

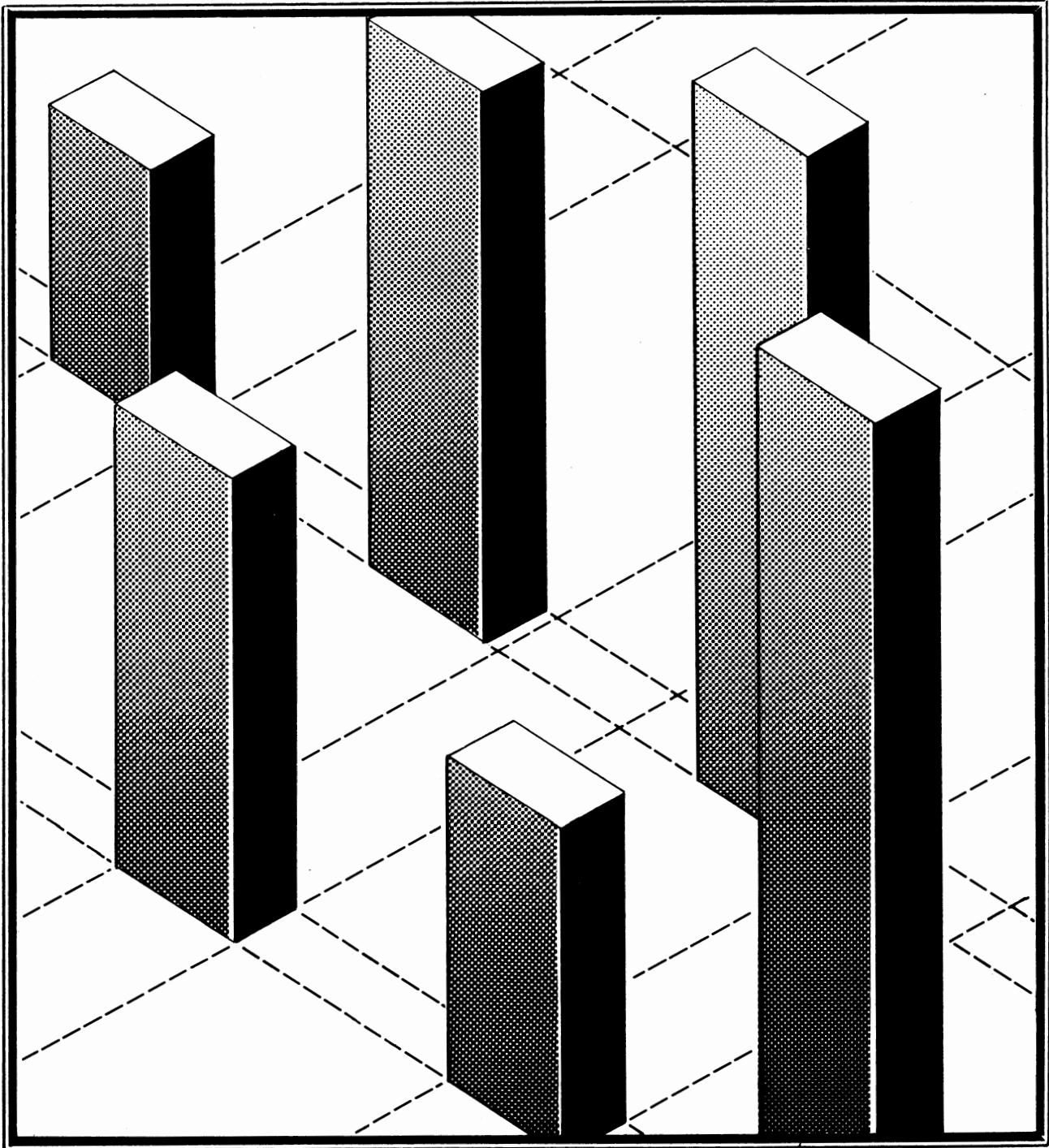


U.S. Department of
Transportation

Financing for the Future

Changing Roles in Mass Transit

December 1987





The Council of State Governments is an organization serving all branches of state governments—created, supported, and directed by them. It conducts research on state programs and problems; maintains an information service available to state officials and legislators; issues a variety of publications; assists in state-federal liaison; promotes regional and state-local cooperation; and provides staff for affiliated organizations.

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Financing for the Future

Changing Roles in Mass Transit

Final Report
December 1987

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Prepared for
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Urban Mass Transportation Administration
U.S. Department of Transportation
Washington, D.C. 20590

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The National Advisory Task Force on
Dedicated Taxes for Public Transit

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CHANGING ROLES IN MASS TRANSIT**

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FOREWORD

The Council of State Governments is pleased to release Financing for the Future: Changing Roles in Mass Transit. With this publication, The Council documents and analyses mass transit funding sources both past and present, and looks at their potential for the future.

Lexington, Kentucky
March, 1988

Carl W. Stenberg
Executive Director

NATIONAL ADVISORY TASK FORCE ON DEDICATED TAXES FOR PUBLIC TRANSIT

The National Advisory Task Force on Dedicated Taxes for Public Transit was appointed by the Council of State Governments and met twice during the course of the investigation which led to the completion of this report. Task Force members provided invaluable aid and knowledge without which the project would have been nearly impossible. Task Force members also assisted with preparation for the final conference at which the report was released. The conference was held in conjunction with The Council of State Governments annual meeting in Boston, Massachusetts in December of 1987.

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Part 1

**States Working with
Federal and Local Governments**

Chapter 1

Changes and Trends

Chapter 1

CHANGES AND TRENDS

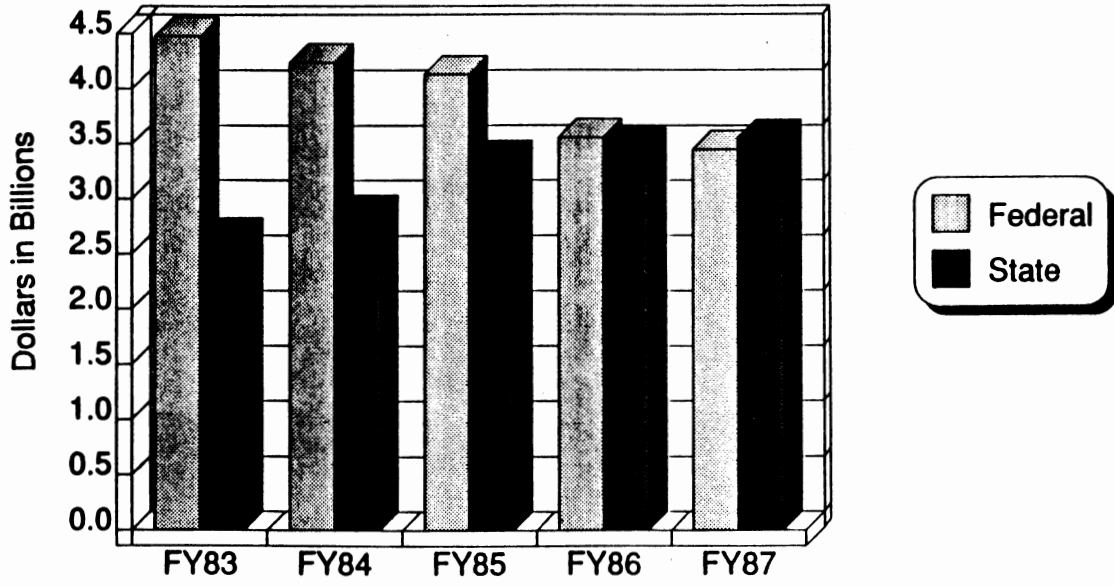
This report begins with a look at the recent history of mass transit, focusing especially on the evolving financial dilemma faced by Federal, state, and local governments as they seek to fulfill the American public's transportation needs.

Transit is big business. Altogether in 1984, it was almost a \$16 billion industry. Most of the money was spent in urbanized areas of more than 50,000 people, although nearly \$2 billion was paid out to serve non-urbanized areas with populations below that level.

Of the total, \$4.4 billion came from fares and other transportation revenues; the rest came from some sort of subsidy whether from the Federal government, the state government, or some local entity (Public Works, 1987).

A recent American Association of State Highway and Transportation Officials (AASHTO) survey indicates that total Federal and state funding are now about equal (Figure 1), due to a decline in Federal funding which has been partially offset by increased financial involvement by the states. In the future as Federal funding drops even further, states will undoubtedly have to play an even more aggressive part in providing money for public transportation. This will only come, however, with considerable assistance from local governments, transit users, and private initiatives.

State and Federal Financial Aid
For Public Transportation

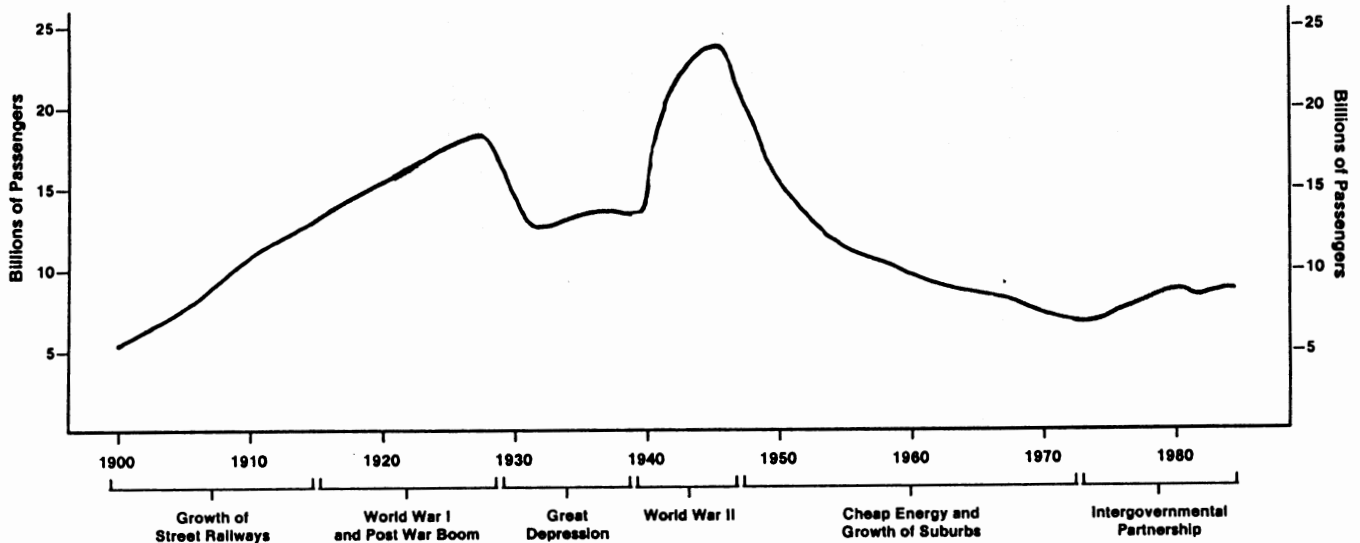


Source: 1987 Survey of State Involvement
in Public Transportation, 1987 AASHTO.

Major Trends in Transit Ridership

This century has seen transit ridership go through six major cycles of growth and decline, each influenced by social and economic forces outside transit itself (See Figure 2).

Figure 2: Major Trends in Transit Ridership



Source: 1985 Transit Fact Book, 1985

From 1900 to 1929 transit ridership grew steadily, first due to technical innovation and investment opportunities during the early years of the street railways, and then due to the economic boom of World War I and the post-war period. Ridership declined greatly during the Great Depression, as people made fewer work trips and often could not afford to travel for pleasure. Although electric utilities had often subsidized electric trolley transit in the past, the Interstate Commerce Act of 1920 included provisions which had the practical effect of limiting that ability.

Along with World War II came motor fuel rationing and an economic boom for transit that led to rapid new growth in ridership. Yet once the war was over and people fled to the suburbs, spurred on by cheap fuel and government policies which favored low-density suburban growth, ridership quickly declined from its wartime peak.

For transit, the basic problem was this suburbanization of America. Between 1950 and 1980 the populations of the country's ten largest urban areas dropped by more than 35%, compared with a rise of more than 60% outside the central cities -- a trend which seems to be continuing (New Directions, 1985). Moreover, employment in the suburbs began growing faster than within the cities, with the result that most commutation is now lateral -- that is, commuters live and work in the suburbs and their work travel patterns don't take them into the cities on a regular basis.

Thus began a difficult time for transit, as it signaled the end of simple route design. Hub-and-spoke routes, long the traditional structure of large urban public transit systems, were no longer appropriate. Instead the new travel patterns went in every direction -- not only into and out of the major cities, but also all through and around the suburbs surrounding them. In the words of the Rice Center report (New Directions, 1985), they "resemble Brownian motion -- they appear random in nature and are taking place in every direction at once." And as Secretary of Transportation Elizabeth Dole points out in her Report to Congress (1987), these kinds of travel patterns are "much more difficult and expensive for mass transit to serve than dense central cities and central business districts."

Systems that couldn't or wouldn't adjust to the changes found themselves in serious trouble. Fixed rail systems were the first to find themselves fighting for their lives, but the same was often true of other forms of transportation.

Then in 1973, on the heels of the OPEC oil embargo, the ridership cycle reversed once more until it evolved into what the graphs now show. The slow but steady growth that began in 1973 was initially based on the Federal perception that mass transit had some strategic importance, yet came to include a host of subsidiary goals that changed the nature of mass transit provision radically.

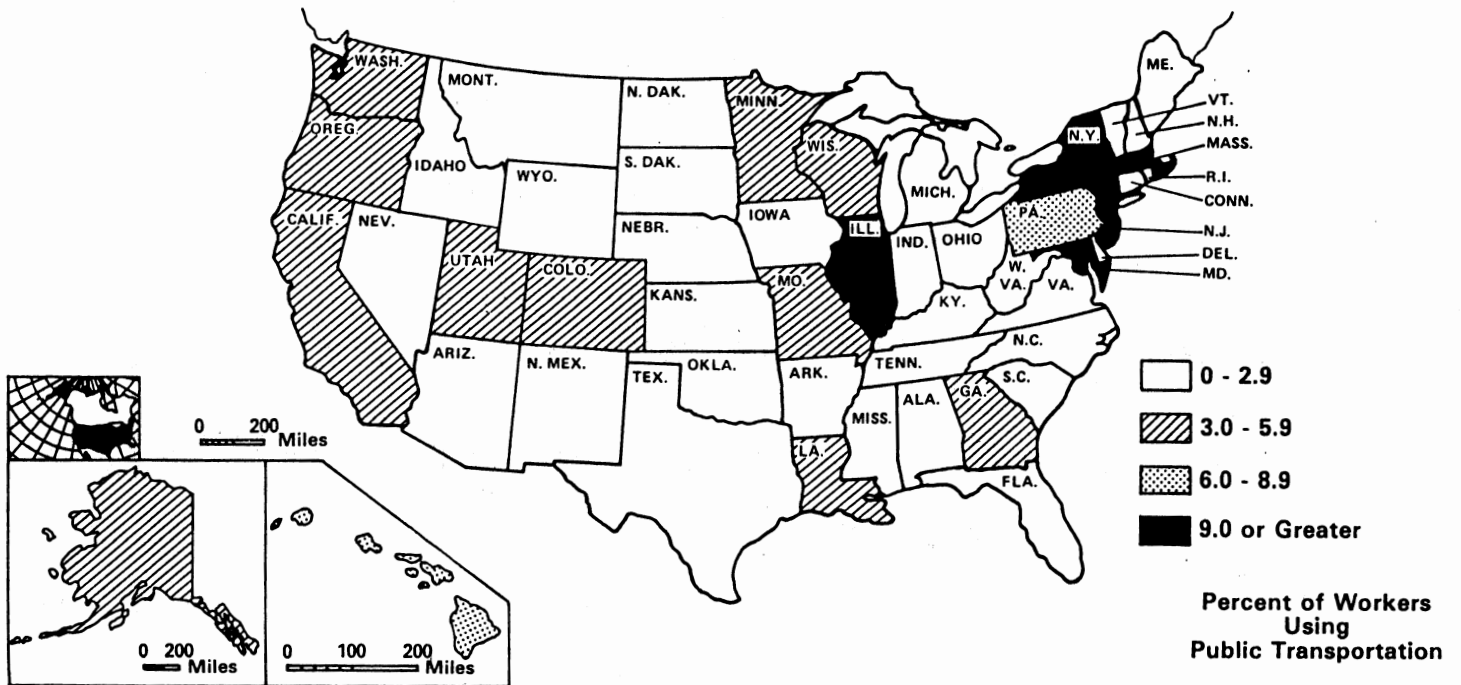
The new goals started by recognizing that good transit services are important to many segments of society, then went many steps further. Mass transit was going to revive America's decaying downtowns, for example. Along the way it would reduce air pollution and traffic congestion, conserve energy, and give the elderly and disabled access to a world that had long been denied them (Kirby, 1987).

Obviously this didn't happen, or at least not as it was envisaged. The biggest reason was because the state and local governments forbore raising the necessary funds and enacting the necessary policies which would have supported mass transit more effectively (Kirby, 1987).

One of the biggest pushes towards modern-day mass transit is, of course, urban congestion and the problems of trying to move effectively around a metropolitan area where tens or hundreds of thousands of people are all trying to do the same thing at the same time. Gridlock -- once the sole property of places like Manhattan -- is now coming to beset all our central cities as well as many of their suburbs. Better mass transit is probably the only reasonable solution on the horizon.

Figure 3 reveals some interesting trends. (Note that states are used for reference points rather than cities for two reasons: this is a state-based study, and total ridership within a state affects the way its leaders define their states' transit concerns.)

Figure 3: Public Transportation Use by State



Adapted from: The Status of Nation's Highways, 1985

Most states with high usage rates are in the northeast and, as expected, statistics show that policymakers in these states have the highest relative concern for public transit issues (Transportation Policy, 1987), as will be discussed in Chapter 4. Mass transit systems in the south and far west will undoubtedly become more politically and economically important in the future, though, as the rapid population growth these states are now experiencing leads to urban congestion and the need for such systems (Status of Nation's Highways, 1985).

In 1980, 61.8 million workers lived in the nation's urbanized areas. Of these, 5.9 million persons (9.5%) used public transportation to get to work. Almost 3.7 million persons (5.9% of all people, or 62.7% of those using public transportation) rode buses; 1.5 million (2.4%/25.4%) used subways; 500,000 (0.81%/8.5%) traveled by commuter railroad; and 130,000 (0.021%/2.2%) went to work by taxicab (Transportation Planning, 1985).

In 1984, despite the fact that mass transit's share of the absolute number of commuters had risen, its proportional share had dropped slightly to about 9% (Report to Congress, 1987). This represented 5.1 million workers making 8.9 billion individual trip segments. Looked at another way, mass transit accounted for 2.77% of all local passenger miles of travel, and 4.75% of all travel done by urban residents.

Yet the statistics about transit use do not point to the real public transportation needs that exist in both urban and rural areas. Every community has groups of people who depend on mass transit -- people whose age, health, income level, or lack of a car force them to rely on some form of public transportation. Rural and small urban areas in particular contain some of the largest concentrations of these groups.

As Valente notes (1982), "In large urban areas public transportation serves not only a social function, in terms of providing mobility for transit dependency people, but also economic and environmental ones. A good transportation network, including public transit service, is essential to economic health, development, business, and retail activity."

The Government in Transit

Federal involvement in transportation markets has undergone considerable change during the past 20 years. Until the 1960s mass transportation had a large private sector, whereas today most urban transit systems are publicly owned and operated (Fisher, 1984). While the shift from private to public operation had many causes, the overriding ones were probably the decline in ridership plus the public's demands for more and better services than the highly regulated, non-subsidized private enterprises could offer or afford.

The mechanics of the private-to-public transition varied from city to city, but were usually through public buy-out or take-over after the private system verged on economic collapse. The rough economic times that preceded the transfer meant that the acquiring government typically received a depleted, decapitalized system, the result of non-reinvestment and lessened maintenance during the final, declining years of private ownership. Nor was it unusual for the restrictive regulations that presaged the changeover to result in routes that were outdated and totally out of line with current living and/or working patterns.

Along with the troubles with routes, facilities, and equipment, the new owner often found itself the proud possessor of inflexible labor contracts created outside the normal collective bargaining process that governs public employees. Many of these contracts bore little relation to the system's real needs.

Unrealistic public perceptions about what the new public organization ought to be able to provide often compounded the problem. In short, the transition was never smooth, and in fact was often quite rocky.

Because these private/public transportation problems were happening all over the country, the Federal government began to get directly involved in financing the transition. In the beginning it provided large capital subsidies as a kind of emergency assistance, which allowed cities to purchase the assets of their local transit agencies and to replace dilapidated equipment. Later, subsidies were created to cover operational costs.

Ultimately the temporary assistance became permanent, of course, and the amounts involved grew by leaps and bounds. Yet the Federal government's major involvement in transit services only served to highlight most states' relative non-involvement. By 1984 the Federal share of capital support was 61%, versus 16% from the states and 23% from local governments. In contrast the Federal government paid only 9% of operating costs in that year, compared with 16% and 24% from the state and local governments, respectively (Kirby, 1987).

In most urban areas, transit advocates of the early 1960s were forced to bypass their state legislatures, which at the time were largely dominated by rural interests. This view by state legislatures began to change with the U.S. Supreme Court cases of Baker v. Carr (1962) and Reynolds v. Sims (1964).

These landmark reapportionment cases and their "one man, one vote" rulings meant that state legislatures, which had traditionally been legislatively apportioned to give rural interests more voting power while neglecting urban needs, were now forced to switch their focus. With the cities' increased political power in the state legislatures came the citizens' demand to their states for programs to renovate and expand transit systems.

Yet while these court decisions had already been handed down by the Supreme Court, they weren't fully implemented by the states until the 1970s. Throughout the early years of Federal involvement in transit, urban interests were still circumventing their state governments and taking their problems directly to Washington DC.

This urban habit, born of necessity, is slowly changing. The change is reflected in the gradual shift in what people think the government's role should be in terms of public transit. From the beginning this change in perspective appeared to foreshadow the trends that eventually limited the use of Federal resources: the deficit problem, Gramm-Rudman, and a perspective that other Federal priorities should receive greater attention. The void left by the cutbacks in Federal public transit emphasis has been filled, partially and not uniformly, by increasing quantities of state aid to transit, as well as by adding in more local government funding and trying to make the farebox pay more.

The policy change at the Federal level has raised several new, critical questions about public transportation's goals and objectives. As competition for funds becomes more intense at all levels, these factors assume paramount importance:

- * What purposes does public transportation serve? In some cases it is a social service, while in others it is a fundamental building tool for urban areas.
- * Who needs these services? Is the primary recipient a person who has no other way to get where he's going, in which case transit becomes part of the social safety net, or is he a person who simply finds mass transit more convenient?

- * Within the public and private sectors, who is best equipped to provide and pay for services? Typically this is a 2-, 3- or even 4-way mix of governmental and non-governmental entities. And finally,
- * How can the transportation system be structured so it can accommodate a variety of needs in a cost-effective, efficient manner?

Each of the preceding questions must be answered at all levels of government which work with transit services. The states must address them, particularly in light of their historic "catch-up" role. Either with action or by default, all states review these questions in their legislative sessions. The relative importance that transit issues and outcomes hold varies from state to state. In this context many forces --local and Federal, public and private -- combine to create an environment in which a particular state's funding mechanism develops. These will be discussed later in this report.

The Federal Government's Role

In 1964 the Congress of the United States found that "the welfare and vitality of urban areas, the satisfactory movement of people and goods within such areas, and the effectiveness of housing, urban renewal, highway, and other Federally-aided programs are being jeopardized by the deterioration or inadequate provision of urban transportation facilities and services"

As mentioned, to remedy this situation Congress passed the Urban Mass Transportation Act of 1964, which provided a way for transit systems to buy much-needed capital equipment.

Later laws had the Federal government continuing its capital assistance until it eventually found itself picking up almost 80% of the transit industry's tab for capital expenditures: more than \$29 billion through FY 1985, and \$2.5 billion in that fiscal year alone. In contrast all the states and local governments put together made only about \$8 billion in total capital investments, of which \$500 million was spent in fiscal 1985 (Report to Congress, 1987).

This heavy investment in capital was also accompanied by greater and greater Federal operating subsidies.

