operating funds.

(Dedicated Taxes)	_____ % General fund
_____ % Sales tax	_____ % Lottery
_____ % Income tax	_____ % General obligation bonds
_____ % Fuel tax	_____ % Revenue bonds
_____ % Corporate tax	_____ % Tolls
_____ % Payroll tax	_____ % Fees (parking, registration, license, etc.)
	_____ % Farebox revenues

4b. Please describe any Fiscal Year 1983 transit operating revenue sources not listed above.

In addition to direct state financial support for mass transit, many states provide indirect support by allowing local or regional entities the flexibility to raise their own funds to support transit activities. The following questions seek information on the nature and degree of local/regional revenue raising flexibility within your state.

5. Does your state permit local government taxing authority, other than the local property tax?

_____ Yes _____ No

If you answered Yes, continue to the next question.
If you answered No, skip to Question 10.

6. Please mark (✓) which of the following taxes, other than the property tax, local governments are permitted to levy.

_____ Sales tax _____ Payroll tax
_____ Income tax _____ Corporate tax
_____ Other (please specify)

7a. If there is a ceiling on the local taxing authority, please note the percent of the ceiling on each tax.

<u>Local Tax</u>	<u>Percent Ceiling</u>
Sales tax	_____ %
Income tax	_____ %
Payroll tax	_____ %
Corporate tax	_____ %
Other	_____ %

7b. Who set the ceiling? Please mark (✓).

_____ Set by the State Constitution
_____ Set by state statute
_____ Set by local referendum
_____ Other (please specify)

8a. How many local governments in your state were eligible to levy local taxes (other than the property tax) in Fiscal Year 1983?

8b. How many local governments in your state took advantage of the local taxing authority (other than the property tax) in Fiscal Year 1983?

8c. How many local governments in your state used a portion of the local taxes levied (other than the property tax) to provide transit service?

9a. Does your state play a role in the administration of the local taxes?

_____ Yes _____ No

9b. If you answered Yes, please note the nature of the state role (i.e. collection, allocation, etc.):

9c. If you answered No, are there any plans to involve the state more directly in the administration of the local taxes? Please describe any such pending plans:

9d. Would expansion of the state role in the administration of local taxes in your state require statutory authority?

_____ Yes _____ No

10a. Does your state allow local/regional transit authorities independent revenue raising authority?

_____ Yes _____ No

10b. If you answered Yes, please detail:

Many states allow for the creation of limited purpose governmental units, known as special districts, to provide transit or other public services. The following questions pertain to special districts.

11. Does your state allow for the formation of special districts?

_____ Yes _____ No

If you answered Yes, continue to the next question.
If you answered No, skip to Question 16.

12. In your state, which of the following process(es) are required in order to form a special district? Please mark (✓) those that apply.

_____ State legislation	_____ Petition
_____ State executive order	_____ Public referendum
_____ Public hearing	_____ Court action
_____ Other (please specify)	

13. What independent revenue raising mechanisms are permitted to special districts in your state? Please detail:

14a. How many special transit districts presently exist in your state?

14b. Please identify each existing special transit district and the revenue source(s) employed.

<u>Special Transit District</u>	<u>Revenue Source(s)</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

15. From your state's experience with special districts designed to deliver transit financing, what are some of the pros and cons of this method of revenue raising authority?

PROS:

CONS:

Many states and local governments are looking to the private sector as a source of revenue for mass transit. The following questions seek information on public-private transit activities in your state.

16a. Does your state have a documented policy promoting public-private cooperative activities in urban/rural development?

_____ Yes _____ No

16b. If you answered Yes, does that policy statement make specific reference to public-private initiatives in the area of mass transit?

_____ Yes _____ No

16c. If you answered Yes, what is your state's policy statement promoting public-private transit activities?

17. Does your state have any existing regulations enforcing private sector participation in transit activities? (i.e., mandated carpool/vanpool service, parking facility requirements, commuter passes, etc.) Please detail:

18. The following space is provided for you to describe or attach data on any transit activities in your state, either capital projects or operations, which you view as innovative applications of public-private cooperation.

PART II: STATE RESPONSE TO THE TRANSIT DILEMMA

Growing transit deficits combined with reductions in federal aid find many states in the position of having to either cut transit services or raise additional revenues to support existing transit services. The following questions seek information on your state's plans for responding to the transit revenue-cost gap.

19. In response to the transit revenue-cost gap, please mark (✓) those services listed below that are likely targets for cuts in your state over the next two years.