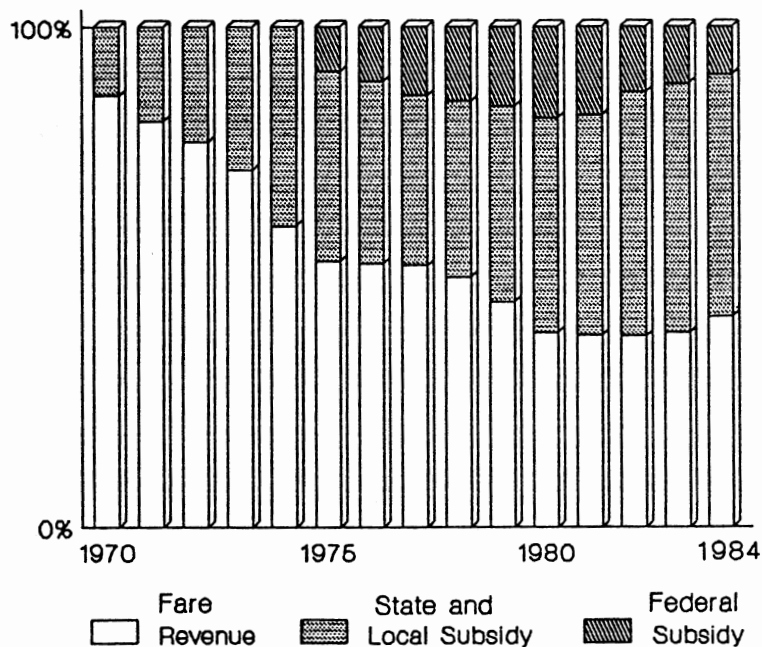
That was the situation until recently, anyway, when President Ronald Reagan took office and expressed his intent to return to federalism -- that is, to a Federal government limited in size and scope and one in which the states are stronger and more responsible for whatever happens within their boundaries (Federalism, 1986).

The idea is that the states will concentrate only on meaningful, cost-effective programs and projects. Money will be distributed more equitably -- what the states collect will stay in the states. And less money will be wasted because the states will look harder at uses for their own money, rather than simply competing for every possible Federal dollar.

For transit and other programs, this means that there will probably be less and less Federal money available to fund any part of the system -- capital or operating. In fact this is already happening in transit, notes Secretary Dole: "Users are now picking up an increasing share of costs (after years of decline) and State and local governments are covering an increasing share as well" (Report to Congress, 1987).

Figure 4 looks at the changes from another direction. Whereas 17 years ago fares paid virtually all of transit's operating expenses, that proportion has declined dramatically until they covered less than half in 1984, and sat on a par with the total of state and local contributions. Note that Federal subsidies for operating expenses started only in 1975 and in the ten years shown on the graph, never paid more than about a fifth of the actual costs. That trend of diminishing Federal subsidies continues.

Figure 4: Sources of Transit Operating Revenues, 1970 to 1984



Percent of Operating Costs

Source: APTA Fact Book and UMTA Section 15 data, as quoted in The Status of the Nation's Local Mass Transportation: Performance and Conditions, Report to Congress, 1987.

Current Federal Funding Programs

The U.S. Department of Transportation (USDOT), through its Urban Mass Transportation Administration (UMTA), administers the Federal transit assistance programs established by various sections of the Urban Mass Transit Act of 1964, as amended.

For instance the Urban Mass Transportation Assistance Act of 1970 committed the Federal government to spend at least \$10 billion over the next 12 years. It gave local planners the confidence and flexibility they needed to adapt and run their programs, and also authorized certain amounts to be set aside to finance programs to aid the elderly and persons with disabilities. (Weiner, 1986).

By the late 1970s Congress had expanded the Federal program to allow transit projects to be substituted for highway projects. Operating subsidies were provided for, and capital and operating assistance were expanded to serve small and rural areas.

There are several other laws dealing with mass transit, but the most recent significant one is the Federal Mass Transportation Act of 1987. This new authorizing legislation for Federal transit expenditures caps Federal spending at 1987 levels, and continues funding for several large projects such as the one in Los Angeles. This Act and its implications will be discussed a little further into the report.

Appendix A chronicles some of the landmarks in the development of Federal transit policy.

During FY 1986 transit systems will receive most of their funding through four ongoing programs as well as the budget authority still available from two discontinued programs. (The FMTA of 1987 created a new formula program, Section 9(b), effective in FY 1988). Most of these programs allocate funding to areas or states by a formula that is based on population. See Appendix B for details of the current Transit Assistance Programs.

- * Section 3: Provides discretionary funding of public agency capital projects on a matching basis.
- * Section 9: A formula program for block grant funding of transit activities in urban areas. A specified amount of the funds may be used to support some of a system's operating deficits, or all funds may be used for capital projects or transit planning projects on a matching basis.

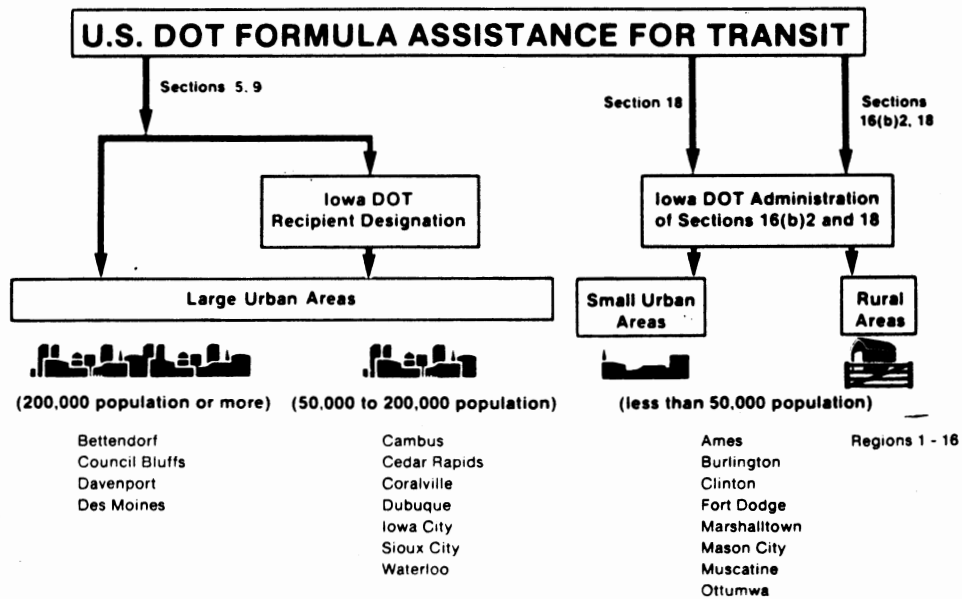
- * Section 16(b)(2): Allows states to administer discretionary funding for capital projects by private non-profit providers if these projects provide transit for the elderly and handicapped. It is a matching program.

- * Section 18: Supports transit activities in rural areas. The money may be used to support a system's capital projects or operations. States administer the funds to local recipients.

Where the Federal Dollars Fit

Federal transportation funds available to states are often administered through a designated state transportation agency. Figure 5 diagrams the process for the State of Iowa, and Appendix C has a further breakdown of the figures. In Iowa, funding for public transit activities is programmed at nearly \$36 million in fiscal 1987. Of this total, \$2.4 million will come from the state, \$8.4 million from Federal transit assistance programs, and \$25.2 million from local sources such as user fees (farebox and contracts), local taxes, and other local resources.

Figure 5: Federal Formula Assistance for Transit



Adapted from: Transit Projects FY 1987 (Iowa), 1986

For Iowa, this shows the relatively insignificant amount the state contributes to quality transit. To its credit, Iowa recently increased its contribution substantially. But even so, the state portion will be less than what the Federal government provides, and far less than that from local contributions.

Yet Iowa is not the norm. In fact, there is no norm in either how state finance is set up and run, or in how much a state contributes towards its transit systems. Some states, particularly in the northeast, counterbalance Iowa's relatively small contribution with sums much greater than those they receive from Federal sources.

Appendix D shows how Congress allocated funds for UMTA, and gives the breakdown for each budget category in FY 1987. The competition for Federal dollars has resulted in a total FY 1987 allocation of just over \$3.4 billion, which while large is nonetheless down almost \$100 million from the previous year.

State Support

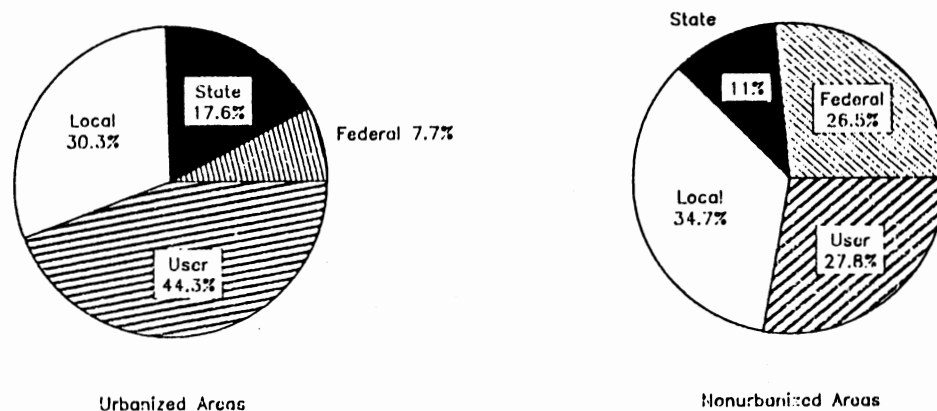
State funding for public transportation in FY 1985-86 finally reached a par with the amount contributed by the Federal government, according to AASHTO's 1986 Survey of State Involvement in Public Transportation. The survey shows that in 1986, 44 state transportation agencies provided financial assistance totaling \$3.5 billion.

According to the report, the shift in proportions of state and Federal aid to transit has been a result of the decline in Federal funding, which has forced states to increase their funding. As Figure 1 showed, all Federal aid to public transportation -- capital and operating -- dropped \$1 billion, from \$4.5 billion in FY 1983 to \$3.5 billion in FY 1986. State aid to public transportation, on the other hand, closed much of the gap by rising from \$2.7 billion to \$3.5 billion during that same period.

States may be reaching the limits of their abilities to absorb the impact of the decline in Federal aid, however. The data collected by AASHTO shows that the rate of growth of state funding, which has been substantial since the survey began in 1980, has slowed dramatically: ten states are actually providing less funding this year than they did last.

The AASHTO report also depicts trends in how operating costs are distributed among Federal, state, and local governments, and those who ultimately use the public transportation provided (Figure 6). On a national basis states pay 11% in non-urbanized and 17.6% in urbanized areas, while local governments provide an average of 34.7% of transit costs in non-urban areas and average 30.3% in those which are urban. Users pay 27.8% in non-urban areas and 44.3% in urban areas. Federal funding accounts for 26.5% in non-urban areas and 7.7% in urban areas.

Figure 6: Operating Cost Distribution



Source: 1985 Survey of State Involvement in Public Transportation, 1985

The big differences are in Federal and user contributions. The Federal government pays 26.5% of the operating costs in non-urbanized areas, but only 7.7% in those which are urban. Transit users, on the other hand, pick up an average of 27.8% of the costs of operation in non-urbanized areas versus 44.3% in urbanized locations.

Appendix E breaks down FY 1986 operating expenses for each state. Those recipients of a high proportion of Federal operating assistance were: Kentucky (59%), Maine (50%), Alabama (39%), Mississippi (37%), New Hampshire (36%), North Dakota (35%), Oklahoma (35%) and Vermont (35%). Note, however, that while the proportions are high, most of these dollar figures are actually relatively low.

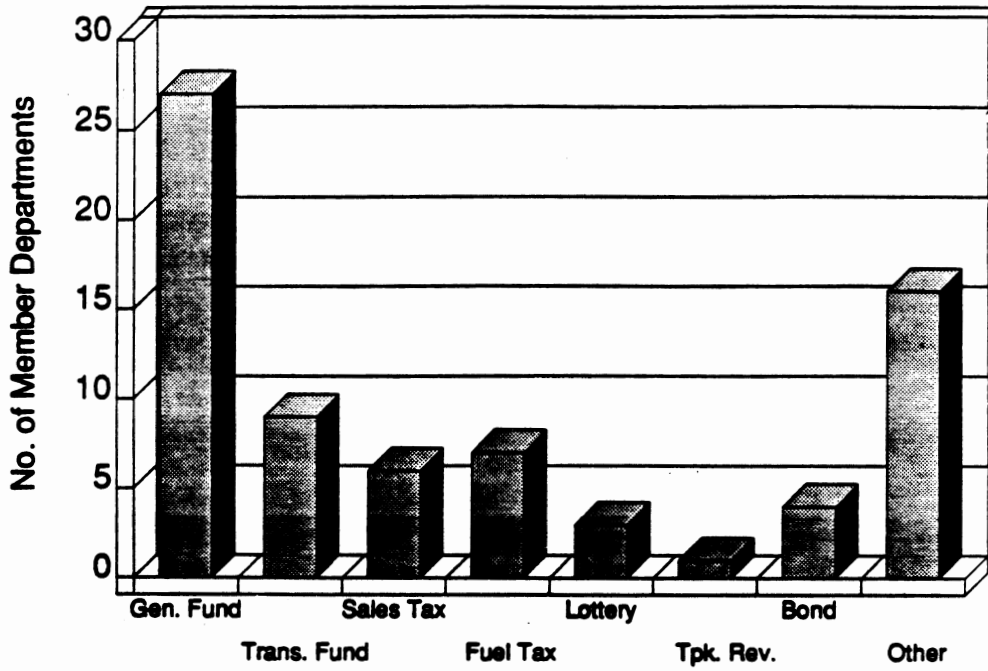
States receiving a great deal of their operating expenses from the states themselves include Massachusetts (47%), Connecticut (44%), Puerto Rico (44%), Wisconsin (38%) and California (34%). Although these dollar figures tend to be much larger than those provided by the Federal government, it is important to recognize that according to the AASHTO survey, almost half the states (21) provided nothing at all towards the costs of running their transit systems.

Local aid paid at least half the operating costs in Alaska, Georgia, Missouri, Montana, New Mexico, Ohio, Oregon, Utah and South Dakota. Farebox and other operating revenues ranged from 15% in Montana to 58% in Pennsylvania and 59% in New Jersey.

Figure 7 illustrates the fact that in 1986 the most heavily used source of funding for public transportation was the state general fund, although some states did use some or all of dedicated transportation funds, sales tax revenues, fuel taxes, lotteries, tolls and other related fees, bonds, and other funding sources.

State Funding Sources

Figure 7: For Public Transportation



Source: 1987 Survey of State Involvement in Public Transportation, 1987. AASHTO

Chapter 2

Alternative Financing Mechanisms

Chapter 2

ALTERNATIVE FINANCING MECHANISMS

Many states, cities, and transit systems have fallen back on alternative revenue sources to finance their transportation projects. These include private participation in financing, new debt instruments, contracting arrangements, donations, lotteries, and benefit assessment districts. Both traditional and alternative sources of funding mass transit have received the attention of a number of recent studies.

The American Public Works Association, in their booklet Paying for Transportation at the Local Level (1984), analyzes 17 mechanisms for raising local transportation dollars. These include: highway-related revenue from property taxes; motor fuel taxes; motor vehicle fees and taxes; parking taxes; tolls; local sales taxes; income taxes; bonds; impact taxes; street utilities; billboard advertising and advertising on other public facilities; state lotteries; contracting out work; leasing arrangements; employer subsidies of transit fares; and developer financing. When tied to effective policies, these revenue-generating mechanisms can bring about the support that public transportation programs require.

Yet another way to classify this breakout is a revision of the one the Transportation Research Board did in 1985 (see Appendix F):

Revenues specific to transit begin with transit fares, but also include service contracts for specific groups such as school children; charter services; non-fare enterprise revenues; and land banking.

User fees sometimes have transit applicability. Like all fees, transit user fees are levied against those who have an impact on the transit system, in this case the user. These fees may be assessed against vehicles, the fuel used to run them, or the parking space in which they sit; they can also include tolls on roads or facilities.

In this case, what's listed as non-user general taxes for transit are actually taxes levied on the general population: property, income, sales, utilities, "sin" purchases, and severance. This category also encompasses lotteries.

Special benefit fees deal with a property's added value because of a transit system's location, and include tax increment financing, special assessments, impact fees, and service charges.

Under private financing are a number of options, depending on whether ownership is public or private.

With public ownership developer financing, negotiated investments, and private ownership and private donations are possibilities.

When ownership is within the private sector, alternatives include total private ownership and leasing or selling rights or facilities.

Transit may also be publicly financed yet privately owned, as is the case when services are contracted out.

Another possibility is debt financing using bonds, certificates, notes, leasing, and vendor financing.

Revenue enhancement techniques encompass both budget indexing and accounting system and cash balance management.

When considering how these funding sources can be applied, it is always important to remember that what works well in one community may not work at all in another. Regional differences, political structures, prevailing ideologies, spatial factors, and economic bases all limit the types of mechanisms that can succeed in a particular area.

These facts also make it imperative that local and state governments look closely at what benefits are being sought, what the probabilities are for success, and what can get in the way of adopting a new and better financial plan. Many questions need to be asked and answered.

Does enabling legislation exist at the state level? If not, can it be enacted? What does or would it look like, generally? Is it broadly drafted, generally applicable across the state, or is it so narrowly written as to meet the needs of only a few select jurisdictions? Does it offer a variety of funding options, or is it tied to one or two taxes? Is the taxing authority vested with local officials, or does it require a referendum?

Is the tax to be levied state-wide, or by benefit district or some other regional configuration? What's the state's role in administering the tax -- the actual collection, or merely administrative support for the local or regional government? How is the revenue to be distributed -- simple pass-through from the jurisdiction, back to the jurisdiction, or by a population or ridership formula? Does the formula encourage the local entity to continue its funding efforts, either at the farebox level or through local taxes?

Is the law structured to encourage long-term planning over several years, or does it have short-term blinders? Does it permit, and not preclude, private solutions to transit needs? Does the state provide means by which management and organizations can improve, either within the aid system or as a condition of receiving that aid?

What is the local economy on which the financial plan is based? Is the industry mix cyclical or relatively stable? A cyclical type of business environment such as in a college town may require a different kind of financial system than one which will basically stay the same season after season. Local economic stability, too, makes a difference in the structure of the local support system: an area plagued with periodic industrial layoffs, for example, may have to incorporate that contingency into its base financial plan.

To what extent should the user, as opposed to the taxpayer, support the local system? This answer will vary from community to community, based on perceived social costs and benefits. Variables are likely to include the community's perceptions about special ridership contingencies such as the elderly, the disabled, and single women with families, as well as the system's structure and how it supports the overall economic fabric of the community. A theoretical economic discussion of this question appears in Appendix G.

What is the best way to configure the system, based on passenger convenience and the community's ability to support the system financially? Are trips generally short or of the long haul variety? Do people mainly travel a corridor, or use a hub-and-spoke, or go in all directions? Are trip densities sufficient to support a fixed guideway system without extensive subsidies? An existing corridor might be a good candidate for a fixed guideway system, for example, though flexible and/or rapidly changing routes would probably work better with buses, carpools, or some other readily adaptable approach.

What are the political parameters? Can support be generated for state or local taxing legislation for transit? Will municipalities cooperate in implementing a financing approach? How strong is support for transportation expenditures? It is almost impossible to succeed, even with the best of plans, if the government and the public -- the potential funders and the potential users -- are not behind the plan.

Don't stop there. Add enough other questions to make sure the situation, pro and con, is clearly understood and that the proposed solutions deal with all of them.

Local Government Initiatives

Local governments are beginning to respond to Federal divestment by opting for alternative, less expensive ways of providing urban transportation services. In an article directed at local transportation officials Kemp (1982) describes some of the approaches communities use.

Some have **public agencies contract for services from private operators** who can provide them at a lower cost than if the public transit system were involved, always assuming that the private options haven't been inadvertently precluded by regulation and/or legislation. Specific examples include:

- * Using private taxicabs to provide shared-ride and demand-responsive services where the demand densities do not warrant fixed-route service, an approach common in California, Michigan, and elsewhere;
- * Replacing fixed-route bus services by shared-ride cab services, as they do in Norfolk VA and Phoenix;
- * Giving private bus companies operating rights to particularly unprofitable fixed routes, as they have done in Boston and London, England; and
- * Contracting with private bus and cab firms to either operate specific routes, as they do in Johnson County KS, or to provide peak-hour supplements to transit authority services so as to reduce the degree of supply-peaking needed by the transit authority -- so-called "peak load shedding."

Flexibility is the key, not only in the legislation that allows for potential cost-saving approaches, but also in the thinking which comes up with alternatives that have previously been unsuspected. A success story with a twist is the extensive Montgomery County MD "Ride-On" minibus system, which is operated without any Federal assistance. It is a primary example of a situation where **individual political jurisdictions opt out of area-wide compacts in order to provide cheaper services themselves.**

That the local government had to get back into the transit service directly in order to assure that a low-cost solution was implemented points at an inflexibility in the regional governance structure, but in no way reflects badly on the Montgomery County experience itself. Not only should non-traditional low-cost alternatives not be excluded, they should be encouraged by both the authorizing covenants and the transit agencies' management structures. Shared-ride cab services and bus services purchased from private operators under contract are two more moves going the same direction.

Along similar lines a third option is to **amend the monopoly operating rights of transit authorities and taxicab medallion holders, to allow competing services.** Whether deregulation is on the state or city level, opening up bus services and allowing competitive bidding for the right to provide these services can and has led to positive changes.

Examples now exist in Hudson and Essex Counties NJ, as well as in several American cities in the south, of the revival of jitney services and/or private bus route associations. San Diego, Portland, and Seattle have all had limited entry deregulation for taxicabs in recent years, and in San Diego some jitney services have been legalized. Again, it is probably necessary to review state as well as city regulatory statutes.

Kemp's fourth approach **vests subsidies in service users, rather than service providers.** Social welfare goals for public transportation can be achieved by "user-side subsidy" schemes currently in use in West Virginia, New Jersey, Milwaukee, and other places in which identified groups can buy reduced-price tickets, scrip, tokens, or "stamps," and then use them as cash toward travel on a variety of transportation. This allows users to "vote their subsidy" on the routes and services they prefer. Those who draft state farebox recovery legislation must be certain that the measures are broad enough to allow for these techniques.

In response to major fare increases and service reductions in 1981, long-distance suburban **commuters in the Chicago metropolitan area organized to charter subscription commuter services.** The groups charter school or inter-city buses to provide subscription services for more than 5,000 daily commuters at a price below that offered by the Regional Transit Authority.

The number of bus runs has grown rapidly, and New York and Los Angeles now have similar systems. Once more, however, this type of entrepreneurial activity could easily be thwarted by restrictive city or state regulations, whereas if it is allowed or actively encouraged it can open a new market niche that might otherwise have gone unfilled.

Sixth, **public agencies may actively promote ride-sharing.** Given the number of commuters for whom traditional mass transit is simply not practical, using public funds for starting and promoting ride-sharing schemes may be one of the most cost-effective policy options available in many cases. Governments and/or transit agencies can also play a third-party role in providing ride-sharing vehicles and management, as happens with Tidewater Regional Transit in Norfolk VA.

Kemp's final possibility is that of **fostering private sector financing roles.** A number of private sector groups -- particularly various employers and retail and service interests -- have strong financial interests in having public transportation available for their employees and customers. Programs such as transit pass subsidization, ride-sharing schemes, joint promotions, and the like have been devised with the aim of obtaining private financial support not only for operating costs but also, in some cases, for capital costs such as those for joint development, value increment taxation, innovative forms of public-private bond financing, and so on.

There is no longer an option about whether private sector financing for transit is necessary; rather, the questions now are "how much" and "in what form." Voluntary private/public coventures are discussed extensively in Part 2 of this report.

More draconian approaches are already being used in areas where a perception of public crisis is evident. One example stands out in California, where the city of Pleasanton was faced with monumental congestion along a particular corridor. A strongly-worded ordinance was passed which ultimately required all businesses within the corridor to commit financially to a package which included some of the private/public solutions described above.

Privatization

Strictly speaking, privatization means turning a publicly owned enterprise over to a private owner, and has emerged as a management efficiency issue at all levels of government. Private services have been discussed for situations ranging from hospitals to prisons, from water systems to fire protection.

Public transit, naturally, is part of the discussion. As an industry that was once within the private realm, its part in privatization is especially subject to debate.

The debate, however, need not be entirely ideological. Just as governments have determined that there are many things it just doesn't do well, so, too, does business have its practical operational limits. Running at a loss is one of them.

Seen from a management and policy perspective in what is now largely a publicly owned industry, privatization should be viewed as a way to:

- * stretch scarce public tax dollars
through contracting or subsidy techniques;
- * avoid the use of tax dollars completely
by allowing private enterprise the opportunity to provide potentially profitable service through arrangements not easy to manage or structure by government;
- * streamline public transit delivery
by reducing political decisions in the delivery process.

Yet privatization should not be viewed as monolithic -- that is, not all its situations and solutions are necessarily carved from the same whole. Privatization can often be the simple change in regulations that allows something to occur outside the public sector, such as the process of de-monopolizing transit in an urban area. While this action can squeeze the transit structure to that which should, logically, be in the public realm, at the same time it can increase the variety of transit services available.

On the positive side privatization has had some successes -- the private donations that helped rehabilitate San Francisco's cable cars and supplied Maine's ferry system, for instance, and the large returns from special benefit assessment districts in Denver, Miami, and Los Angeles. Moreover, proponents of privatization point to the private sector's need to turn a profit as a goad to saving money and improving performance, while at the same time reducing demands on public funds (Public Works, 1987).

The flip side of the coin causes two primary concerns. One goes something to the effect that "the private sector failed before (in the 1960s) and the governments had to come in and bail it out in order to maintain essential transit services," even though that's not necessarily the way it really happened. The other is the fear that the private sector might be brought in simply "to do the wrong thing more efficiently" -- that is, that contracting out to the private sector in no way assures that the services being provided are the right ones, and may in fact divert attention away from the need to discover just what the public wants and needs (Public Works, 1987).

Another Approach

One transit system's responses to the changing needs of local communities are described by Warren Fiske in Mass Transit. The Tidewater Regional Transit (TRT) serves a five-city area in Virginia. The two core cities where TRT runs the bulk of its routes -- Norfolk and Portsmouth -- have declining populations. In contrast, the three cities that are experiencing rapid growth -- Virginia Beach, Chesapeake and Suffolk -- have large suburban areas and small population densities that make fixed bus routes all but impractical.

To survive, TRT has turned its attention to finding low-cost alternatives to fixed bus routes. It has provided vans to the suburbs, small trolley-like buses to transport tourists along the Virginia Beach resort strip, and double-decker buses to carry passengers on a 20 mile ride from the resort strip to downtown Norfolk's financial district.

A large part of its cost-saving strategy has come from leasing services from private companies, an effort that has marked TRT as one of the most innovative public transportation providers in the country. For instance, TRT has agreed to subsidize local cab companies which offer shared-ride service. It has also contracted with a private operator for ferry service across the Elizabeth River as a link between the downtown areas of Norfolk and Portsmouth. And rather than hang its head over declining bus ridership, TRT is now considering its most ambitious project ever: adding rail service to the double-decker bus route from Virginia Beach to downtown Norfolk, at a capital cost of \$125 million. See Part 2 for additional details.

Privately owned transportation enterprises are emerging as a major factors in urban transportation, now amounting to about 5% of mass transit costs (Report to Congress, 1987), and can successfully coexist with publicly owned systems. As David Young notes in another article in Mass Transit (March 1983), there exists within every major metropolitan area a substantial fleet of vehicles -- taxis, jitneys, liveries, and buses for school and charter -- that are not generally thought of as mass transit, but which could supplement the traditional mass transit system and provide it major relief.

In addition to providing services to low-density suburban areas of city neighborhoods that don't yet or no longer justify fixed route service using 40-passenger diesel buses, such irregular transit systems can cut costs tremendously by saving as much as 10% to 50% over what a public operator would have to charge to provide the same services (Report to Congress, 1987).

Chapter 3

**Policy and Funding Implications of the
Federal Mass Transportation Act of 1987**

Chapter 3

POLICY AND FUNDING IMPLICATIONS OF THE FEDERAL MASS TRANSPORTATION ACT OF 1987

The Federal Mass Transportation Act of 1987 strongly reinforces the Urban Mass Transportation Administration's (UMTA) "Major Capital Investment Policy" issued on May 18, 1984. In this previous standing policy, the process that applicants for UMTA discretionary capital funds must follow was clearly defined. In turn, the policy guidelines also defined the process that UMTA must follow in evaluating proposals and in allocating discretionary funds for major urban mass transportation investment projects. Major projects, for the purposes of this Federal policy, are defined as eligible capital investment projects costing \$100 million or more.

Under previously prevailing UMTA policy, and now under law, grants for "new start" major capital projects can only be made if they are based on a financial alternatives analysis (Statement of Analysis) and preliminary engineering evaluation. In addition, such projects must be supported by an acceptable degree of nonfederal financial commitment.

Local transit authorities and otherwise eligible sponsoring entities must show evidence that they have stable and dependable funding sources with which to construct, maintain, and operate the subject system and/or extensions. Finally, any approved new start project must be shown to be cost-effective in relation to other competing projects.

This chapter contains a more detailed analysis of the funding, service, and system management implications of the Federal Mass Transportation Act of 1987. Also, it examines the new Federal requirements for funding capacity verification. The results of these two evaluations are then applied to the fiscal frameworks of state and local governments to determine the future of state and local, public and private funding efforts in the American transit industry.

Implications of Recent Federal Transit Legislation

Funding for Capital Expenditures

The Federal Mass Transportation Act of 1987 authorizes \$17.8 billion in Federal mass transit aid for fiscal years 1987-1991 inclusively. While this money is subject to annual appropriation and limitation, the bill essentially authorizes current urban mass transit funding to increase at approximately 3% per year. Effectively, 40% of Section 3 capital discretionary funds (which are currently \$1 billion and increase to \$1.4 billion by 1991) are dedicated to new starts.¹ In addition, 10% of these funds remain as discretionary but unspecified.

Elevation of the "Local Match" for New Starts

In the case of new start projects, the bill reinforces the priority for funding projects whose local share commitment exceeds what the Federal guidelines had previously required. Specifically, the law states that "The degree of local financial effort is a particularly important criterion because it will encourage communities to make an extra fiscal effort." The term "local financial effort," by the way, includes all nonfederal funds from any source -- state, local, or private.

This step is particularly important, emphasizes Secretary Dole, because it is a move towards eliminating some of what she sees as having become abuses in the system. "Among the unfortunate results of the Federal funding process has been the practice of designing capital projects to assure that the maximum Federal funding is secured by each city. This process, completely rational from the perspective of the transit manager or local government officials, has allowed transit operators to make capital investment decisions without considering fully the merits of the projects involved or the ultimate costs of operating and maintaining them. The fact that the Federal government paid 75 to 80% of the cost meant that, from a strictly local point of view, nearly every project appeared worthwhile, at least in the short run" (Report to Congress, 1987).

Large local capital match will also stretch scarce Federal dollars and permit its support to spread around many more worthy projects. Developing stable and reliable sources for operating costs will also reduce the risk that after having made a very large Federal capital investment, local resources will not be available to maintain and operate the transit system.

1. Nearly \$85 million of the total Section 3 Mass Transit Account funds are set aside for other designated purposes. In addition, amounts beginning at \$100 million in 1988 and increasing in a step fashion to \$200 million of the Section 3 monies allocated above \$1 billion, will be blended and allocated as Formula 9B funds to be utilized for capital improvement purposes only.

Private sector urban development is also taken into account if private sector commits itself to recapture real estate values in order to finance either capital or operating costs. This indicates that local area private sector real estate developers actually believe in the project.

Ranking New Start Projects through the Local Match

Local financial effort is incorporated into the rating system in two ways. First, local capital overmatch is valued to the extent that it improves the project's cost-effectiveness index computed in terms of the Federal financial interest.

Another way pertains to the stability and reliability of the financial resources the system will need to operate and maintain itself once it has been built. In essence, this requires UMTA and its financial advisors to weigh projects against each other to determine the greatest worth. Among projects which rate similarly in terms of cost-effectiveness, UMTA will give preference to projects where long-term, dedicated sources of local funds have been committed to defray operating deficits.

By contrast, if a project must compete for funds in a general revenue stream which also pays for other municipal services, this would not enhance its standing. Until Federal operating assistance is phased out, any preferred agreement for a long-term limit on the amount of Section 9 funds to be used for operating assistance would be viewed favorably.

Cash vs. In-kind

With respect to where funds come from which are to provide the local share of a project's cost, applicants which use a "cash" rather than "in-kind" source of funding would be judged to be making the greater local fiscal effort. In any case, in-kind local share would not qualify for overmatch credit.

Stability and Reliability of the Local Commitment

The full funding contract (FFC) deals with many financial areas. Its terms and conditions will spell out how stable and reliable the local commitment must be towards financing the maintenance and operation of projects, including whatever support systems are necessary. It will address local commitment to dedicating sources of local funding which will defray operating costs, and include any agreement that limits the amount of Section 9 funds available for operating assistance.

Reimbursement Details

Other funding features of the bill involve advance construction, and credits for increased advertising revenue. Future recipients of formula and discretionary capital funds and interstate transfer funds will be permitted to incur costs locally before a Federal project is approved, then seek Federal reimbursement once approval is granted.

For the first time, interest earned on local bonds will be considered an eligible cost. However, before seeking advance construction approval a grant recipient must obligate all formula (i.e., Section 9) grant funding. Advertising and concession money which exceeds that collected in FY 1985 may be used as nonfederal match for both capital and operating assistance grants.

Funding Cap Accentuates Local Effort

In summary, the most recent Federal transit legislation essentially caps Federal funding at current, 1987 dollar levels, for the next five years. Since the legislation specifically commits to several projects such as the \$800 million earmarked for Los Angeles, there are very serious limits on how much discretionary funding is available for other new start projects. In all likelihood, this means that competition for grant dollars will require that much more than the traditional 20% local match come from private/public coventures, or from an increase in what state and/or local governments contribute.

Service/Operating Assistance

The level of annual UMTA operating assistance for small urban areas between 50,000 and 200,000 in population is being increased 32.2%, on a one-time basis, to make up for past losses attributable to inflation. Other eligibility adjustments for Section 9 formula funds for systems operating assistance were made to achieve parity between areas which, since 1980, have become qualified as urban. The level of operating assistance for medium- and large-sized urbanized areas will hold constant.

The Federal government is in the process of moving out of its current role in funding mass transit operating assistance. The reasons are many, among the most important for mass transit being those already mentioned: the deficit problem, Gramm-Rudman, and an acceptance that the Reagan Administration's New Federalism initiative has indeed taken hold.

Another is the thought that the Federal government may be the wrong entity to be initiating broad-based operating subsidies -- that it is too far removed, and too general in its approach, to appreciate the day-to-day nuances that make for truly efficient management. Federal operating subsidies, while a relatively small proportion of total operating expenses, "help finance inefficiency and perpetuate protection against the disciplines of competition" (Report to Congress, 1987) -- in short, because of their very nature and because of the strictures inherent in the allocation structure, operating subsidies may wind up costing money rather than providing true support.

Systems Management

Fiscal responsibility, cost efficiency, and revenue enhancement through increased advertising, vendors, and private/public coventure agreements are stressed in both Federal policy, and now by law as of the passage of the 1987 law. The need to rely more on state and local, public and private sources of capital and operating funding, means that transit authorities will have to work harder to match the resources available to them with the service demands which are more important.

If this leaves "holes" in the levels of transit service that can be offered, it in turn is apt to leave open a number of private contracting and service opportunities for taxis, jitneys, and conventional services. The result of the belt-tightening may be that programs which have already been proved effective, such as Transportation Systems Management (TSM) and many of the privatization demonstrations, will be expanded, better coordinated, and/or simply become the norm in the industry.

Long-range fiscal strategy planning will initially be required of all projects seeking discretionary grant funds. Within two years, all transit authorities will probably be asked to prepare the five-year "Financial Capacity Analysis" statement discussed next.

Financial Capacity Certification for Major Capital Projects

In its recent financial planning initiatives, UMTA has been laying the groundwork for a major shift in local funding emphasis. This will have a general impact on all transit systems, and a particular impact on those systems that want to add, improve on, or extend fixed guideway systems.

Technical Analysis Structure

There are two specific components to the Financial Capacity Analysis (FCA). The first is a general look at the financial condition of both the public transportation enterprise and its nonfederal funding entities -- that is, the appropriate state and/or local governments, plus any portion of the private sector that might be involved.

The second is a determination as to how well their available and/or dedicated funding sources are likely to be able to meet future operating deficits and capital costs.

The analysis includes four basic elements:

- * An overall project management program, combined with the development of a "Statement of Analysis." This is done much as the Alternatives Analysis had been when it was required.
- * An analysis of the overall transportation system, including short- and long-term ridership, as well as transit cost and revenue estimations and a Sensitivity Analysis of both the system capital and net operating cost estimates.
- * An overall financial analysis including: an assessment of local financial conditions; an estimate of local government revenues and non-transit expenditures; and an analysis of the local governments' financial ability to cover future costs. In addition, an analysis should be made of the non-transit revenue forecasts and future or ongoing sources of revenue, to estimate the probability that these sources will continue. If a shortfall appears, new sources of revenue must be identified.
- * The final report, which must include separate appendices documenting the whole process.

Policy Implications - Short Term

Over the short term, policy implications from the financial capacity and resource analyses requirements involve primarily long-range financial strategy planning for large transit authorities, but also include five-year Financial Capacity Analyses for all major medium-sized properties within the next two years. Most city governments are doing these analyses already, though, in order to remain eligible for the Environmental Protection Agency's (EPA) planning and block grant funds. Over the next two years, all eligible public transit agencies or city/metropolitan areas applying for UMTA discretionary funding for capital assistance will have completed a Financial Capacity Analysis.

Policy Implications - Long Term

Improving the Database

Over the long term, this UMTA evaluation and approval process may build the database required to develop the logic which will allow the Federal agency to modify private, local, and state funding structures. The goal, obviously, is for UMTA to be able to make better decisions about which projects should be funded, and at what level.

Ramifications for Local Policymakers

Local authorities, in their formal justification to UMTA for system expansions, will have to build in all possible state, local, public, and private resources available. To fail in this step will probably lose the projects' competitive edge for discretionary Federal financing.

Alternatives which will receive increased scrutiny as a result include: the various tax options discussed in Chapters 5 and 6 of this report; the scoping down of projects to their viable cores; the privatization of peripheral or core project components; and various private/public financial partnerships. Part 2 looks closely at the private/public coventure agreements by which transit systems can capture part of the increase in real estate values which come about when a fixed guideway system is installed, expanded, or upgraded.

In addition UMTA's policies may require significant upgrading of the financial management function at the local level. This would probably encompass hiring either a full-time financial advisor or outside consultants for certain professional services: strategy formation for bond placement, such as taking into account the fact that interest rates are now an eligible Federal cost; expanding vendor and advertising revenues; and annually updating the five-year Financial Capacity and Resource Analyses.

Local transit authorities will also have to establish and maintain close ties with the local private business community. This is a natural result of their need for stronger local and state political compacts in order to secure more funding from these sources, as well as their need to establish long-term private sector advertising/vendor commitments and private/public coventure agreements.

Finally, local policymakers will have to look ever more diligently at systems which improve the local transit authority's market image -- that is, how well it is perceived to be managed and how well it can communicate its cost-of-service issues. This perception of good management (possibly the result of management services which have actually been improved) is critical as local support comes into play to increase local share from whatever funding source.

Outlook for State/Local Government Funding Requirements

The Federal funding posture towards local transit operations has now been set. For all practical purposes, Federal funding policy for local transit services in medium and larger sized metropolitan areas, as measured in 1987 dollars, is set for the next five years. Smaller and/or newer urbanized areas will receive a one-time UMTA funding increase to cover previous inflationary costs.

The overall implications of this funding outcome will now be examined in relation to new start projects; existing fleet or service maintenance; and future fleet or service expansion.

New Start Projects

The state and local government (that is, nonfederal) portion of the capital costs of new start, fixed guideway transit projects is generally referred to as the local share. As a general rule, state and local governments have each traditionally provided 10% of the transit system capital improvement costs, thus meeting the 20% Federal match requirements.

In certain new start projects such as the San Diego light rail system, though, there was no Federal cost participation. This is, in fact, the new "historical" trend in new start projects: rather than the previous 80%, the Federal government now provides closer to 50% or less of the system's capital costs, and then only if funds are available. The most recent example would be the Los Angeles Metro Rail Project (MOS-1) where the Federal share of the capital costs amounts to only 55%.

Recent legislation does not specify a Federal share guideline for new start projects. Instead, the commentary in the law indicates an intent "that the UMTA project evaluation process should encourage maximum contributions from state and local, as well as private sources." Particularly for fixed guideway systems, this encourages the setting up of benefit assessment districts, incorporating the existing infrastructure into new start fixed guideway projects to reduce capital costs, and other activities which will mitigate the sting of new state and local tax levies.

Furthermore, it is very possible that Federal cost participation in new start projects will be legislatively reduced in the very near future, as Congress continues to struggle with the deficit reduction guidelines of Gramm-Rudman. Accordingly, state and local share for new start fixed guideway projects -- including line extensions and intermodal centers where passengers can change from one form of transportation to another -- may have to increase beyond anything currently envisioned.

The solution which increasing numbers of states are adopting is a simple yet far-reaching one: passing legislation which gives levying authority to local governments. In those states, local governments can now show their support for transit by raising the revenue they need to pay for it. These dollars can then be combined with money from state, private, and other sources to make projects eligible for Federal matches.

This places the major funding burden for new start projects on the local governments, at least initially. The problem is accentuated by the fact that without new state-enabling legislation, many local governments cannot even consider setting up the private/public coventure mechanisms, such as benefit assessment districts, that the Federal legislation suggests. In Part 2 of this report, case studies show how several states have recently taken this type of state-enabling legislative action, and the pluses that are already arising from it.

Existing Fleet and Service Level Maintenance

The Section 9 formula funds provided for in the 1987 legislation should be adequate though not generous for those local transit systems which have finished modernizing their fleets and improving their maintenance centers. The legislation defines the Federal share as "shall be 80%" rather than the former "shall not exceed 80%." Practically speaking, this has eliminated options to increase local match for Section 9 funding.

Given existing availability of these funds, however, it may mean that there will not be enough Federal or formula capital money available to meet perceived needs, and that those who rely exclusively on Federal assistance to buy their new buses will face hard choices in the immediate future.

Local systems which have been late to take advantage of Section 9 provisions, or which are in the middle of a multi-year process of fleet replacement, may have to find more state and/or local support for direct purchase, or else turn to a variety of cutback strategies.

Yet those who have already updated their capital plants cannot afford to take the funding changes lightly, either. Those brand new buses will soon wear out, and in the absence of an increased funding commitment from a state or local agency, preferably in the form of a fund dedicated to pay for capital expenditures, this equipment and its supporting transit system may also face a long-term decline.

For those systems which are having trouble coming up with the current local match, the new Act now allows improved system advertising receipts to be used for Federal match. With this specific legislative authorization in hand, the local governing board may resolve to dedicate these receipts as match, and if it does then some industry sources feel the advertising revenues would constitute a valid base for issuing revenue bonds with which the transit authority could leverage the full match.

Future Fleet and Service Expansion

To sustain long-term fleet modernization or expansion programs, state and local policymakers should seek a long-range financial plan which will avoid the "boom and bust" cycles endemic to American transit properties. Transit systems will often buy or develop a lot of transit infrastructure (rolling stock, buses, or track) all at once, then let it wear out without a replacement plan. This guarantees periodic system crises, as all the new equipment wears out at once.

The secret to avoiding the situation is to have a capital replacement plan in place which has guaranteed funding mechanisms, preferably in the form of dedicated source(s) of revenue tied to those capital expenditures. These sources may need to be created from scratch, or they may simply need expanding or redirecting. Traditionally these locally dedicated sources have been taxes on gasoline, sales, and vehicles.

Over and above the need to establish new or expanded dedicated sources of transit funding on the local level, major fleet or service expansion will also require additional transit funding from the state. As is the case at the Federal level, this funding issue will need to be resolved in relationship to state-wide transportation programs that include highways and bridges, as well as urban and rural transit systems.

Finally, as mentioned earlier, if local governments want to use tax increment financing, benefit assessment districts, and other types of private/public coventure funding mechanisms, their states may have to pass enabling legislation which allows these approaches.

Chapter 4

**Today in Transit:
The State of the Industry**

Chapter 4

TODAY IN TRANSIT: THE STATE OF THE INDUSTRY

Although individual facts and trends definitely have an effect on what happens, when, and how, in general it's the overall view -- the big picture -- that dictates the decisions that will be faced and made, and the results that will follow those decisions.

In most areas where government has an effect the big picture begins with the Federal government: what is it doing, what constraints are on it, what are the political realities it is working within? Then there are the individual states and their policies: what are their needs? Do they have the money and manpower to do what seems to be called for? Can they find the necessary public support so they can spend the money they have available, or raise more if they have to?

There are also the individual local governments: do they have the resources (time, money, personnel) and public backing to act, perhaps in the absence of higher governmental support? Organizations such as regional transit authorities face similar difficulties, with the possible addition of the private sector's need to make a profit out of the system.

Although it is obviously not within this report's abilities to discuss all these factors, this chapter will look at the national and regional indices that reflect what happens within the transit industry, and try to see how these indices govern the states' decision-making processes.

It will also look at commuting -- the process of moving from home to work, and back again -- in general, and mass transit commuting in particular. Who is commuting? Where do they start? Where to they wind up? How do they get there? Why do they decide to travel that way? What's the human cost of that decision? Where does mass transit fit into the picture?

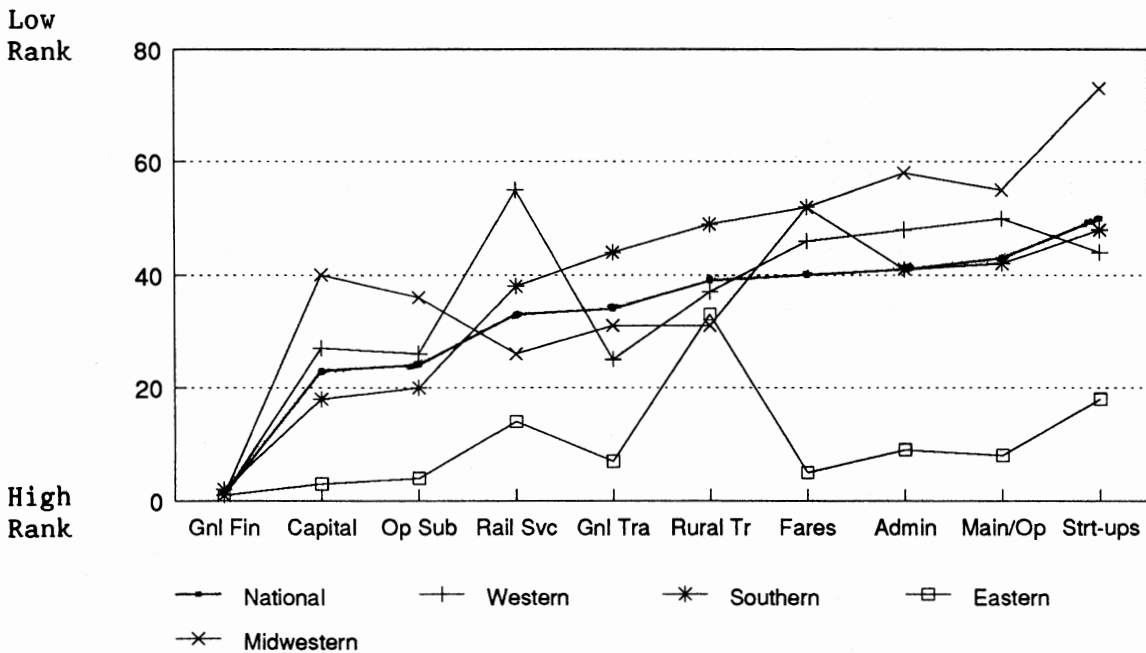
This chapter also paints a picture of the financial costs the states incur when people do opt for mass transit. The figures vary widely depending on whether the comparison is by cost per citizen, cost per rider, or cost per transit mile. While many states still provide no support for their mass transit systems (one because it has no mass transit at all), most now pay at least something. Chapter 5 will continue the picture by looking at where the money comes from, and how it gets to transit.