_____ Number of rural routes
_____ Number of urban routes
_____ Off-peak-hour transit services
_____ Special transit services for the elderly and handicapped
_____ Para-transit services (i.e., carpool, vanpool, dial-a-ride, etc.)
_____ None of the above

20. In response to the transit revenue-cost gap, please mark (✓) those revenue sources listed below that are likely targets for increases in your state over the next two years.

_____ Transit fares
_____ Taxes dedicated to transit
_____ Transit fees (i.e., tolls, parking, registration, license fees, etc.)
_____ Municipal bonds to finance transit projects
_____ General fund transit allocation
_____ None of the above

21. In response to the transit revenue-cost gap, please mark (✓) those labor issues listed below that are likely targets in your state over the next two years.

_____ Increase part-time transit labor
_____ Renegotiate transit labor contracts
_____ Reduce equipment maintenance
_____ None of the above

22. The following space is provided for you to discuss other solutions your state is considering in order to respond to the transit revenue-cost gap.

23. Does the current timing of the federal allocation of transit funds create cash flow problems for transit in your state?

_____ Yes

_____ No

A number of transit revenue sources have been referred to in this questionnaire. The following questions seek to assess the revenue-raising potential of these sources of transit dollars.

24a. A number of transit revenue sources are listed in the left-hand column below. From your state's perspective, please mark (✓) problems, if any, you see associated with the implementation of each transit revenue source. If you do not have enough information or have not considered a particular revenue source, please mark (✓) the No Opinion column.

<u>Revenue Source</u>	<u>Nature of Problem</u>					
	<u>Legis- lative</u>	<u>Adminis- trative</u>	<u>Legal</u>	<u>Public Support</u>	<u>No Problems</u>	<u>No Op- inion</u>
General Fund						
Lottery						
General Obligation Bonds						
Revenue Bonds						
Tolls						
Fees (parking, regis- tration, license, etc.)						
Dedicated Taxes	Sales taxes					
	Income taxes					
	Fuel taxes					
	Corporate taxes					
	Payroll taxes					

24b. For each of the transit revenue source problems checked on the preceding page, please circle the degree of the problem according to the following scale:

1--Major problem (insurmountable)

2--Middle case (resolved with effort)

3--Minor problem (easily resolved)

<u>Revenue Source</u>	<u>Degree of Problem</u>												
	<u>Legislative</u>			<u>Administrative</u>			<u>Legal</u>			<u>Public Support</u>			
	1	2	3	1	2	3	1	2	3	1	2	3	
General Fund													
Lottery													
General Obligation Bonds													
Revenue Bonds													
Tolls													
Fees (parking, registration, license, etc.)													
Dedicated Taxes	Sales taxes												
	Income taxes												
	Fuel taxes												
	Corporate taxes												
	Payroll taxes												

25. Public support or voter acceptability is crucial to the success of most revenue sources. Please assess the following list of transit revenue sources from the standpoint of public support by marking (✓) them as Most Acceptable, Moderately Acceptable, or Least Acceptable to the voter, in your opinion.

<u>Revenue Source</u>	<u>Voter Acceptability</u>		
	<u>Most Acceptable</u>	<u>Moderately Acceptable</u>	<u>Least Acceptable</u>
Fares			
General Fund			
Lottery			
General Obligation Bonds			
Revenue Bonds			
Tolls			
Fees (parking, registration, license, etc.)			
Dedicated Taxes {	Sales taxes		
	Income taxes		
	Fuel taxes		
	Corporate taxes		
	Payroll taxes		

26. Below is a listing of transit revenue sources. Please mark (✓) those revenue sources your state is presently using and those new sources your state is presently considering using over the next two years.

<u>Revenue Source</u>	<u>Presently Using</u>	<u>Considering</u>
Fares		
General Fund		
Lottery		
General Obligation Bonds		
Revenue Bonds		
Tolls		
Fees (parking, registration, license, etc.)		
Dedicated Taxes	Sales taxes	
	Income taxes	
	Fuel taxes	
	Corporate taxes	
	Payroll taxes	

27. If your state has not directly provided revenues for transit costs (capital or operating), please discuss the reasons for state non-participation:

PLEASE RETURN THIS SURVEY BY FEBRUARY 6, 1984

(Enclosed is a self-addressed envelope for your convenience)

RESPONDENT: _____

TITLE: _____

PHONE #: AREA CODE _____ / _____ DATE: _____

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