The Politics of the Situation

The Center for Transportation (CENTRANS) at The Council of State Governments recently surveyed state transportation decisionmakers in the 50 states (Transportation Policy, 1987) on the general subject of transportation policy, from the safety of moving hazardous materials to drunk driving, from airport noise and congestion to the transport of livestock. This portion of Chapter 4 discusses some of the results of that survey.

Transportation finance in general was the number one issue almost across the board (it was second in the South). Public or mass transit finance, on the other hand, ranked 20th out of the 108 issue interest areas, and none of the public or mass transit areas ranked lower than 50th in any of the regions. Perhaps the most significant of the findings, though, was really no surprise: interest in public and mass transit is a very regional thing, with much greater importance among the Eastern states than, for example, those of the South (see Figure 8).

Figure 8: Ranking of Mass Transit Interest Areas in 1987, By Order of Importance



Note: The line connecting the rankings does not indicate a continuous trend.

Source: Transportation Policy in the States: Current and Future Trends, 1987.

Another important finding was that nationally, transit fell well below highway finance in importance to policymakers (with again the Eastern region being outside the trend), yet well ahead of such concerns as airport finance or any other transportation mode.

Why is this important? Because it reveals just how transit stands in the competition for the scarce resources in which all programs must share. And since transit and the highways serve many of the same consumers and needs, the competition between them is especially significant.

The battle for funds within a state is fought strategically and tactically, as well as from an analysis of real need. If we assume that the interest policymakers show in transit generally reflects that of their constituents, then in many parts of the country public transit's needs will take a back seat unless and until the perceived higher priority of highway needs has been taken care of.

The same is true on an overall basis, of course: no transportation issue is apt to be fully addressed while there are higher perceived priorities on the state policy agenda.

As mentioned, however, the states in the northeast tend to attach much more importance to public transit than the rest of the country does: aside from the #1 of transportation finance in general, their first nine issues all centered on public or mass transit, with rural public transit at #33 being the lowest in the grouping. And unlike the other regions, the East declared itself almost always on the lookout for information to help shape policy, particularly in the areas of rural transportation, urban transportation, and transportation planning and integration. In the area of transportation finance, Eastern policymakers search for general knowledge on mass transit finance, capital and capital improvement finance, operating subsidies, and rail passenger service finance.

Not surprisingly, the East was more concerned with transit finance as a long-term problem than the other regions were; over the short-term, though, it was the West and Midwest which came out on top. In terms of urban and rural transportation, urban problems typically outweighed those of rural areas except in the Midwest, where they tied. "Special needs" transport -- primarily for the elderly and/or disabled -- proved a special concern, and the West (Montana) singled out transport needs on Amerindian reservations.

Priority Issues

When asked to list priority transportation issues for 1987, most policymakers included finance at or near the tops of their lists, and often noted fears of Federal cut-backs and how their states would cope. Yet there was a vast range of responses that covered a lot of territory.

In the West, for example, Hawaii cited conflicts for the same funding that both highways and mass transit need, and listed a long-term goal of finding mass transit alternatives to individual automobile use; see the description of Honolulu's proposed Rapid Transit Development Project in Part 2.

Arizona pointed to the need to provide public transportation at a time when it is busier building roads than ever before. Colorado is in the process of developing a coordinated mass transit system for the Denver metro area while also attacking mass transit needs in Denver itself.

The District of Columbia, in the Southern region, gives completing its subway and mass transit (rail) systems a high priority in 1987. One of its long-term goals is to coordinate financing of its regional transit system with other states in the area such as Maryland, which itself aims to provide "cost-effective, high-quality, efficient, and safe transportation services and facilities in areas of rapid development."

Florida considers it very important to provide for essential mobility needs of the elderly, disabled, and/or economically disadvantaged. Oklahoma and South Carolina, too, are trying to make mass transit accessible to all their citizens. Texas hopes, over the long haul, to educate its citizens about mass transit so they will use it more.

In the high-usage mass transit area of the northeast the issues and goals tend to be far more specific. Connecticut, for example, wants to find a way to expand the now-overburdened New Haven Line (railroad) without draining the state coffers even more. For the long-term, it would like to "develop at a reasonable rate and have in place adequate public rail and bus transit for year 2000 and beyond with staff to administer" it. An ambitious goal!

Delaware is looking into employment transportation, both inter- and intrastate. New Jersey feels the need to accommodate its ridership.

Not unexpectedly, New York's transit issues center almost exclusively on money: general and capital financing, deficits by its mass transit authorities, and so on. It singles out mass transit repair as one of its high priorities for 1987. A major part of New York's problem, of course, is in coping with the tremendous volume of commuter traffic from outside its area that floods its highways and transit systems every working day.

Illinois, one of the Midwestern states, sees priorities in serving suburban, elderly, and disabled markets, and also in rural areas (with an integrated system of public transit, rail freight, highways, and intercity air and bus services). Ohio is considering a high-speed rail passenger system running between Cleveland, Columbus, and Cincinnati.

Minnesota would like to plan for expansion into areas where there is currently little or no market, but asks the question: Is it worth the huge expense of publicly subsidized mass transit? One project currently on the drawing board there is a light rail system in the Twin Cities metro area.

The Demographics in Control

The post-war baby boom was tremendous: an increase in population of more than 50%, to a 1984 figure of almost 237 million. And this, naturally, has had far-reaching effects on today's workforce far beyond what sheer numbers might suggest. The number of people of working age grew by about 19% in that time, while the number of baby boomers -- those between 16 and 34 years old in 1980 -- in the marketplace grew by more than 32%.

Pisarski, in his 1987 Commuting in America, looks at the 1960, 1970, and 1980 censuses and compares what happened then with what's happening now. The following three sections are drawn largely from what he found.

Workforce Changes

Between 1950 and 1980, when population was growing by leaps and bounds, the number of people in the workforce grew by more than 65% for a total of 110 million today. Since 1980 jobs have been added by about 2% a year, twice the rate of population increase.

Many of the workers came from the boys born after the war and now out working. Many more, though, came from the women who joined the working ranks. Only about a third of women of working age were actually working in 1950, compared with almost twice that 30 years later.

From another direction, 30 million women have joined the labor force since 1950, versus less than 20 million men. And from yet another viewpoint while women made up only 28% of 1950's workforce, they're now a whopping 42%.

Population Patterns: The Move South and West

Although the whole country participated in the baby boom following World War II, the pattern changed drastically in the 1960s. Growth rates declined overall, but not too far in the South and West. In fact these two areas never slowed much at all and in the 1980s put on yet another, even greater, spurt of growth.

Since their populations burgeoned after the primary transit-building period, these regions wound up with lots more people and few ways, other than by car, by which to move them. Thus were born the horrors of the Los Angeles freeways and other similar no-win situations.

Population Losses: The Northeast and Midwest

The Northeast and Midwest had a different problem: by 1980 or so, their growth rate was only a small fraction of what the other areas were experiencing. From the 1970s through 1984, only one out of every ten additions to the population took place in these 21 states.

Yet these are the areas where the vast majority of the nation's mass transit runs (about a third of it runs in greater New York alone), so this has also had a tremendous effect on the picture of mass transit nation-wide.

The Graying of America

America's population is growing older, and by the year 2010 is expected to hit 39 million of age 65 or older (there are 29 million today). As such a significant portion of the nation's population, the elderly's needs for health care, housing, employment, and transportation are things that planners and programs must take into account.

The elderly often have special needs for transit: unable to drive because of health and eyesight; lacking sufficient income to afford other means of transportation; and needing to have their social needs met are three of the most pressing reasons to assure transit access for senior citizens. Indeed, it can be argued that a transit program built with the elderly in mind can lower the costs of their support in other areas by keeping these people transportation independent (although transit dependent).

The Graying of America has been a slow but inexorable process with results only now beginning to become very significant. The combination of low birth rate and increased longevity meant that average age has been rising from 28 years in 1970, to 30 in 1980, and 31.4 in 1987; Census Bureau projections anticipate a median age of 38.4 when 2010 rolls around. Looking at the proportion of elderly Americans in those same years, it was 9.8% in 1970, 11.3% ten years later, and over 11.8% by now.

Of all age groups, the number of those 85 and older has been growing fastest and is expected to double over the next 25 years, to 6.5 million.

Proportionately, the region-by-region and state-by-state significance of this factor as a transit funding policy factor is likely to vary significantly.

Many states already give the elderly special transit consideration. Both New Jersey and Pennsylvania, for example, dedicate portions of special revenues (casino taxes and the lottery, respectively) to this group. In addition the goal of the Urban Mass Transportation Act of 1987, Section 16(b)(2), is to meet the special transportation needs of the nation's elderly and disabled citizens by providing money to purchase the specially equipped vehicles they need. Funding is available for not-for-profit organizations such as the American Red Cross, senior citizens' centers, sheltered workshops, and other private community service groups, many of which may already be receiving Federal funding through other appropriate programs, such as the Older Americans Act.

Transit companies already capitalize on the transport needs of the elderly. Bus companies and airlines offer special fares to senior citizens, not only for special occasions but also for everyday travel. Providing mobility and affordable access for this growing portion of the American population is a challenge for planners everywhere.

Who's Using the System?

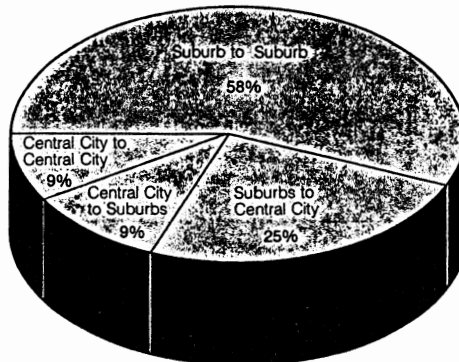
Commuting Patterns

Commuting patterns sort themselves out into four general flows:

- * Those entirely within a central city,
- * Those entirely within one or more suburbs,
- * Those that flow from a suburb to a central city, and
- * Those that go the other direction.

The suburb-to-central city commute is, of course, the traditional and is the one around which most mass transit was originally built. While still on the rise numerically, as of the 1980 census this form had dropped to become third in importance, with 12.7 commuters (Figure 9).

Figure 9: Shares of the total increase in commuters, by market, 1960-1980



		TO		
		Central City	Suburbs	Total
FROM	Central City	9%	9%	17%
	Suburbs	25%	58%	83%
	Total	34%	66%	100%

Source: The Nation's Public Works: Report on Mass Transit, 1987

Most significant at this point is the suburb-to-suburb trip, with 25.3 million commuters and about a third of the metropolitan commuting market -- an increase of 14 million in only 20 years, and by far the greatest growth in all commuting.

Almost as important numerically, with its 20 million commuters, is the commute within a central city yet this represents only a slight increase of 9% over the past two decades.

Only a relative few -- 4.2 million -- are reverse commuters, leaving the central city each day to work in a suburb. And two up-and-coming trends are to travel from one metropolitan area to another one entirely, or to go to and from areas which are not metropolitan at all; these have implications which we will discuss shortly.

A particular area's commuter patterns depend to a great extent on how big the central city actually is. For instance in very large metropolitan areas the suburbs tend to dominate, while in smaller areas the central city has more pull. Pisarski notes that part of the reason is because it is so much easier to get into and around small cities than it is to get into large ones, leaving little impetus to build up the communities surrounding a small city and put large numbers of jobs there. In terms of numbers, the nation's largest commuter market is the suburb-to-suburb flow in metropolitan areas of 1 to 3 million, accounting for 9.6 million commuters in 1980.

Suburbanization and Its Effects

Why have commuter patterns changed so much? Primarily because the suburbs are growing at such a pace, far outdistancing the growth in central cities. More than 86% of the nation's population increase since 1950 has been in the suburbs, compared with only 14% in central cities; non-metropolitan areas actually lost population.

The reasons behind the shift are many and varied, beginning with a post-war Federal government providing cheap mortgages for returning veterans, who frequently chose to live outside the cities; going through the trend towards restrictive zoning which favored low density housing; and including the interstate highway system, which allowed people to move farther and farther from their jobs without spending all day getting to and from them (Public Works, 1987). The explosion of the car society was another big factor, of course.

At this point the United States is a suburban country: 44% of its population lives in metropolitan areas, outside the central cities. From a slightly different angle the country is also becoming more and more urban -- half its people now live in areas with more than 1 million population, and a third live in areas with more than 2.5 million.

This tendency towards urban/suburban living has been partially balanced by another trend that added more and different kinds of jobs to the suburban employment market. "About two-thirds of all job increases in metropolitan areas between 1960 and 1980 occurred in suburban areas," Pisarski reports, "with the result that suburban jobs rose from about a third of all metropolitan jobs to almost half." Growth was greatest in the largest metropolitan areas and declined in share as the size of the metropolitan area declined.

This has had a profound effect on the job market, naturally. The biggest difference has been that since there are so many more jobs in the suburbs, there is a lot more commuter traffic that starts, ends, and goes through there.

The Commuting Balance

This is the balance between job and workers in a community: not only the number of jobs compared with number of workers, but also the way those jobs fit those workers.

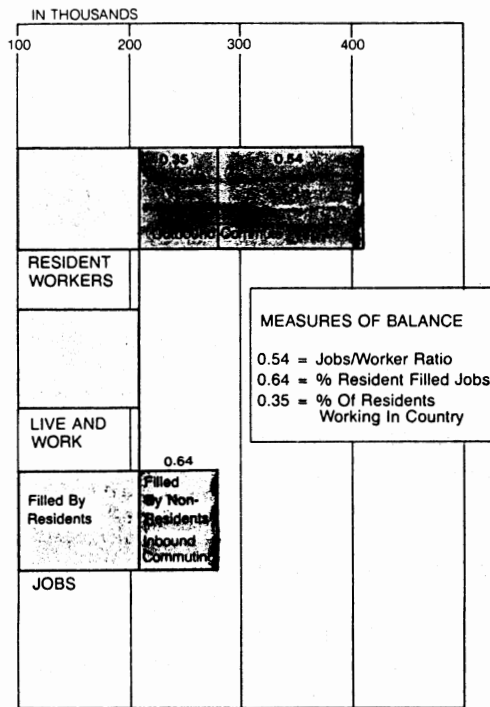
Central cities generally have more jobs than resident workers, whereas the pattern is reversed in the suburbs. Washington DC and New York City (Manhattan) are two good examples of what happens in the largest of central cities.

In 1980 Washington DC had about 600,000 jobs and only about 300,000 residents who worked, a 2:1 ratio; about 70% of its residents worked within the district. Manhattan's ratio was 2.5 jobs for every resident, with about three-fourths of its citizens working somewhere on the island.

Thus in both cases -- and in most larger central cities across the countries -- there are many jobs available for non-residents to fill.

On the other side of the coin there is the example of Fairfax County, Virginia, a Washington DC suburb. In 1980 Fairfax had a jobs/worker ratio of 0.54:1 -- that is, there was one job for roughly every two residents. Nearly 65% of its jobs were filled by its residents, leaving 35% to be filled by those hired from outside the country - the in-bound commuters. However only 35% of Fairfax County's resident workers actually worked within the county, so the other 65% have jobs elsewhere and hence are outbound commuters (see Figure 10).

Figure 10: Measures of commuting balance in Fairfax County, Virginia



Source: Commuting in America, 1987

The Cost of Convenience

Mobility

Although as Pisarski points out, jobs are what ultimately determine commuting's size, character, and existence, another very important factor is sheer mobility. The simple fact is that Americans today can commute by car simply because they have cars available to them. While the 1960 census showed only 1.03 vehicles per household (with an average size of 3.33 people), the 1980 census reports 1.6 vehicles per 2.75 person household.

This comparison is somewhat misleading for a couple of reasons, though. The first is that there are half again as many households in 1980 as there were ten years earlier, but these households tend to be much smaller. Large households are definitely on the way down, and one- and two-person households doubled in the decade of the 1970s.

The second is more directly related to mobility in that there are now about 1.2 workers per household, about 1.34 vehicles per worker, and most U.S. households now own at least two vehicles. For the first time there are more vehicles than there are workers, so statistically at least, every potential commuter has a vehicle available in which he can commute. In fact it would appear that there are now more vehicles in the United States than there are licensed drivers.

• What of the household without a car -- the zero-vehicle household? The 1980 census found that there aren't very many of them anymore, a mere 13% of households representing a very small percentage of people because these tend to be very small households, generally without workers and typically located in central cities of large metropolitan areas. The New York area alone has more than 20% of the country's zero-vehicle households.

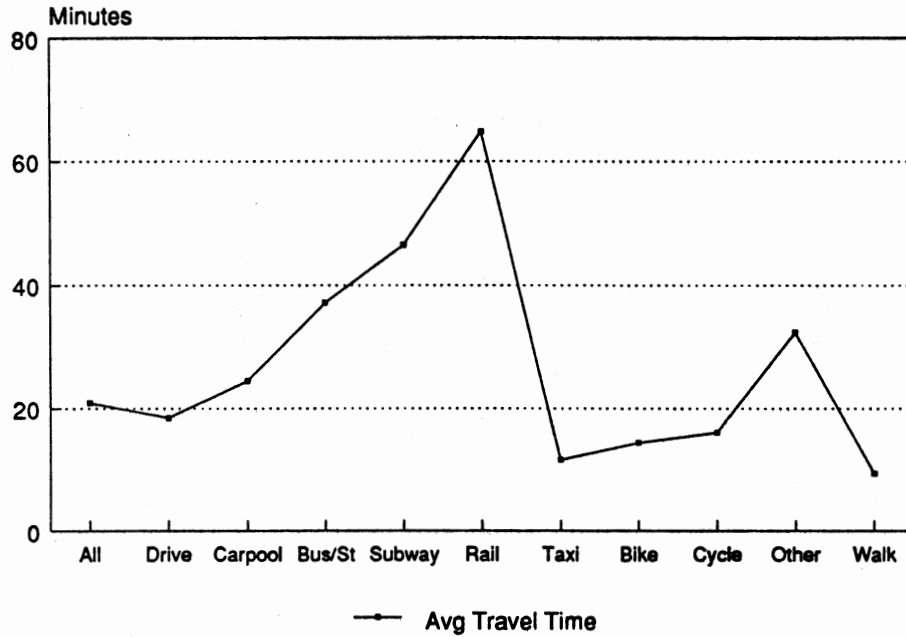
Given the access, it's no surprise that Americans are turning more and more to the car as their means of transport. In 1960 70% of all travel was by private vehicle; by 1980 that figure had risen to 85% and shows no sign of stopping. In 1960, 43 million private vehicles were used in commuting; in 1980 it was 83 million.

Time and Distance

Another factor in the formula is commuting time and distance: both up substantially from only a few years ago. Americans now spend 21 or 22 minutes traveling about 10 miles to or from work, but these numbers vary not only by modality but also by source and destination.

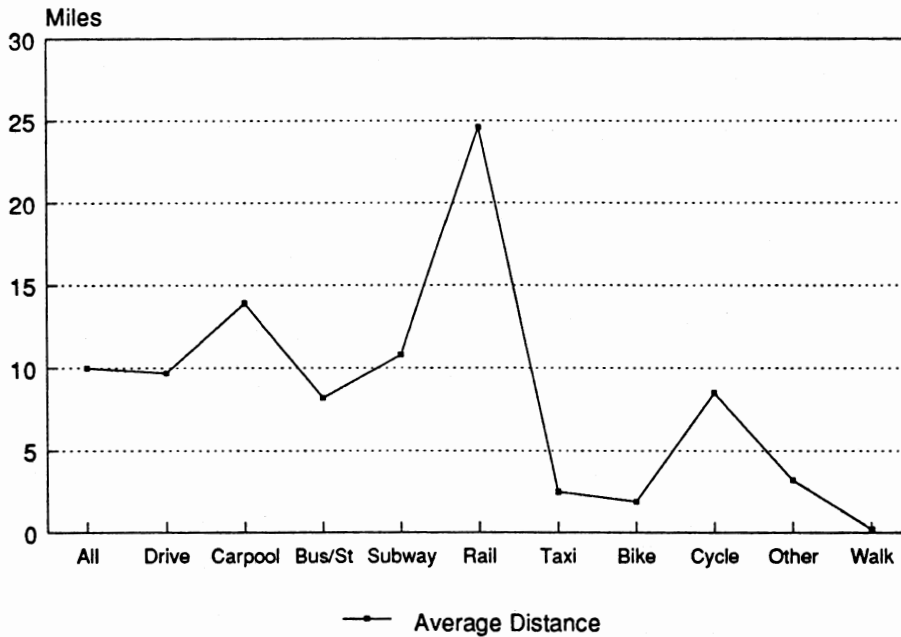
For instance Pisarski quotes an American Housing Survey that found that those who drive alone average 18.5 minutes and almost 10 miles, whereas those who use mass transit go about the same distance in about double the length of time (Figures 11 and 12). Commuters who ride buses and/or streetcars spend twice the time yet go slightly shorter distances. For subways 11 miles in three-quarters of an hour is normal; railroads are highest at 65 minutes and 25 miles.

Figure 11: Average Commuting Travel Time, in Minutes



Source: Commuting in America, 1987

Figure 12: Average Commuting Distance, in Miles



Source: Commuting in America, 1987

He cautions, however, that the comparisons may be somewhat deceptive since most transit trips are centered in a few major cities, and there a private car trip is likely to be slow, too. Moreover, trips within the suburbs are about a third shorter than those that start in a suburb and wind up in a central city.

The bottom line, though, is that Americans are spending a lot of time getting to and from work and that they're traveling farther to do it. The national time investment is now along the lines of 67 million hours yearly (40 minutes roundtrip for each of 100 million daily commuters).

The reasons are complex and interwoven, so it is possible to identify the patterns yet not necessarily specify the weight of this or that factor.

Commuting trips account for only about a fifth of the trips Americans take, a decline in proportion but an extraordinary increase in the actual number of trips and miles involved. In the peak morning hours of 6 to 9, however, commuting is responsible for almost half of all person trips, and three-fifths of the vehicle trips and miles.

With the increased use of flexible work hours and days, and the potential (as yet largely unrealized) for more people to work at home at least some of the time, the trend is definitely towards a wider spread of peak travel times. This may ease some of the ever-worsening rush hour crunch and lower the capital requirements necessary to handle the sharp demand spike.

Other factors in the pot are the nation's continuing suburbanization with its increased dependency on the car, more dispersed job locations, and the inability to get around the suburbs without a car.

Choosing a Commuting Mode

As mentioned, movement around and between suburban areas is almost exclusively by car: since most fixed guideway mass transit was set up at a time when commuting generally went from a suburb to a central city and back again, it simply does not exist as a possibility for most other types of commuters.

In addition, even where it is a feasible option public transit is often too inconvenient either in terms of logistics or in terms of comfort. As the Public Works document points out (1987), "transit service as delivered to the consumer has changed little in the last several decades. For the patrons, the only particularly widespread ... difference ... is the prevalence of air-conditioning, which when operable is of immense benefit to the comfort of both" patrons and drivers.

Moreover, the nation is growing fastest in just those areas where traditional transit is weakest. More than 58% of the growth in commuting between 1960 and 1980 has come in the suburb-to-suburb market. Here, too, is where vehicle accessibility is highest. Thus for all practical purposes, the nation drives to work.

They don't always drive alone, though. About 65 million drive by themselves, but nearly 20 million share the ride with one or more other people. Car and vanpooling tends to increase as trips get longer.

The Mass Transit Alternative

Yet mass transit does fill a very vital spot in the nation's commutation scheme. At a 1980 proportion of 6.4% (half that of 20 years ago), this is nonetheless the means of choice for about 6.2 million people. And the costs of dispensing with it -- substantially more trips and traffic congestion, combined with a reduction in the economic vitality of the corridors formerly served by transit (Public Works, 1987) would be far too high to even consider.

Mass transit is very much centered in large metropolitan areas. Eighty percent of transit travel occurs in areas with populations of 1 million or more, and about a third in New York alone.

Of the five areas with more than 5 million people, only the two in the west -- Los Angeles and San Francisco -- have added ridership. The other three areas are in the northeast and central states: New York, Chicago, and Philadelphia. And they have lost.

New York's transit was the largest in the country to begin with and its market share dropped the most: from 44% to 30%, primarily as the result of loss of central county population and a massive shift of jobs into its suburbs. This brings the city much closer to the national norm though New York is still so big that it continues to skew the statistics.

Future Implications

Pisarski's report postulates a number of mass transit trends based on his analysis of the last three decennial censuses.

- * The driving market is close to saturated: even if everyone not now driving to work should decide to, it would only mean about 10% more private vehicle use.
- * The nation's highways in urban vicinities are underdesigned for the commuting revolution. The interstate system in particular is being strained by the daily influx of local commuting traffic it was never intended to handle, leaving it less able to carry out the purpose for which it was intended -- to expedite long distance transportation and interstate commerce, and to support national defense.
- * Suburb-to-suburb commutation will continue to predominate, but jobs and workers with jobs near home will tend to even out. "One way to understand this trend is to see it as part of an evolutionary pattern, in which first families, then commercial services and, finally, jobs have moved outward from the central city ... [suggesting] that the United States is somewhere in the midst of that final stage of suburbanization of jobs."
- * If this is correct, work trips will become shorter both in terms of time and in terms of length, with a corresponding increase in commuting efficiency.

- * However, the suburbs are ill-prepared to cope with this massive influx of commuters. Not only are their highways improperly designed for easy work transit -- they tend to be oriented through the center of cities rather than around their circumferences -- but they lack the lanes and designs necessary to efficiently and effectively move that quantity of traffic.

New corridors as they evolve in this environment cost market attractiveness for transit for a simple reason: who wants to sit and wait on a bus stuck in traffic?

- * Mass transit with fixed hub-and-spoke structures is unlikely to pick up many of those suburb-to-suburb commuters. Suburban destinations average only a sixth of the mass transit used with central city destinations.
- * Restructured transit, using newer, more demand-responsive routes and tied to Transportation Systems Management (TSM Techniques is an approach that has had some degree of success. By allowing certain vehicles priority in moving and building in a distinct advantage for multi-passenger vehicles, TSM can also create advantages for the use of privately operated public transit vehicles such as vans, charter buses, and taxis. TSM may help to tilt commuters back towards transit in the suburb-to-suburb market.

Speaking of Money

Since few if any transit systems can claim to be entirely self-supporting a big question is always, who's paying the bills, and how? Although the CENTRANS survey in the following two chapters shows that 12 states provide no financial support for their mass transit systems (and one state and two territories have no mass transit systems to support), all the rest pay at least something, however large or small the amount might be.

The figures shown in Appendix J, Table 1, are drawn from a number of different sources. First, of course, is the the CENTRANS survey just mentioned. Per capita figures were calculated by dividing total state transit spending by the 1986 population figures in USA Statistics in Brief: A Statistical Abstract Supplement.

Both ridership and transit mile costs were determined by again dividing the total state transit spending, this time by ridership and mileage figures as reported to UMTA by each of the states, and as compiled by the American Public Transit Association. In some cases the reported data were incomplete, and in one case (Maine) so incomplete as to make it impossible to compare the resulting numbers.

When speaking of comparisons it is important to note that the state totals are created by adding the reported figures for all organizations headquartered in that state. Thus in New Jersey all of the PATH train's 10 million riders and 90 million transit miles are credited to its base state of New Jersey, even though the trains travel between New Jersey and New York.

Support Per Citizen

In terms of per capita support the amounts cover a wide range, even after eliminating the zero states. Alabama at 8¢ and Montana at 9¢ per person are pretty much alone at the one extreme of the spectrum and the District of Columbia, at almost \$210 for each of its 600,000 citizens, is quite alone at the other. On average the state contribution per capita is \$15.92.

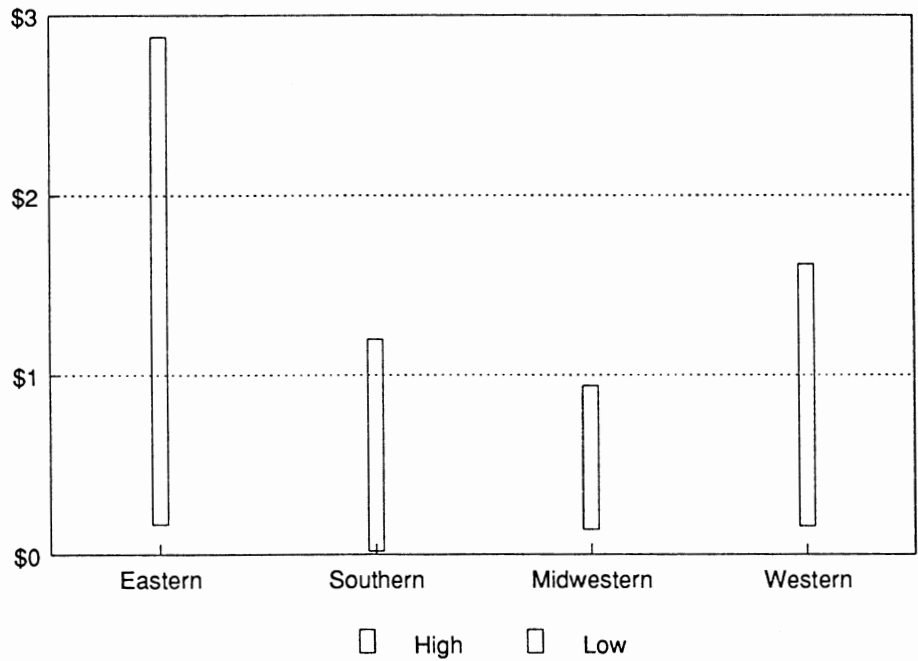
As expected, the states on the upper end of the per capita rankings tend to be large, with large metropolitan areas and lots of commuters. New York is at the top with the highest absolute level of financial support, spending almost \$1 billion in FY 1987, or a total of \$55.79 per person. Massachusetts' per capita was very close, at \$55.31, although it spent only about \$320 million.

New Jersey and Connecticut, both part of the greater New York area, spent almost \$40 per citizen (\$39.46 and \$37.53, respectively). The next cluster includes another New York suburb state, Connecticut, at \$28.06; Georgia at \$25.67; and California at \$25.62.

Calculated by Rider

When calculated on a per rider basis the figures become very much lower. Excluding Maine from the average because of its lack of ridership data, and the 12 states and territories providing no transit money, the states average 56 cents in support per rider, again with a regional bias (see Figure 13).

Figure 13: Range of state transit support, calculated per rider



Source: The Council of State Governments and unpublished UMTA Section 15 data, 1987

At \$2.88, Connecticut's ridership support is the highest in the country, possibly because of the combination of being a heavy commuter society plus the extensive payments the state makes on its major commuter railroad's operating deficit. The next nearest state is Colorado, which at \$1.62 is more than \$1/rider lower than Connecticut.

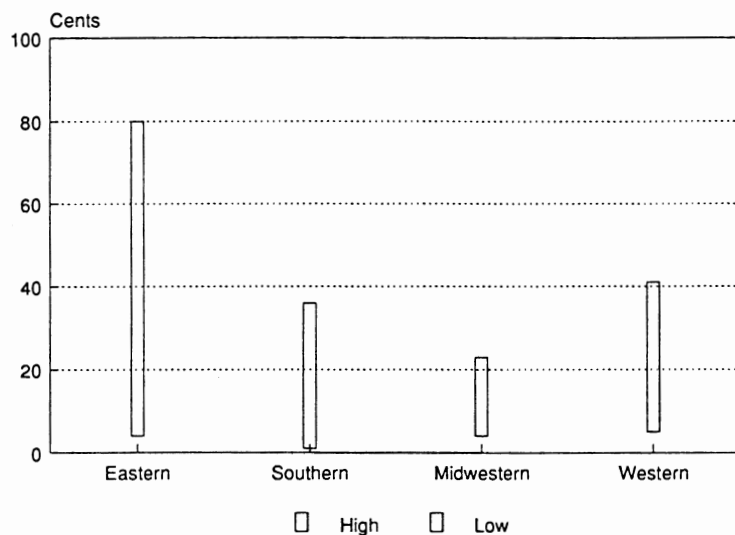
Other jurisdictions on the high side include Utah (\$1.39); Delaware (\$1.20); New Jersey (\$1.19); Virginia (\$1.11); Guam (\$1.09); Massachusetts (\$1.04); and Georgia (\$1.01). Kentucky, Texas, Alabama, North Carolina, and Florida are all low at 2 to 7 cents for each rider.

Interestingly, although most states with high per capita support also came out with high ridership support, that wasn't always the case. The District of Columbia and New York came out significantly below the national average, while California wound up just a bit above.

Figured by Transit Mile

The same Section 15 data were used to determine the states' cost for each transit mile: 13.5 cents overall, but with the usual wide variations. Maine was again excluded from the calculations because of very incomplete information, and so were the 12 states that spent nothing in FY 1987 for transit (Figure 14).

Figure 14: Range of state transit support, calculated by transit mile



Source: The Council of State Governments and unpublished UMTA Section 15 data, 1987

At the top of the cost listing was Connecticut, where each transit mile cost the state 80 cents. Colorado at 41 cents and Virginia at 36 cents were next, while Massachusetts (31 cents) and Delaware, Georgia, and Utah (28 cents each) filled the rest of the top ranks.

Kentucky and Texas wound up with a per mile cost of a penny, and 12 other states paid a nickel or less.

Chapter 5

State Responses to Federal Changes

Chapter 5

STATE RESPONSES TO FEDERAL CHANGES

By definition public transportation is a public good benefiting the entire community and, therefore, deserving the support of all levels of government. Yet the Federal government is in the process of scaling down its involvement. That leaves transit systems pretty much at the mercies of their state and local governments, neither of which may be capable of picking up the ball and running with it.

Yet run they must. CENTTRANS recently gathered a task force made up of state legislative leaders, state and local transportation officials, and nationally-recognized transportation experts. Their task: to help identify new approaches to funding, and to assess the current levels of financial support being offered by the states.

The project Task Force committee met twice in 1987 to discuss how mass transit financing can be optimized -- that is, what states can do to make the funding process work best for them.

After deliberation, the Task Force deliberately decided to make no specific recommendations on taxes and revenue sources because each state and location is different. It was decided to present the collage of data and revenue options (see Appendix H), so that policymakers could pick and choose as appropriate to their situations.

An interesting common concern evolved from the discussions, however, which while not a final recommendation is nonetheless food for thought for policymakers. That is, that a variety of policy and management elements must accompany revenue enhancement activities. The relationship between these elements and revenue enhancement is symbiotic and based on the premise that the only successful way to get additional needed revenues, is to build the case -- either through press agency on actual occurrence -- that the public is getting its money's worth.

The preference is, of course, for actual productivity and efficiency to stand on their own. Thus these comments on the elements which can lead to success in enhancing revenue for public transit.

The survey in Appendix I is one result of the Task Force's deliberations. In the summer of 1987 it was mailed to transportation directors of all 50 states plus the District of Columbia, American Samoa, Guam, the Northern Mariana Islands, Puerto Rico, and the Virgin Islands (see Appendix K). The resulting data appear in 13 tables in Appendix J.

Direct and Indirect State Aid

States provide money for transit either directly or indirectly. Direct state funding takes two forms: money for capital expenses and money for operating costs. It typically comes from some type of tax or fee, or perhaps from a lottery or by issuing bonds of some sort. On the other hand indirect support generally takes the form of a locally-initiated tax which the state collects, then returns to the jurisdiction from which it came. Indirect funding is almost always used to pay to operate a system.

Capital costs are those expenses incurred when transit systems are starting from scratch, or must update or expand. Such funds are required, for example, to purchase new buses or subway cars, or to expand a railway line into another neighborhood. They are very high when systems are being established or expanded to accommodate population growth.

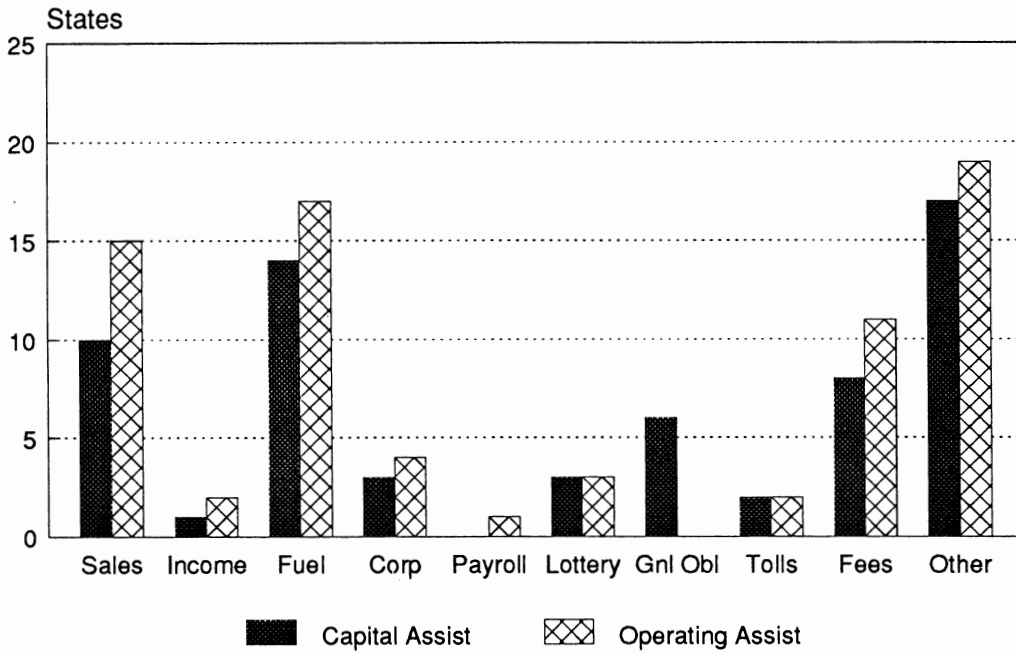
In contrast, operating costs are those that result from the day-to-day operations of the transit system: labor costs, minor repairs and upkeep, fuel, and the like. Typically, more than half these costs are paid for by state and local governments, with fares and sometimes Federal money picking up the rest. System revenues such as fares are highly variable; transit systems in urbanized areas, and larger systems, tend to realize a greater proportion of their operating expenses from these sources than smaller systems and those in non-urbanized areas.

However, there is no uniform or consistent definition of what constitutes a capital expenditure, and what should be charged to operating costs.

Total direct support from states has increased each year in the 1980s and according to the survey amounted to about \$3.5 billion in 1987. Of that, almost \$1 billion comes from New York State (more precisely, most of it comes from the greater New York area). Combined with the California, Massachusetts, Pennsylvania, New Jersey, Maryland and Illinois contributions, that accounts for roughly three-quarters of all the state aid.

Direct support can take the form of grants, taxes, bonds, and general fund allocations. Before states can take on a larger percentage of other capital or operating costs, either direct support must be increased or alternative sources of revenue located. Figure 15 (Appendix J, Tables 2 and 3) shows how states use the various funding modalities available to them.

Figure 15: State Funding Sources for Public Transportation



Source: The Council of State Governments, 1987

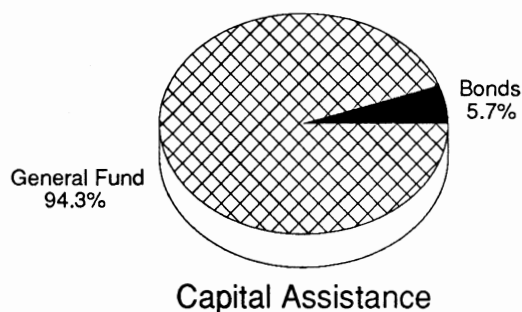
Capital Expenses

The range of state capital assistance runs from nothing in 18 states up to millions of dollars, with an average of about \$24 million for those which do provide aid (the District of Columbia is counted as a state throughout the CENTRANS portion of this report, although the territories generally are not). Overall, the highest levels of state capital assistance in 1987 come from the states with the largest transit systems: New Jersey (\$135 million), Massachusetts (\$128 million), and New York (\$101 million). California (\$87 million), Illinois (\$55 million), Connecticut (\$44 million), and Pennsylvania (\$43 million) provide less though the amounts are still high when compared with the rest of the states.

When compared with Reinshuttle's study of three years earlier (1984), the capital funding picture shows great changes and more diversity. With the two exceptions of the general fund and revenue bonds, more states are tapping more revenue and taxing sources than before.

Although there is certainly no such thing as a "typical" funding mix, New York's is as close to a normal spread as there is. Its direct capital support comes entirely from bonds and the general fund (see Figure 16).

Figure 16: State of New York Capital Assistance Distribution, FY 1987



Source: The Council of State Governments, 1987

The general fund used to be a source for 14 states; only nine now report that they use it for capital assistance.

In contrast with the three states which used sales taxes to support mass transit's capital needs in 1984, there are currently ten. Twice as many states -- seven vs. 14 -- now impose taxes on fuel. And Pennsylvania has joined Arkansas and Maryland in taxing corporations. Pennsylvania has also added an income tax which helps pay for transit.

Arizona used to be the only state funding transit with a lottery, but now Oregon and Pennsylvania do, too; in fact, all of Oregon's capital support comes from its lottery, although Arizona's is down from from 100% to about a third. Maryland has joined Delaware in applying toll money. There are now eight, rather than five, states supporting transit with a variety of fees.

The situation hasn't changed nearly as much with bonds. Michigan continues to be the only state in which revenue bonds play a part, but even though it is using money generated by previous bond issues, no new bonds were issued for FY 1987 or 1988 so they aren't considered a current revenue source. And one more state, making a total of six, now depend on general obligation bonds for some or all capital funding.

Among the more unusual revenue sources, Alabama and Iowa apply oil overcharge funds and New Jersey dedicates a portion of its casino revenues. The state of Washington passes through a motor vehicle excise tax that can be applied to either capital or operating needs.

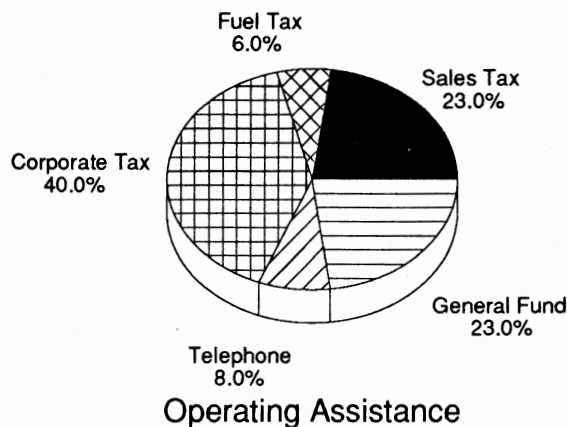
Operating Expenses

Although there are 17 states which provide no operating assistance, most states do and averaged nearly \$89 million in FY 1987. Again, states with the largest direct commitments to operating assistance tend to be those with the most extensive mass transit systems: Massachusetts (\$193 million), Pennsylvania (\$185 million), New Jersey (\$165 million), Georgia (\$137 million), and Illinois (\$115 million).

New York and California actually provide the most operating support: \$892 million and \$692 million, respectively. These figures, however, include substantial indirect, pass-through tax money which not all states included in their totals.

The source of operating assistance varies from state to state and is typically a combination. Thus of the operating assistance New York State provides, 23% comes from the general fund, 40% from a corporation tax, 23% from a sales tax, 6% from a fuel tax, and 8% from a long line telephone tax (see Figure 17). In addition, New York passes through \$181 million in indirect funding. New York is on the low end of the Federal financing curve, which generally runs that the greater the total operating expenses, the smaller the proportion of Federal contribution. Thus UMTA covers only 4% of New York's operating expenses.

Figure 17: State of New York Operating Assistance Distribution, FY 1987



Source: The Council of State Governments, 1987

The trends in financing operating expenses are similar to those described under capital assistance: more diversity in funding sources, and a greater number of sources being used by most states. The sales tax, in particular, has become much more popular: 15 states currently versus five only three years ago. States using fuel taxes and fees, too, have more than doubled: from eight states to 17 for fuel taxes, and from five to 11 for fees. And Minnesota and Pennsylvania have added income taxes in support of transit.

As with capital support, the number of states reporting the use of general funds has dropped from 16 states in the old study to ten in the new.

Delaware no longer relies exclusively on tolls to pay for its transit operations: it has added a fuel tax and fees to its funding strategy. Oregon continues to be the only state levying a payroll tax for this purpose (although the District of Columbia notes that it is in the process of considering one). Rather than a payroll tax, the state of Ohio allows Cincinnati to levy a 3% tax on the paycheck of all who work or live in the city; this employee tax is dedicated to transit.

Oil overcharge funds are still available through 1987, and two states are using them for their transit operations. Iowa uses them along with a special sales tax on motor vehicle parts to pay \$2.4 million in operating support. This was a recent change, and involved shifting revenues which had previously been allocated for highway purposes. Oklahoma, on the other hand, took its \$900,000 in oil overcharge and set up a self-insurance system for its transit industry.

Both Minnesota and Washington use a motor vehicle excise tax, although in the latter case this is a pass-through of a local tax and forms the whole of its \$78 million operating support (Washington provides no operating support directly to transit systems).

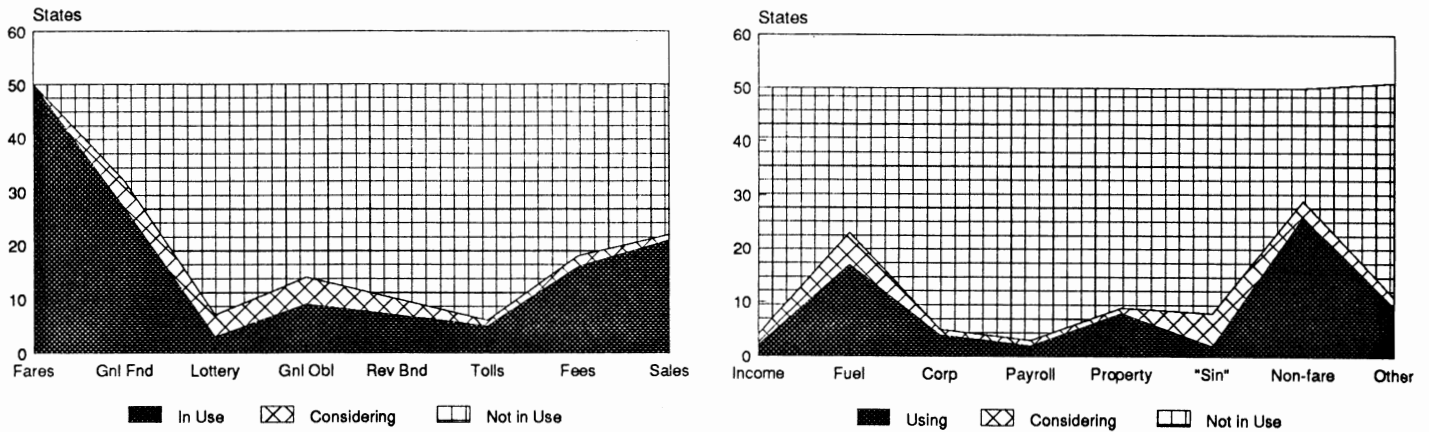
Revenue Sources Generally

Each kind of funding has its advantages and disadvantages, which must be discussed from several perspectives.

According to the CENTRANS survey, all states use fares to pay at least part of their transit costs. However, since rising fares often result in reduced ridership, there is no way to make fares carry the whole financial burden. Thus states look to other alternatives to keep their transit systems operating.

The most popular is the general fund: in use by 27 states and being considered by five others (Figure 18, Appendix J, Table 4). Next in line are the non-fare enterprises, which 22 states already implement and three are currently considering, and sales taxes: 21 and one, almost double the 1984 figure. Fees and fuel taxes are imposed a little less often, but six states note that they are thinking about adding a fuel tax for transit, and two are considering fees.

Figure 18: Transit Revenue Sources: In Use, Considering, Not in Use



Source: The Council of State Governments, 1987

On the other end of the spectrum are the payroll taxes used only by Oregon and being considered by the District of Columbia; "sin" taxes which Massachusetts and Oregon levy and six other states are thinking about; income taxes, in use in New York and Ohio and a future possibility in Mississippi and Pennsylvania; and a lottery, already in place in Arizona, Oregon and Pennsylvania, and under consideration in Mississippi, Texas, Utah, and West Virginia.

Idaho and Utah levy resort taxes, while New Jersey takes a proportion of its casino revenues and uses them for transit. New Jersey is also looking into the possibility of assessing development fees on new construction.

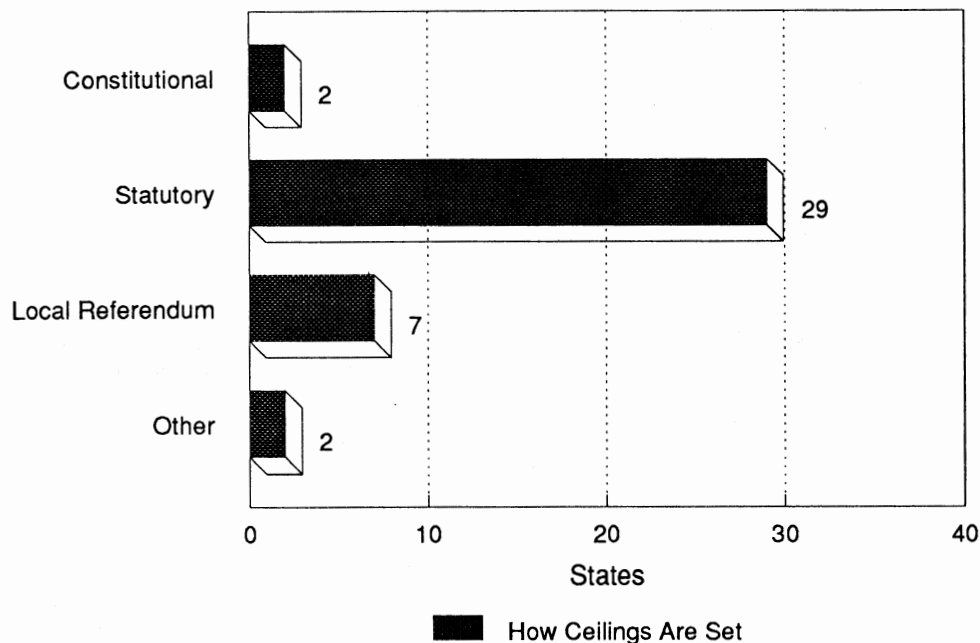
Indirect State Aid

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. Revenue sources can vary but are usually the result of some form of tax: sales, income, or property.

The first step towards local transit autonomy is generally to implement legislation which allows local authorities to impose taxes over and above the traditional property tax. The formation of special transit districts is part of that same process. The taxing authority given to special transit districts is usually established through state legislation, and varies in form and scope.

Although some states continue to resist the process and many restrictions still exist in places, 38 states currently allow local authorities to tax for mass transit, an increase of seven since the 1984 survey. Of these, 29 use state statutes to set some sort of ceiling, and seven a local referendum. The governing constitution or some other mechanism may also be involved in the process, though (Figure 19, Appendix J, Table 5).

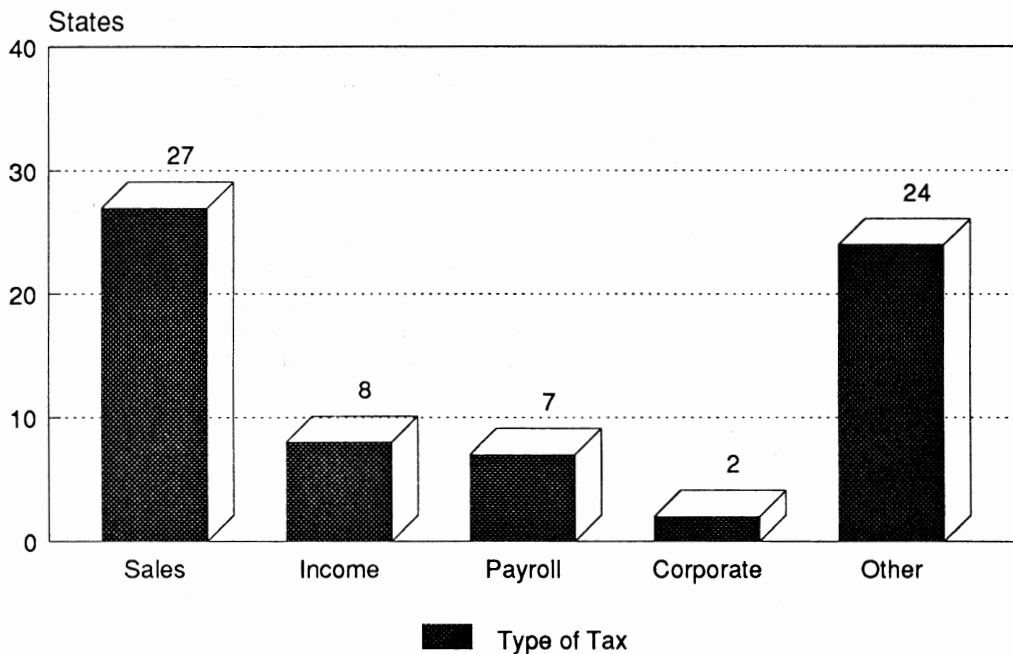
Figure 19: Local Government Taxing Authority: How Ceilings are Set



Source: The Council of State Governments, 1987

Communities which are allowed local levies in support of transit (excluding property taxes) clearly prefer to use a sales tax -- 27 states, with ceilings ranging from 0.06% in Washington to 7% in Colorado though some states have no set limits (Figure 20, Appendix J, Table 5). Income and payroll taxes are also relatively popular: eight and seven states, respectively. Only in Colorado and the District of Columbia are local jurisdictions allowed to levy taxes on corporations.

Figure 20: Local Government Taxing Authority: By Type of Tax, Fiscal 1987



Excludes Property Tax

Source: The Council of State Governments, 1987

Individual local efforts vary tremendously in what gets taxed. Florida, for example, allows a local 6 cent/gallon gas tax. Iowa, Massachusetts, and others tax hotels and motels. Washington permits a \$1 per household per month levy. And Maryland has an assortment of possibilities that range from a property transfer tax to one on admissions and amusements.

Nor is there any agreement as to who may assess these local taxes. Some state laws are so structured that only a handful of entities are eligible -- one in Vermont, two each in Colorado, Michigan, and Virginia, and so on -- while others allow all or nearly all cities and/or counties (See Appendix J, Table 6).

Yet one message came out clearly from the CENTRANS survey: even though most eligible local governments are using their taxing authorities, a disproportionate few are spending any of the resulting revenue to support transit. In all likelihood these are only the largest cities which actually have transit systems to support. For instance all cities in Missouri with populations of more than 500 can tax; of these, 56 do indeed tax, but only 12 use any part of their tax revenues for transit. In Texas 1,419 are eligible, 1,045 tax, and 26 use taxes to support transit.

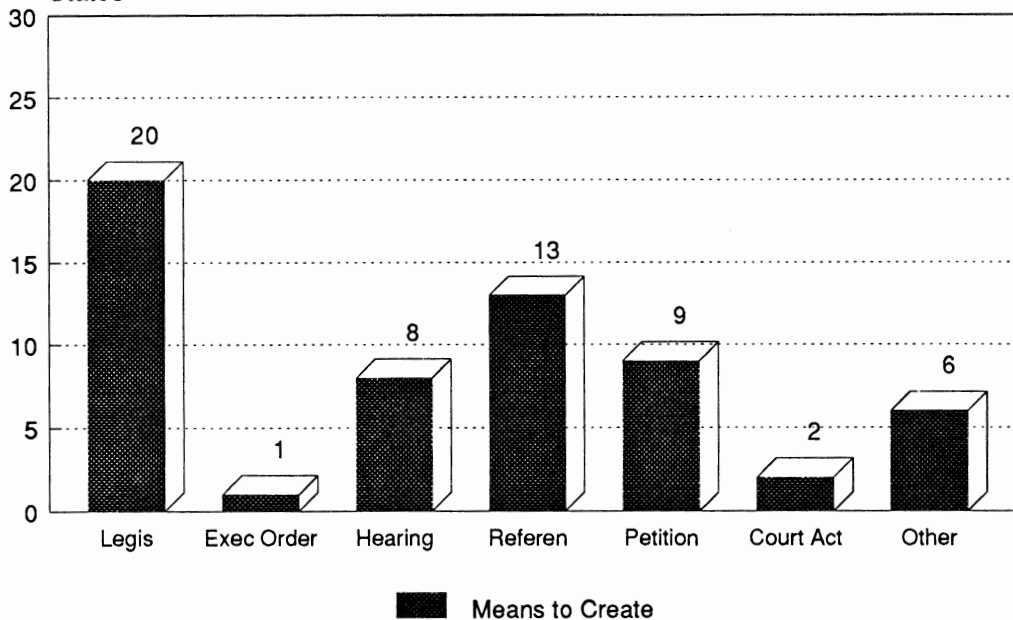
The state generally acts as a collection and distribution or redistribution agent for the local tax; in a few cases, such as Ohio, it also acts as an auditor. In nearly every case, to expand the state's role in transit assistance would require passing legislation, and most state transportation officials seem to think this is highly unlikely in the near future.

Special Transit Districts

Special transit districts are limited purpose, governmental units that exist as separate corporate entities. Structures will vary widely. Some are completely autonomous from local governments, with their own elective governing boards, while others are little more than structured service contracts between a multiplicity of urban jurisdictions, with boards composed of delegates from member cities and few independent powers. While 37 states have legislation in place which would allow these entities, only 28 actually have any special transit districts in place.

Districts can be formed in a variety of ways: by state legislation in 20 states, by public referendum in 13 states, by petition in nine states, and through a public hearing in eight states (Figure 21, Appendix J, Table 7). They can also be created by way of an executive order, court action, or a number of more individual methods such as by appointment or voluntary action; the District of Columbia would require an Act of Congress.

Figure 21: Special Transit Districts: How They are Created States



Source: The Council of State Governments, 1987

If granted independent revenue-raising abilities, special transit districts will often levy local sales, property, or other taxes and use bonding authority. And in the case studies described in Part 2, they are often responsible for administering the special benefit assessment districts used in private/public partnership coventures.

Whether or not transit districts should be authorized within a state, or established within a community, will raise a number of points for consideration. Here are some generic arguments on the pro side:

- * Their revenue source is more stable because it tends to be specifically dedicated to transit, and can't be diverted to other uses.
- * The stable financial situation allows the transit district to be more responsive to local needs and foster long-term service coordination among neighboring local governmental units. And
- * Transit districts provide a clear focus for transit policy- and decision-making.

On the other side of the coin are the districts' potential liabilities:

- * Within a state, some districts have more dollars than they need, while others don't have enough.
- * Special districts remove transit from competition with other public services for scarce resources, thus distorting the local decision-making process and possibly protecting inefficiency.
- * Some operations might be more efficiently run if contracted out to private operators. And
- * In some instances special transit districts do not provide reliable revenue sources, particularly if they need voter approval, if they vest too much veto and budgetary authority with component city governments (the "too many cooks spoil the broth" problem), or if the dedicated revenue source is itself inherently unstable, such as a mortgage recording tax.

Chapter 6

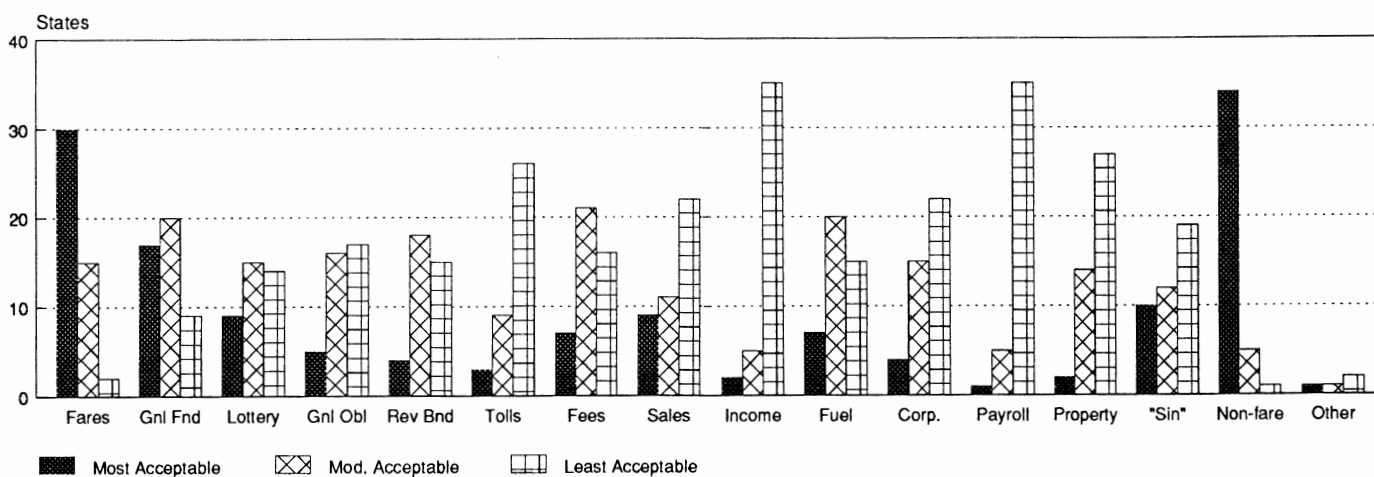
State Transportation Officials' Views

Chapter 6

STATE PUBLIC TRANSPORTATION OFFICIALS' VIEWS

State public transit officials are key listening posts for public and political attitudes concerning current and potential sources of funding for mass transit. They deal with transit every day, and interact regularly with local system officials as well as with state legislators. This gives them a background for projecting and predicting the success or failure of various policy proposals. For this reason the CENTRANS survey asked these officials about the revenue-producing mechanisms they use frequently. Specifically, they were asked to rate public support or voter acceptance of various potential resources, and also to note any problems associated with implementing them. The results were interesting and informative (See Figure 22 and Appendix J, Tables 8 and 9 for some details).

Figure 22: Public Support/Voter Acceptance of Transit Revenue Sources



Source: The Council of State Governments, 1987

Overall, it is assumed that legislators' actions will closely mirror what the public at large wants in terms of transportation issues. Because political and economic situations vary a great deal, even among neighboring states, it is difficult to identify a nation-wide trend concerning state funding for transit. However, the greatest potential still seems to lie in the more traditional areas such as fares, fuel taxes and general fund revenues, and in the less traditional area of non-fare enterprise revenues.

Specific Funding Sources

Fares

Fares are characteristically perceived by the general public as one of the best ways to raise additional revenue for transit: 30 state officials felt the public would find them the most acceptable source, and another 15 felt they would be moderately acceptable -- proportions roughly the same as those found in the 1984 survey. Moreover, fare increases are relatively easy to implement, typically requiring nothing more than administrative approval, so they tend to be readily accepted by officials as well.

The problem is, of course, that users cannot and will not pay the entire of their transport cost: the higher fares go, the more people will find other ways to get where they're going (see again Appendix G). So there is a distinct limit to how high fares be raised without causing a self-defeating, negative feedback loop. While transportation officials will continue to rely heavily on them, fares tend to account for only 25 to 35% of operating costs even in the best of situations.

General Fund

General fund revenues seem to be at least reasonably acceptable to voters, say most officials; however, more than half believe it will be difficult to impossible to convince their legislatures that transit needs additional general fund dollars. Resolvable administrative difficulties are foreseen by another 11 states. Interestingly, 11 indicated no problems in this area whatsoever.

Lottery

Lotteries are controversial in many states, even when proceeds are used for necessary public purchases such as transportation or education. Arizona, Pennsylvania, and Oregon use lotteries very successfully for transit support yet it seems doubtful that this will become a trend across the nation. Michigan, for example, already has a very successful lottery program but its law requires that all proceeds go towards education.

Many state officials feel they would have a lot of trouble garnering public and legislative support for a lottery dedicating funds to transit, and in fact almost all states expressing an opinion on lotteries suggest that the problem is insurmountable in their states, generally for legislative reasons.

Other efforts towards any type of lottery are often stymied by moral antipathy by the public and/or legislature. Several states feel they can get along without a better-developed transportation network and would prefer, if they had a lottery, to spend its money in other ways. Not too surprisingly, Nevada notes that its gaming industry would probably be against a lottery unless the lottery were under its aegis!

General Obligation Bonds

General obligation bonds are secured unconditionally by the full faith, credit, and taxing powers of the issuing government. If revenues cannot meet debt service payments for 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 they must have voter approval.

The general perception of state officials is that while it will be difficult to gain approval for general obligation bonds as sources of transit revenue, primarily because of problems with public and legislative support, it would be possible. The combination of "no problems" and "no opinion" responses were almost half the states responding, though, so it would seem that general obligation bonds overall cause little trouble as sources of transit revenue.

Revenue Bonds

Revenue bonds finance their debt service payments through user charges such as service charges, tolls, special taxes, and so on. If revenues are insufficient, the issuer is generally not obligated to levy taxes in order to avoid default. The use of revenue bonds for transit has grown in recent years and state transit officials suspect that they are more acceptable to the public than they were three years ago.

The survey pattern is somewhat similar to that of general obligation bonds: a large proportion of states reporting no problems or opinion, plus 11 or 12 each indicating legislative problems (major) and/or public and legal problems (middle case -- resolvable with effort).

Tolls

Some things change slowly if at all, and state official perception of public opinion against using tolls to support mass transit seems to be one of these. Only 12 states felt they were even moderately acceptable, while 26 put them in the least acceptable category, numbers which are up even a little bit more than in the previous study. This is in spite of the fact that a few states with profitable toll facilities have used this source for years.

In terms of a state's ability to use them to generate transit revenue, tolls drew somewhat of a mixed bag of responses ranging from little resistance in some states to hard-core opposition in others. Only three states reported no problems with tolls, although another 15 had no opinion on their use. Most of the rest reported some combination of legislative, administrative, legal, and/or public support problems which were considered insurmountable.

Fees

Public opinion on using fees to support mass transit is about the same this year as it was three years ago: not very good, though considerably better than for tolls. While only three states rate them most acceptable, another 19 find them moderately so.

When reported, problems with fees as a funding source were concentrated in the legislative and public support areas, but they tended to be seen as problems which could be resolved, given sufficient effort.

Non-fare Enterprise Revenue

State officials in 34 states consider non-fare enterprise revenue to be one of the most acceptable forms of transit support, one which seems to cause few problems for them. This category, which includes things like advertising on the sides of buses, package deliveries, charter and special service contracts, and Virginia's "Adopt-a-Bus" program, produced expectations of only a smattering of resolvable administrative difficulties.

Dedicated Taxes

Earmarking revenues from a tax specifically levied in order to support public transportation is a relatively common practice in many states. The CENTRANS survey identified seven taxes in which some portion of the resultant revenue can be dedicated to transit: sales, income, fuel, corporation, payroll, property, and "sin" (on beer, cigarettes, and the like).

In large part states tend to view dedicated taxes as a single entity, meaning that opposition to one tax generally means opposition exists in that state to the entire concept of dedication. On occasion, such as in Georgia, dedication is even constitutionally prohibited.

By and large, state officials see little public support for any of the dedicated taxes but note strongest opposition to income and payroll taxes. There is somewhat less antagonism to property taxes, with public opinion concerning corporate taxes, sales taxes and sin taxes being the least negative. Many states and their citizens take a more moderate view of fuel taxes, though, often finding them among the more acceptable of the dedicated taxes.

Sales Taxes

The use of sales taxes is divided fairly evenly down the middle: nine states see them as most acceptable, 11 as moderately, and the other 22 as least acceptable. This represents quite a shift from the earlier report: at that time, while nine states felt sales taxes to be most acceptable, 20 thought they were moderately so, and 17 found them a least acceptable source.

Resistance to sales taxes tends to be steep, with public opinion presenting a generally insurmountable problem when considering their use for transit, as half the responding states reported. Almost every state had an opinion on this category!

Income Taxes

One of the top contenders for the "least acceptable tax" award (35 states), the feeling for income taxes has changed little over the past three years: only four states found them most or moderately acceptable then.

Income taxes tend to sink under a wealth of problems, primarily concentrated in the public support and legislative areas. Again, state officials typically see these problems as unsolvable.

Fuel Taxes

More than half the states currently judge fuel taxes a moderately or most acceptable source of funding, about the same as in 1984. The difficulties involved in trying to enact or increase their use tended to fall in the middle category -- resolvable with effort. Interestingly, 15 states foresaw a measure of legal struggles with the use of more fuel taxes.

Corporate Taxes

Corporate taxes are used only rarely for transit, yet almost half the states then and now would find them at least a moderately acceptable revenue source. The feeling is strong that there would be a great deal of serious legislative work to be done if these were to be considered for this use. The lack of public support, too, would have to be dealt with.

Payroll Taxes

Along with income taxes, payroll taxes were voted least acceptable by 35 of 41 state public transportation officials. Only Ohio, which has a form of payroll tax in place in two of its cities (Cincinnati and Chillicothe), voted it most acceptable in 1987 (Connecticut, Idaho, and Kentucky had felt that way in 1984).

Almost half the states gave no opinion on using payroll taxes in support of transit (Ohio was again alone as it noted no problem). Of the rest, insurmountable legislative and/or public support problems were typical.

Property Taxes

Note: these are property taxes assessed and dedicated specifically to mass transit, not the regular property taxes most homeowners pay to support schools, police departments, and so on.

State officials feel that property taxes will not find much public acceptance: this year, 27 found them least acceptable, and another 14 only moderately so (the question was not asked in the last survey). Public opinion problems dominate the responses, although these also note a smattering of legislative and legal problems.

"Sin" Taxes

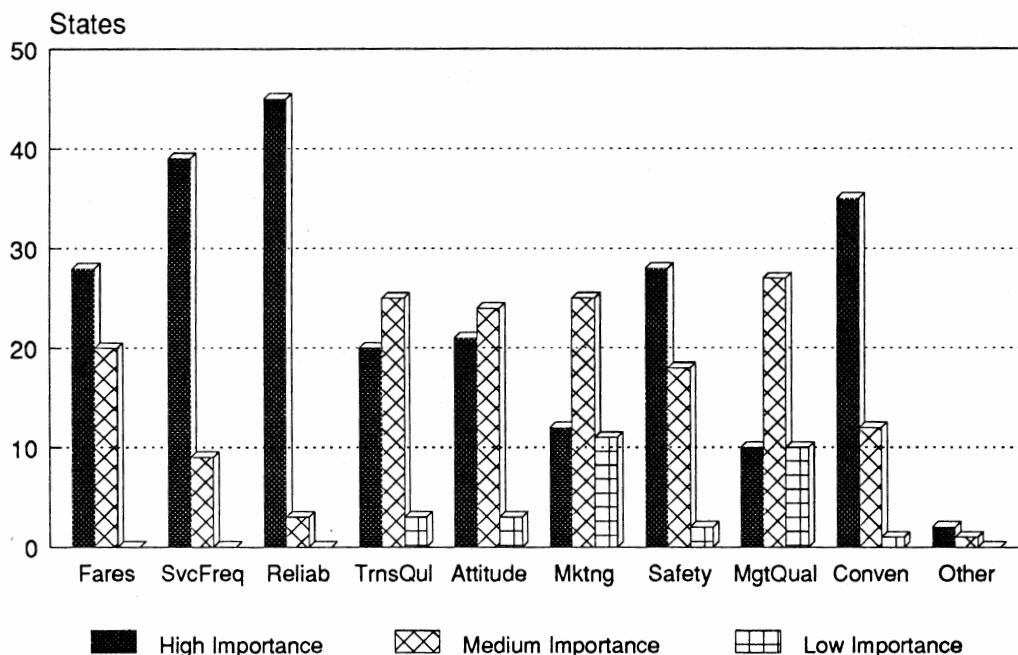
Public acceptance of sin taxes seems reasonably split, with 10 states reporting them most acceptable, 12 moderately so, and the other 19 least acceptable (sin taxes were not on the last survey, either).

Perceived Quality

State public transportation officials were also asked to rate how important the public finds a group of operating factors. This was a question which was not in the 1984 survey, but which was included this year based on the Task Force's recognition that the public's overall perception of the transit system was critical to its success in garnering additional resources.

As Figure 23 (Appendix J, Table 10) shows, just about everyone (45 states) thinks service reliability is critical. Only slightly less important are frequency and convenience of service (39 and 35 states, respectively).

Figure 23: Perception of Existing Public Transit Systems



As Reported by State Transportation Directors

Source: The Council of State Governments, 1987

Safety heads the next grouping, with 28 states rating it high and 18 rating it of medium importance. Similar proportions hold for fare levels, also important to more than half those who responded.

Interestingly, both employee attitudes and the quality and cleanliness of transit equipment and facilities are scored highly by about two-fifths of the respondents; when combined with their medium scores, however, they join the other areas already mentioned as being important to almost everyone.

The bottom of the importance list is clearly marketing (high in 12 states, medium in 25) and management quality (high in ten states, medium in 27). These are the only two categories, in fact, with any appreciable number of "low importance" replies.

This finding on the perception of marketing and management quality appears to fly in the face of other discussion within this report, though that probably isn't the case. Part of the confusion undoubtedly lies in the fact that marketing and management quality are derivative products, and are not in fact tangible things customers can look at and touch. In fact, in terms of the way the public sees things these factors may not have much real comparison with the other items on the chart: if service is reliable, frequency and convenience good, and fares reasonable, then by definition management and marketing "must" be good, also.

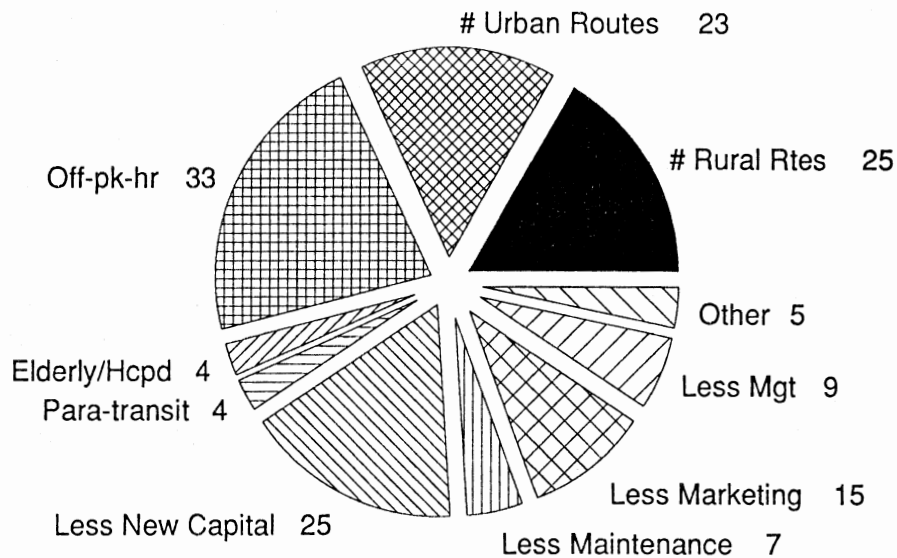
The policymaker promoting the system may have to take this perceived nuance into account. Although good management and marketing obviously beget public satisfaction in public transit through other factors, it may not be as important to spend time and energy convincing the public that the transit system is run well; rather, such efforts might be more profitably spent promoting those tangible factors which are so important to the public's perceptions of quality

Responding to Budget Cuts

Cuts

Transit system budget cuts, regardless of source, can take a variety of forms and combinations of forms. Predictions for the next two years show which groups, services, and functions are likely to be hit the hardest, as well as how these cutbacks might impact on other policy considerations. (See Figure 24, Appendix J, Table 11).

Figure 24: Likely Targets for Service Cuts



Likely to be Used Over the Next Two Years

Source: The Council of State Governments, 1987

The most popular method is by cutting back on off-peak-hour transit services: foreseen by 33 states in 1987 and almost an equal number in 1984.

Another approach is to forgo new capital investments such as delaying replacement of aging equipment (25 states). Reducing the number of rural and/or urban routes came in a close third and fourth, with 25 and 23 states, respectively.

Least popular ideas included reducing marketing in 15 states, cutting back on management services the states offers to local transit systems in nine states, reducing the time and money spent on maintenance in seven states, and four states which are planning to cut back on para-transit services.

The 1984 survey showed eight states preparing to cut back on the special transit needs of the elderly and/or disabled, compared to only four in the current report.

When measured against other policy criteria, the lessons may be significant. The high relative preference for cutbacks isn't surprising, be it in an off-peak-hour route, a rural route, or an urban route. These are traditional cutback areas for transit because they allow for identifiable, substantial, and immediate cash flow savings. Yet if the top public priorities (as determined by the state transit directors) are reliability, service frequency, and convenience, then this very logical approach could cause significant damage to the public's view of transit.

Take the example of a person who depends on a transit route which is cut back or terminated, and who is then faced with a number of unattractive options: he's apt to feel very antagonistic towards the transit system, and may in fact serve as an object lesson to someone who might otherwise make a job or living decision based on transit availability. Problems with reestablishing routes and services could well be compounded if potential customers decide not to subject themselves to the vagaries of a transit system's reliability.

A similar situation holds for holding back on purchasing new buses, rolling stock, and the like. This course, too, has short-term, identifiable pluses for the budget, but can have a big impact on reliability and convenience which in the long run may actually increase costs.

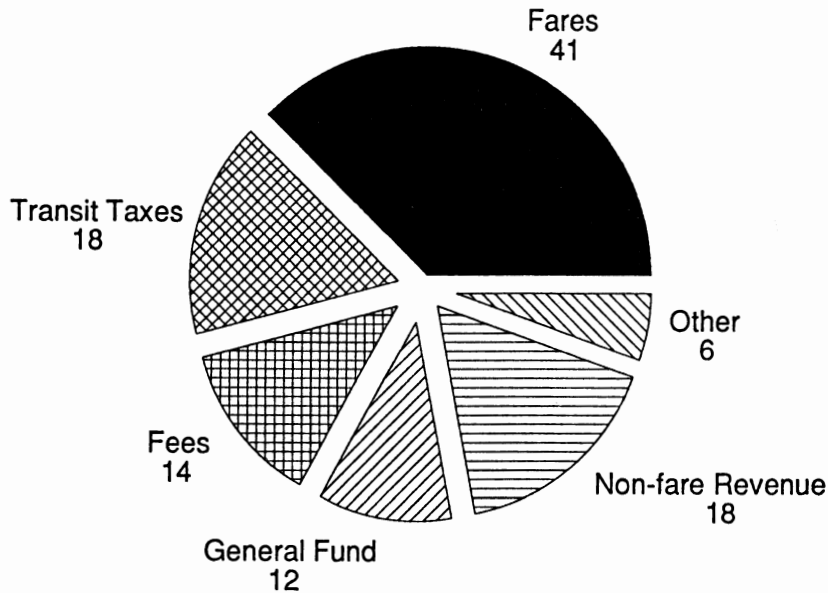
Areas which would get relatively fewer cuts -- management, marketing, maintenance, elderly/handicapped service, and para-transit service -- also have analytic stories to tell. Although the state officials feel that management and marketing rank relatively low as public perception areas, they generally are not slated for reduction. Why? Possibly because those in charge recognize that the budgets are small by comparison, and that trimming there would cause immediate diseconomies.

Concerning transportation for the elderly and disabled, the somewhat larger shift from the 1984 study could have a number of causes. One of the more important might be the awareness of this population's increased political potential; another critical one could be that this is part of the front wave of the "graying of America" that demographics experts have been predicting.

Increases

Another way to compensate for budgetary cutbacks is to increase the money the transit system takes in (Figure 25, Appendix J, Table 12).

Figure 25: Likely Targets for Increases



Likely to be Invoked Over Next Two Years

Source: The Council of State Governments, 1987

As expected, fares are the likeliest candidates to rise over the coming two years, in 41 of the 44 states that responded to this question on the CENTRANS survey. Because fares are the only source of system revenue which directly reflect demand, fare increases must be reviewed carefully.

The fare increase's advantage as a new, bigger revenue source is, of course, that it lays the cost directly on those theoretically gaining the most from the system -- the riders. The big disadvantage is as explained early, that there is a very real top beyond which fares cannot be raised without having so many riders leave that the system actually loses money from a fare increase.

In contrast, more use of non-fare enterprise revenues and taxes dedicated to transit are projected by less than half the states (18 each). Transit fees (tolls, parking, motor vehicle registration, license fees, and the like) come next with 14 states, then general fund allocations with 12.

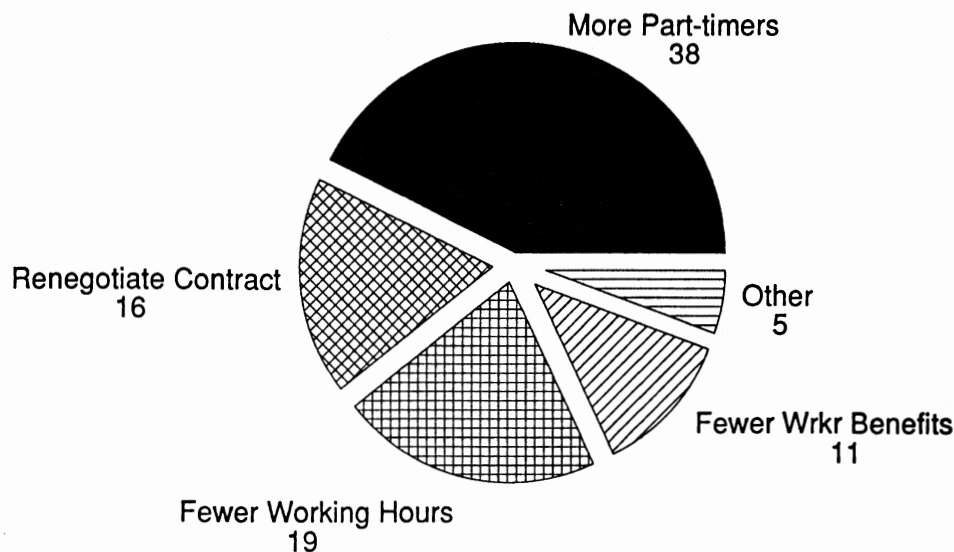
Unlike the 1984 survey in which five states reported that they were apt to use more municipal bonding, only California currently sees this in the near future. This may reflect changes in the Federal tax laws, which have made municipal bonds relatively less attractive.

Other possibilities the state transit directors are discussing include enhanced marketing (Louisiana); a state bond for capital assistance, and the use of human services contracts (Massachusetts); increases in real estate revenues and ridership (New Jersey); the use of volunteers (Oklahoma); and local contributions (Vermont).

Alternatives

Labor costs are a significant part of the transit industry's budgets, and are often targeted for possible reduction. Starting in the next two years 38 state transit officials thought that systems within their states would be using more part-time transit labor (Figure 26, Appendix J, Table 13), versus ten fewer states only three years ago.

Figure 26: Transit/Revenue Cost Gap Solutions



Likely to be Used Over the Next Two Years

Source: The Council of State Governments, 1987

Part-timers build economic savings in two ways. First, these workers typically receive less in the way of benefits, and second, most transit demand comes during morning and evening rush hours, so hiring people to work just those times means people aren't paid to just sit around. If part-timers are used -- perhaps in conjunction with a reduction in off-peak-hour services -- costs per rider will drop.

Another change from the previous survey is the number of states which think that systems within their boundaries will try to renegotiate their labor contracts: 21 states then, 16 states now.

As discussed elsewhere in this report, labor negotiations in the transit industry have been complicated by language within the Urban Mass Transit Act which says, generally, that no transit employee will lose a job because a system accepts Federal transit aid. Although the language does not apply for all labor efficiencies, it definitely muddies the water and causes confusion about how far a transit system can go in using alternative labor strategies.

Additional options are to reduce total working hours -- 19 states -- or reduce employee benefits -- 11 states. New York mentioned that systems would try to increase general productivity, while Oregon suggests contracting out and Washington projects that some systems will try to pay for performance.

Individual Solutions

In their survey commentary the states proposed some other interesting ways of coping with the gap between revenues and necessary expenditures.

Coordination

Many solutions focused on the need to get more out of each dollar. Thus Idaho is looking at coordinating all service agreements through the area public transit provider, so as to avoid duplicating services and allow equipment to be used to its best advantage.

Along similar lines Vermont is considering consolidating its rural transportation funds, since it sees service duplication and under-use of the regional transport capability in this predominantly human services market. The Council of State Governments has produced a separate publication, Coordinating Rural Transit: Stretching State Resources for Better Services, which discusses in some detail the advantages of coordination.

Technical Assistance

Washington already uses special peer performance studies of transit and para-transit systems to recommend efficiency ideas, and Iowa is going computer so transit systems can keep better track of their money and equipment.

Financial Management Upgrades

Arkansas is in the middle of a Transit Management Improvement Plan to assess cost efficiencies to service effectiveness. Each route's operating ratio will be used to determine its eligibility for funding. One is break-even, and negative numbers indicate a profit. The goal is to fund routes scoring three or less; routes losing four or more times their revenue will not be funded with UMTA or state funds dedicated to transit.

The Private/Public Coventure

Another possibility is to range outside the governments and into the private sector: the private/public coventure. Some examples of these and other transit innovations are detailed in Part 2, and include:

- * Galveston, Texas, where private developers are sharing in the cost of a rail trolley system and will also be providing two-thirds of the operating costs for three years. The rail trolley is scheduled to begin operating in the summer of 1988.
- * Vermont -- as part of Bennington's Medicab program, the state has a network of brokerages that use private taxis for in-town medical trips in areas where no public transit exists.
- * Alexandria, Virginia, which has contracted with taxi operators to provide late night service from Metrorail stations within the city. Riders pay a reduced fare, with the city supporting the difference between what's paid and the regular fare.
- * The New Jersey legislature, which is in the process of considering a legislative package known as Transplan. This will permit counties to create Transportation Development Districts (TDDs) with the authority to assess and collect development fees to finance transportation improvements within the district. New Jersey law does not currently allow special transit districts.
- * Minnesota -- the talents of two St. Olaf College art students have produced a logo and color scheme that creates a new image for Northfield's Public Bus Service, and promotes it as a more frequent in-town travel choice. If successful, MN/DOT will apply the marketing strategy to other transit systems in the state.
- * Maine, where the Casco Bay Island Transit District purchased a new ferry by combining state and Federal funds. Private donations were used to buy small capital items such as running lights, seats, life preservers, and miscellaneous portable equipment.
- * Denver's private sector, in consultation with the Regional Transportation District, which will build a 15 mile transit line from the Denver CBD to the Denver Technological Center. Funding will come from assessments on commercial property within a defined corridor.

The outlook for transit revenues from the states is encouraging, and the historic evolution of a new significant state role in transit is impossible to ignore. This role need not necessarily be one of providing financial assistance, but certainly money is one of the most effective ways to aid transit projects. In the long run a total package of state support and involvement, as demonstrated by innovations by and within the states, may be transportation's best hope.

Chapter 7

Focus

Chapter 7

FOCUS

It wasn't that long ago that neither the Federal government nor the states had much to do with financing transit: if the system, or the location in which the system was located, couldn't pay for them then transit services simply ceased to exist.

Two events of the 1960s -- the Great Society initiatives for the Federal government, and the Supreme Court decision Baker v. Carr mandating legislative reapportionment for the states -- created an entry framework for these governments.

Entry by the Federal government came first when in 1964 it became, in essence, a capital investor. This changed again ten years later when Federal money also became available for operating expenses.

Overall, state entry has been slower but is gaining momentum as state transit policy has matured and the Federal budgetary problems have worsened. In the long run the states' entry into transit policy may become more important and exciting than the original Federal arrival had been. Indeed, today the state contribution constitutes a greater financial commitment than that of the Federal government, and the promise is for even greater relative involvement to come.

Concurrent with shifting state and Federal funding roles are a variety of shifts within the country that affect the survivability, the structure, and the funding sources for public transit. Here are some of the major ones:

- * The population boom and the relative growth of population in areas of the country without large, established fixed guideway transit systems.
- * Increase in the elderly portion of the population -- particularly in certain states -- and its potential for increased dependency on specialized forms of transit services.
- * Politicization of the transit-dependent disabled, with their frequent and vocal demands for equal access.
- * Lifestyle changes: the increase in the total workforce, the larger proportion of women in that workforce, the rise of the two-income family, and the increase in the number of single parent households. Each of these has had a significant effect on travel and transit patterns.

- * Geographic Changes: the move of jobs from the cities to the suburbs and the corresponding shift of travel patterns, particularly in and around the suburbs.
- * Energy Use Changes: the 1974 oil shock and the rise of energy use analysis as a public policy area.
- * Environmental Changes: the growth of policy actions against air pollution.

The transit industry has not yet adjusted to the additive impacts of these many shifts. Responses are apt to be incremental:

- * Relatively new major metropolitan areas without major fixed guideway systems, such as Los Angeles, may well work towards getting them in place for their citizens.
- * Bus transit is apt to increase in importance relative to fixed rail, not only because of its greater flexibility at a time when flexibility is of paramount importance, but also because it costs so much more to start or expand a new fixed guideway system than it does a bus line.
- * Private transit services -- car- and vanpools, cabs, and the like -- will better tailor transit services to commuter demand.
- * The social service aspect of transit will continue to grow and be recognized, and systems will adapt their services to meet the special needs of the elderly, disabled, and both rural and urban poor.
- * Management techniques, include route financial analysis, marketing, and coordination, will become better and more visible.
- * Financing to make up the societally necessary transit subsidy will be borne increasing at levels below the Federal. As transit systems must be modified to fit the community which they serve, so must transit funding schemes accommodate the resource bases of their communities or state, its political traditions and social values, and the levels and types of transit they need.

The Federal Role

Does the Federal government belong in transit finance at all? Despite the fact that it has been acting as transit's investment banker for decades, this is nonetheless a good question and Kirby (1987) argues that perhaps the answer is no.

On the one hand the Federal government is uniquely able to raise the vast sums required by major new transit investments -- or is it? New York and Dallas recently raised much more on their own than UMTA would ever have given them.

How about the fear that local governments will under-invest in capital facilities if there is no Federal money to pay for them? This is just a fancy way of saying that state and local officials can't decide what they need as far as transit is concerned, Kirby says, and the Federal record of intervention is not good.

Federal-State Roles in Perspective

There does not yet exist a stated political consensus on the Federal role in transit. Congress appears to be taking over more and more of UMTA's transit planning and funding allocating roles and targeting what had previously been discretionary capital for new starts in areas with sufficient political sophistication and clout to capture the money. Advocates with strong transit needs within their constituent bases continue to push for overall Federal expansion with less than complete success. The Administration has sought level or decreased overall levels of transit funding to balance against the budget priority of defense.

However, the Gramm-Rudman Act and the ongoing Federal budget crisis mean that Federal financial involvement is likely to fade proportionately for at least the next several years. When and if it reemerges, the Federal role will have changed simply because politics abhors a vacuum and other forces will have filled the Federal vacancy. Regardless, it was probably inevitable that the Federal government would step back from its role as the dominant source of transit funding.

The movement of the state into its new position as the pivotal transit policy agency is in large measure a result of the Federal government's failure -- even in good budget times -- to keep up with localized and regional demands. Unlike the Federal role, this new state function is not likely to fade and in fact will undoubtedly grow. As it does grow and mature the policy accouterments -- including priority structures and funding authorizing legislation, direct or indirect, public and private -- will grow with it.

This shift to the states may result in a more equitable distribution for resources. In terms of the country as a whole, Congressionally-mandated new start funds stand at \$400 million a year, with new modernization funds at \$580 million. This money is allocated to just eight rail model cities -- including New York, San Francisco, and Chicago -- on a de facto formula.

That leaves a mere \$140 million under the bus program as the sole discretionary money available to the rest of the nation. Obviously this doesn't go very far when compared to what it costs to maintain equipment and facilities, nor can it be easily argued as an equitable national arrangement.

The States' Transit Dollar

With the lessening of Federal intervention the states' portion of the transit pie is growing, reaching \$3.6 billion for both capital and operating expenses in FY 1987. Ignoring for the moment the 12 states which spend nothing for transit, the states average a per capita subsidy of \$15.92. When calculated per rider, the support amounts to 56 cents; by transit mile the figure is 13.5 cents. There is, however, a tremendous range surrounding all these figures.

Transit support comes from a number of sources, but several stand out. Sales taxes, fuel taxes, and the general fund are far and away the most popular. They're also seen as the most publicly acceptable sources for raising additional funds. Almost all such taxes are used more for transit now than they were even as little as three years ago. Private support of transit is growing, too, often in the form of benefit assessment districts surrounding new or improved fixed guideway systems, as well as through deregulation and other options.

To Dedicate, or Not to Dedicate

The primary advantage of having a dedicated tax is, naturally, that it guarantees a certain level of funding for the program in question -- in this case, transit. It is a state's or community's declaration that transit is important and that the government is willing to stand behind it where it really counts, in the pocketbook.

Dedicated taxes have two primary advantages: they save management time, and improve management overall.

In theory, when transit authorities can spend less time chasing the dollar, they can devote more time to doing a better job. Dedicated taxes can:

- * Help guarantee service reliability. The survey of state public transportation officials indicates that this is the top perceptible measure of a transit system's quality. Funding instability and rises and falls in service levels can also be counterproductive in the long run.
- * Help stabilize capital needs. A perpetual problem in transit is "peak and valley" funding for capitals (buses and rolling stock): systems buy a lot of equipment all at the same time, then have to replace it all at once. Scheduled capital replacement can be guaranteed through dedicated taxing sources.
- * Ensure continuity of personnel, which can in turn improve staff professionalism.
- * Help make long-term planning realistic because its implementation can be relatively assured.

Drawbacks can include:

- * Increased union demands, because funding is readily identifiable and is protected from political intrusions;
- * "Padding" of both management and labor costs as the pie is divided; and
- * Lessened public accountability for short-term priority selection for the allocation of public funds.

The States' Role in Privatizing Funding Options

Privatization is discussed at length in this report because its various ramifications are important in establishing the overall funding scenario. In its several forms, privatization can:

- * Act as a safety valve on public financial and service responsibilities;
- * Act as an important funding complement, especially for fixed guideway construction; and
- * Lower costs.

The critical disadvantage of complete privatization is that private transit cannot operate at a long-term loss and still offer the level of service which the public demands through the political economy.

The states' role in privatization comes from:

- * Ensuring a favorable regulatory environment which will permit privatization where it's practical (as with private cabs and vans);
- * Structuring benefit district, regional authority, tax, and bond legislation to allow the approach (as with private/public coventures); and
- * Creating the political environment which will allow privatization (as with subcontracting services).

All state privatization roles may require the use of a "privatization advocate" or "privatization ombudsman" to bridge the communications gap between the operators and the public sector.

The States' Role in Non-Monetary Assistance

Management Assistance

Some states may also fulfill funding obligations offering in-kind services or by subsidizing management services by contract (technical, financial, and/or marketing). These represent low-cost ways to squeeze additional use out of the public tax dollar being spent on transit.

The advantage is that small systems especially may not be able to purchase the kinds of expertise they need to maximize cost efficiency. If the state can offer them, this is one way to achieve economies of scale.

Coordination

Coordination is also a component of the complete transit finance picture.

As the social service aspects of transit services become more prominent, so too will be the identification of unnecessary service overlaps. Because of the tendency of social service agencies to identify costs by client unit, the transportation cost component is often buried and looks relatively insignificant, though it most certainly is not. For example the U.S. Department of Health and Human Services offerings for client transportation are larger, in the aggregate, than UMTA's entire 16(b)(2) small system assistance program. Capturing and controlling these costs may avoid funding requirements elsewhere.

Several publications are available on this subject, one from The Council of State Governments.

Chapter 8

State by State Summaries

Chapter 8

STATE BY STATE SUMMARIES

Alabama

In 1987 Alabama first provided capital assistance in the form of a 10% of match for buying vehicles, using using oil overcharge funds; so far, the funding has not been made available past the current year. For operating support the state continues to rely on Federal grants, local taxes, local general funds, and local farebox revenues.

Alabama has passed enabling legislation which hands responsibility over to local transit districts for financing their transit operations. Because of a lack of political support for levying necessary resources, the state proves to have only a small role in providing revenues for transit costs.

As a rule the Department of Transportation believes that the public looks more favorably on bonds, fare increases, and general fund dollars as ways to finance transit operations than it does on tolls, fees, or dedicated taxes. Although some consideration will be given in the near future to using general fund dollars to finance transportation, for the moment there is nothing pending which would give the state government a significantly larger role in mass transit.

In 1983 the City of Birmingham imposed a beer tax dedicated to transit. This has proved very successful, providing Birmingham Transit with at least \$2 million yearly. Three parts out of nine are returned to the counties to be used for transit.

Alaska

Alaska has no state-sponsored mass transit program, and provides no technical or financial support. All transit operations are carried out on the local level by individual public or private transit concerns. Further, dedicated taxes are prohibited for any purpose, including transit.

The state does, however, allow its local jurisdictions to levy taxes in support of transit. In particular, a sales tax (maximum 6%) may be levied, although it is not known how many local entities make use of this option.

As part of its response to the transit revenue-cost gap, providers in Alaska are likely to reduce off-peak-hour services and marketing efforts. Labor contracts may be renegotiated, and part-time labor increased while employee benefits are decreased.

American Samoa

The Territory of American Samoa has no publicly financed mass transit system. However, it does have a private jitney bus service of a sort.

Arizona

State government plays a modest role in Arizona's public transit. The state's major activities involve administering Federally funded transportation programs, including the Section 16(b)(2) program for the elderly and handicapped as well as the Section 18 program for small urban and rural transit. The Arizona Department of Transportation also receives limited Section 8 funds, used primarily for planning and coordinating transit in non-metropolitan areas of the state.

At least through 1991, the principal form of state financial assistance to public transit will consist of revenue dedicated from the Arizona State Lottery. In 1981 the legislature earmarked \$190 million of lottery revenues over the following ten years for the Local Transportation Assistance Fund (LTAF). These funds are distributed annually to each incorporated city and town in the state, on the basis of population. Some \$23 million in lottery receipts were allocated to the LTAF in FY 1986.

Cities of over 300,000 people (Phoenix and Tucson) must use their LTAF allotments for public transit. Phoenix received \$8.4 million in FY 1986, while Tucson received \$3.6 million. Smaller cities and towns are not required to use any of their LTAF funds for transit, but Cottonwood, Glendale, Jerome, Lake Havasu, South Tucson, and Tempe have all used at least part for this purpose.

In 1985 the legislature authorized the voters of Maricopa County (Phoenix) to enact an additional 0.5 cent sales tax to be used for transportation. While the bulk of the tax receipts will be used to construct a new controlled-access highway system for the Phoenix metropolitan area, the authorizing legislation earmarked approximately \$5 million per year for new mass transit service, as well as \$2 million per year over the next few years to plan a regional rapid transit system for Maricopa County. The legislation also created a Regional Public Transportation Authority, the first special transit district in Arizona.

Arkansas

The Mass Transit Funding Program in Arkansas is administered by the Public Transportation Section of the Arkansas Highway and Transportation Department. Statutory authority for these ongoing responsibilities was vested with the Department in 1977. The Planning Division of the Public Transportation Section is responsible for public transportation planning, UMTA Program grant administration, and public transportation coordination.

Federal grants totaling over \$3.2 million annually are the primary sources of funding for public transportation development, including money to pay for ongoing transit system operations. Urban transit systems currently operate at Little Rock and Pine Bluff. Rural and non-urbanized (that is, those with less than 50,000 population) systems are operating in eight parts of the state encompassing 27 counties. The Public Transportation Section administers and/or coordinates all the systems.

The Planning Division also administers a capital assistance program for more than 100 private, non-profit organizations which finance transportation to the elderly and to persons with disabilities. These organizations presently operate 220 vehicles, and the Highway and Transportation Department is purchasing an average of 25 vehicles (15-passenger vans and small buses) each year. Many of the buses are equipped with lifts for wheelchair access.

Assistance in transit planning and/or local transit operations is given to each of the urbanized area transportation subsidies and to Pine Bluff's Transit Department. The Public Transportation Section is responsible for ensuring that cities and non-urbanized bus systems comply with handicapped accessibility, disadvantaged business enterprise (DBE), and private enterprise involvement requirements.

The Section performs, or administers contracts for, work activities that benefit all or some transit properties. Examples are extensive training and technical assistance for management information systems (MIS), private enterprise involvement projects, and transportation management improvement plans (TMIP) for public rural and non-urbanized transit systems.

The Section is currently encouraging the cities of Fort Smith, Texarkana, and Fayetteville to initiate public transit service. Another area of active involvement is in developing park and ride lots where motorists can park and meet a car pool, van pool, or transit bus for ride-sharing.

The public transportation program in Arkansas is dedicated to furthering opportunities for citizens of the state to use public transportation, and to coordinating the state and Federal funding programs in the most feasible and efficient manner possible. The program seeks to administer a viable public transportation program while maintaining sound short- and long-range planning coordination.

California

The state provides \$87 million in capital assistance, derived from dedicated taxes, primarily sales (42%) and fuel taxes (58%). Almost \$69 million in direct operating assistance was provided in FY 1986, funded in toto from sales tax revenue. \$535 million comes from a state-administered, locally-initiated pass-through tax (indirect).

The California Development Act allows each county to establish a Local Transportation Fund from a quarter cent of the retail sales tax collected state-wide. 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 then used for transit planning and administration and, in the case of a county with a population under 500,000, can also be used for streets and roads if there are "no unmet transit needs that can reasonably be met."

Special transit districts are permitted, and so are the following independent revenue-raising mechanisms:

- * Up to 1.2% additional sales tax;
- * Up to 5 cents/gallon local gasoline tax; and
- * Revenue and general obligation bonds.

In each case, however, a two-thirds majority of local voters must approve the levy.

Colorado

Colorado provides neither capital nor operating assistance to mass transit operations; however, the state gives local governments the authority to levy both sales (7% ceiling) and payroll taxes. The 1987 pass-through tax in the six city, Denver metropolitan area, is expected to net about \$93 million.

Local and regional transit authorities set the ad valorem mill levy subject to voter approval, and are also responsible for setting fares, advertising, and overseeing 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 disabled. Cutbacks in maintenance and marketing are also probable. 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 state and local government 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 authorized over \$43.7 million through general obligation bonds for capital improvements in FY 1987. Over \$76 million in assistance for bus and rail operations was also provided, primarily from transportation fund revenues.

Connecticut has 17 Transit Districts, five of which operate the local bus systems in Bridgeport, Norwalk, Westport, Southeast Area, and Valley. Three others -- Hartford, New Haven, and Stamford -- are served by fixed route service provided by Connecticut Transit. The remaining nine districts are served by private transit providers under contract.

Transit services provided in Transit District jurisdictions are funded through farebox collections as well as by state and Federal funding. Annual ridership on Connecticut's bus systems is 35.3 million passengers.

Rail commuter service in Connecticut is operated by Metro-North Commuter Railroad. Metro-North is jointly subsidized by MTA and ConnDOT under an agreement through which the state picks up approximately 60% of the New Haven Line's deficit.

Service improvements continue on the New Haven Line as additional rail cars are put into service, and as capital improvements work on some of the line's problems -- the lack of a reliable source of power, and the need to slow trains down on some sections of track. Annual ridership on the New Haven Rail Service now stands at 2.8 million passengers.

With existing Federal budgetary constraints in mass transit, the state has a policy of maintaining existing services with no new expansion of service planned within the immediate future. The objective in maintaining the existing level of service is to maximize the operating efficiency of the transportation system, while keeping costs in check without needing to resort to annual fare increases.

The state legislature recently passed a policy regulating the operating deficit of bus transit providers in Connecticut. The state will provide an amount equal to 67% of operating expenses, or the operating deficit, whichever is less.

Delaware

Through the Delaware DOT, the state funds public transportation using a variety of sources. Revenues originating from tolls, gasoline taxes, permit fees, and concessions fund the Delaware Turnpike; excess revenues in turn pass into a Transportation Fund which provides capital and operating assistance for various modes of public and specialized transit throughout the state. In 1987 this amounted to \$1.9 million for capital assistance and \$4.6 million for operating aid.

Local governments provide only limited funding for public transit.

Management of public transportation is focused at the state level through various subsidiary corporations of DelDOT. In addition to fixed route transit in the metropolitan area, there is a state-wide specialized transportation operator, two small urban area operators, three contracted intercity bus operations, numerous private non-profit organizations, state-wide ride-sharing services, and a user side subsidy program making use of several taxi companies. DelDOT also takes care of aviation and rail services.

District of Columbia

The District of Columbia is a unique entity in that it has both state and local responsibilities and taxing authorities. The District levies traditional state taxes: income, sales, excise, and corporate. It also levies traditional local taxes and fees: property and parking. The District is forbidden by the U.S. Congress from levying a payroll or commuter tax.

Public transportation in Washington DC is provided by a regional organization, the Washington Metropolitan Area Transit Authority (WMATA). WMATA was created under an interstate compact, with Maryland and Virginia as the other signatories.

The system's principal components are Metrobus and Metrorail. WMATA's Metrorail capital construction program is funded 80% through Federal funds and 20% through local funds. The District's share of local matching funds is approximately 24%.

Operating funds for bus and rail services come from the farebox, non-operating revenues, local operating assistance, and Federal operating assistance. Washington DC provides 44% of local operating assistance.

In response to the transit revenue-cost gap, the District of Columbia will probably cut back on new capital purchases, reduce administrative costs, use more part-time transit labor, and renegotiate labor contracts. The next two years are also likely to show increases in transit fares and fees, as well as in general fund allocations to transit.

Florida

The transportation financing package included a local option, 4 cent/gallon gasoline tax, which will raise \$9.9 million (including money for two major fixed guideway systems) for capital assistance in FY 1987. The state provides no operating assistance except for service development programs.

Local revenues can be used for either highway or transit projects, and both capital and operating expenses are eligible. State gas tax collections are reserved for transportation activities, with 10% being set aside for public transit and rail capital projects, subject to legislative appropriation.

Local gas taxes can be imposed by county ordinance, without a referendum. The first 2 cents of the tax can be levied by a majority vote of a County Commission, and the third and fourth cents by a vote of the majority plus one. All revenues from the local measures remain within the county in which they are collected.

If a county chooses not to levy a tax, City Councils representing a majority of the county population may pass resolutions calling for a county-wide referendum on the issue, which the county must then hold. If the voters approve the measure, the tax goes into effect throughout the county.

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 half the incorporated population may negotiate a distribution formula on any mutually agreeable basis; or
- * Formula: If an agreement cannot 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 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," defined 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.

Increases in auto and truck tag fees and new methods of calculating sales taxes also yielded new transportation revenues. State funds spent for transit can only be used to provide up to half the local contribution required (either 10% or 12.5% of the total project cost, depending on its approval date, or 15% for ride-sharing projects) for Federally-supported capital expenditures. No state funds can be used to subsidize operating deficits.

Georgia

The State of Georgia uses a variety of mechanisms to assist with the financing of public transportation systems. A summary of the options currently available are highlighted below.

Through the Department of Transportation, the State General Assembly authorizes general fund revenues to assist local areas with 10% of capital projects, 10% of planning projects, and 50% of the local share of marketing programs.

State statutes authorize local governments to vote for local option sales taxes as a form of dedicated revenue for transit. This option was exercised in Fulton and DeKalb Counties in 1971 when they created the Metropolitan Atlanta Rapid Transit Authority (MARTA). Through this process a 1% sales tax is dedicated to transit operations. Since MARTA is not eligible for direct state assistance, its operation relies totally on farebox revenues, sales tax revenues, investment earnings, and UMTA grants.

The Chatham Area Transit Authority (CAT) was created as a special district in 1986 for the purpose of providing transit services in the Chatham County region. A portion of property taxes has been reserved to help support its transit operations.

In 1985 the Georgia General Assembly approved legislation which allowed Cobb County to create a special transit district. The county is planning to initiate a public transportation program in January 1988; this will be supported solely through a hotel/motel tax and business license fees. A transit district option has yet to be initiated.

Hawaii

The state plays a minimal role in transportation finance in Hawaii, providing neither capital nor operating assistance. Only four local units of the government are 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. The Honolulu area, however, is in the process of developing a very innovative private/public joint venture (see Part 2).

The overall transit funding gap is likely to result in cuts in urban routes, off-peak-hour transit services, the purchase of new equipment, and the number of working hours. Other effects will probably be increases in fares and the use of non-fare revenue and part-time transit labor.

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.

Since fares are the primary source of funds for transportation,, it is very likely that they will escalate in the near future and that the frequency of service will be reduced. Part-time transit labor will probably be used more often, and there will be fewer employee benefits.

Illinois

The state plays a significant role in transportation, providing over \$54.7 million in capital assistance in FY 1987 through the use of general obligation bonds (96%) and general fund money (4%). More than \$115.3 million was also provided in operating assistance, all of which was received from the general fund.

There are over 100 home rule units in Illinois which have very broad powers, including taxing authority. Municipalities over 25,000 population automatically have home rule unless their citizens vote it out. Smaller municipalities may obtain home rule by referendum. Cook County (Chicago area) is the only county government having home rule.

The following taxes are generally permitted for other-than-home-rule units: motor vehicle taxes, gross receipt taxes, use taxes, utility taxes, and auto renting occupation taxes. In addition, local governments may levy a sales tax of up to 1%.

Renovation and construction of common rail stations are capital projects which have involved private/public cooperation in Illinois. In addition, the Chicago Transit Authority (CTA) contracts with four private companies to provide para-transit services for disabled riders.

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 generate at least 50% of operating costs in the Chicago area.

Indiana

State capital and operating assistance of \$13 million is provided through a dedicated sales tax of 0.76%. These funds can be used for expenses in either category, at the discretion of the local government. Local governments may also levy income taxes. Special transit districts are permitted by state statute and are generally supported through the use of general obligation bonds and property taxes.

Private/public cooperation is encouraged in Indiana, and among the best examples are Ft. Wayne's use of the private sector to provide labor for weekend service; the operation of the Chicago, South Shore, and South Bend railroad by a private railroad company under contract to a public entity; and Hammond's contract with Hammond Yellow Coach for all fixed rate service.

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's funds for state transit assistance currently come from one-fortieth of the use (sales) tax on motor vehicles and accessory equipment. All but \$300,000 of these funds are distributed for general support purposes among the systems, using a performance-based formula. In FY 1987, \$1.7 million of petroleum overcharge funds were also appropriated for transit systems to use for special projects relating to energy conservation. A significant proportion of these funds was used for marketing.

In FY 1988, \$1.7 million has again been appropriated from petroleum overcharge funds. It is anticipated that these funds will now be added to the use tax proceeds, and that all will be distributed by the formula except for the \$300,000, which is reserved for a discretionary program that targets funds for special, innovative projects. The amount of tax funding available by this formula distribution is approximately \$2 million annually. This will result in a \$3.7 million formula program in FY 1988.

In addition to using general local tax dollars and other, more traditional, local revenue sources, Iowa municipalities may also levy up to a maximum of 54 cents/\$1000 of property valuation to be used for transit services.

Kansas

In Kansas, state financing is limited to the state-matching shares of planning and administration costs. A portion (10%) 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; their primary revenue sources are property taxes, farebox revenues, and Federal funds.

State funds are provided through a number of social service programs for transportation, as part of specific social service objectives. And while there had not been sufficient demand for mass transit to justify a greater degree of funding involvement by the state, Kansas is now investigating the possibility of funding some types of programs on a limited basis.

Kentucky

Kentucky provided \$774,000 in capital and no operating assistance for transportation in FY 1987, but local governments are given the authority to levy payroll taxes in support of transit. 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 set up as a trust fund which may also issue revenue bonds. The state's policy on private/public 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 downtown circulation: the Transit Authority buys one bus and the state buys another. The Transit Authority also has an agreement with a local cab company to provide Saturday transit and on-call service in rural parts of the 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 increases. More part-time transit labor is likely. Increased fares, increases in the general fund, and payroll tax increases are the most acceptable to the public; lotteries and increases in tolls, fees, sales taxes, income taxes, and fuel taxes are the least acceptable.

The Commonwealth of Kentucky receives UMTA funds for state planning and research and development. These funds are sent to the state DOT and distributed 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 DOT provides staff members to the municipality for organizational and planning purposes. Several Commonwealth cities are in the process of planning transportation systems using these funds.

Louisiana

No state financial support for capital expenses is provided; operating assistance funds, formerly made available through the general fund, were eliminated this year so the state now provides no direct financial support at all to transit systems.

Local taxing authority is permitted with a maximum of 3% sales tax set by state statute. All local governments are eligible to levy this tax, but only one has done so in order to provide transit services. The state is involved in the administrative process for local taxes, but does not administer them.

Transit authorities are allowed independent revenue-raising authority: bonds (approval by State Bond Commission) and taxes (majority vote in tax election). Special districts are permitted to raise revenue using a sales tax approved by referendum.

Louisiana has no policy promoting private/public cooperation activities in urban/rural development.

Likely targets for cuts in the near future include the number of urban routes and the off-peak-hour service provided. Probable increases will come in transit fares, taxes dedicated to transit, and general fund allocations. It is also likely that transit labor contracts will be renegotiated. Increased fares, increased general fund participation, and increased sales taxes are viewed as moderately acceptable to voters, while all other options are perceived as least acceptable.

In January of 1985, voters in New Orleans approved continuation of a permanent 1% sales tax, with the full amount dedicated to transit. The Regional Transit Authority receives an estimated \$34 million per year from the tax.

Maine

Currently, the state provides all capital and operating assistance from general fund sources. In 1987 this amounted to \$400,000 for combined capital and operating expenses for all forms of surface mass transit. \$1 million was provided for operating state ferry services in Penobscot Bay, plus another \$400,000 for capital expenses there. Local government taxing authority is not permitted.

Using population figures, local transit authorities can raise revenue independently by assessing the community served for a proportion of its operating deficit.

Special districts are permitted.

The state has a policy which makes specific reference to private/public initiatives in mass transit. Private operators must be given an opportunity to submit bids to provide service before a public agency undertakes them.

In terms of cuts, a number are probable: the number of routes, services provided outside peak times, special transport for the elderly or handicapped, and/or para-transit services. Fares and general fund transit allocation increases, more use of part-time labor and fewer total hours worked, and renegotiated transit labor contracts are expected.

Voters see increased fares and general fund contributions as most acceptable revenue sources, with lotteries, bonds, and income, corporate, and payroll taxes as least acceptable.

Maryland

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

A major increase of 5 cents/gallon in the motor fuel tax was passed in 1987 and went into effect in July. Increased revenues will be used to expand and rehabilitate Maryland's highway network.

The state fund finances the entire local share of subsidies for the Mass Transit Administration's (MTA) transit operations in Baltimore, and 75 to 100% of the non-Federal share of capital and operating grants in the state's portion of the Washington metropolitan area. The trust fund also finances the local share of the costs of commuter rail service operated by the State Railroad Administration.

In addition to directly operating bus and rail transit service in the Baltimore Metropolitan Area, the Mass Transit Administration provides operating, capital, and technical assistance to public transportation projects in rural and small urbanized areas of the state. The FY 1988, transit assistance is being provided for systems in Allegany, Caroline, Carroll, Charles, Dorchester, Garrett, Harford, Howard, Kent, Montgomery, Prince George's, Talbot, St. Mary's, and Washington counties, as well as in the cities of Annapolis, Frederick, and Ocean City. In addition Allegany, Washington, and Wicomico counties will receive planning and technical assistance for current and potential public transportation projects in their areas. Combined, these systems are expected to transport 2.8 million people in FY 1988.

The Statewide Special Transportation Assistance Program (SSTAP), also administered by the MTA, provides capital and operating assistance for general-purpose transportation for elderly and disabled citizens throughout the state. With the overwhelming success of this new program, the MTA and Maryland DOT have approved an increase in the overall funding level for the program from \$1.5 million in FY 1987 to \$2 million in FY 1988.

In cooperation with the Maryland Office on Aging and the Governor's Office for Handicapped Individuals, the MTA has approved funding for SSTAP services in all 23 Maryland counties and in Baltimore City for FY 1988. State funds cover up to 75% of operating deficits and up to 95% of the cost of capital items, with the remaining share being a local jurisdiction responsibility.

In addition, the MTA administers the UMTA Section 16(b)(2) program providing capital assistance to non-profit organizations serving the elderly and disabled. Under this program, over 100 regular and specially-equipped vehicles are currently in operation in Maryland.

The MTA is also involved in coordinating state-wide ride-sharing efforts. Local coordinators in nine counties (Anne Arundel, Baltimore, Calvert, Charels, Harford, Howard, Montgomery, Prince George's, and St. Mary's) and the city of Baltimore promote car- and vanpooling. The MTA provides driver training for vanpool drivers as well as computerized commuter matching. The ride-sharing database now has more than 10,000 names on file.

In FY 1988 the MTA will also administer a pilot commuter bus program which will provide a combination of non-financial technical support and state financial operating assistance to private transit commuter services in certain corridors where assistance is needed -- those running between Frederick, Columbia, Annapolis, and Charles County, and Washington DC, have been targeted for the pilot.

Massachusetts

In Massachusetts, the state provides approximately \$177.5 million in contract assistance to the Massachusetts Bay Transit Authority (MBTA) and \$15 million in contract assistance for the state's other 14 regional transit authorities. Contract assistance can be used for the non-federal share of operating expenses. An additional \$128,322,222 is provided to the transit authorities for capital expenses.

The Regional Transit Authorities (RTAs) -- 14 of them, representing 185 cities and towns throughout the state -- are municipally-controlled organizations. Since they are prohibited by statute from operating mass transit services, they must contract with the private sector for service operations. In FY 1986 the RTAs transported 34 million riders on fixed routes and another 1.5 million through elderly and handicapped services -- an increase of 14% since 1982. The RTAs vary greatly in size, though: the one in Martha's Vineyard carries 43,000 passengers yearly, while Pioneer Valley's annual figure is 12.3 million.

A third of the RTAs' operating budget comes from the state; the rest is generated by the farebox, Federal assistance, and local property tax assessments. All communities must, however, pay their full local share for the transit service in those communities.

The state also provides a \$4 million bond program for capital assistance to regional transit authorities, and a \$2 million bond program for capital assistance to provide specialized transportation for elderly and disabled persons. Overall, Massachusetts RTAs currently devote 15% of their service budgets to specialized services for their elderly and disabled populations.

A related transit program, the intercity bus program, provided \$5 million in each of the last two state bond programs to purchase intercity coaches and lease them back to private operators who provide commuter services without an operating subsidy. Many of the first purchase of buses, and all of the later, are equipped with state-of-the-art wheelchair lift devices.

In addition to these key programs, the Commonwealth has coordinated an expanded commuter ferry program in Boston Harbor to help combat traffic congestion, and sponsored the return of passenger rail service to Cape Cod.

The state's nonprofit ride-sharing corporation, Caravan for Consumers, Inc., has helped private carriers develop their commuter markets through a charter bus brokerage service for private employers.

Michigan

In FY 1986, the state provided capital and operating assistance funds to 14 urban areas, 55 non-urban areas, and 44 specialized services systems. Sales taxes accounted for 32% of the funds, while 65% came from fuel taxes, 1% from fees, and 2% from miscellaneous revenues.

Michigan allows the formation of transit districts and transit authorities which can use property taxes for a revenue base. In 1986, 48 systems had millages for public transportation services. The state has hired a consultant to study the extent of private enterprise involvement in public transportation and to make recommendations for increasing it.

The degree of increase in state operating funds has not kept up with Federal cuts, so transit agencies are being forced to increase local share (farebox and local funds) or cut services. Work on a new state transportation funding package will continue into FY 1988 when, for the first time, the state will fund systems up to the maximum operating assistance allowed by statute (50% of nonfederal costs for urban and 60% of nonfederal costs for non-urban).

Michigan has been active in the transfers of UMTA funds from urban areas to non-urban ones, to fund six transit facilities under the Section 18 program. The state also secured UMTA Section 3 funds for six more facilities in the non-urban area. State funds cover the local share and some systems have donated the land. In total, there are 15 facilities being built in non-urban areas, three with state/local funds.

Minnesota

The Minnesota Public Transit Assistance Program is administered by the Minnesota Department of Transportation (MnDOT), Office of Transit, in the 80-county geographic area located outside the seven-county Twin Cities Metropolitan Area. During 1984, legislation was enacted which established a Regional Transit Board (RTB) responsible for short-term planning and funding distribution for transit services in the metropolitan area. The RTB assumed this responsibility as of February 1986. Mn/DOT and the RTB work closely together to coordinate activities that influence public transit on a state-wide basis.

FY 1987 state operating assistance was provided from the following fund sources to 43 outstate and 23 metro systems:

	<u>Mn/DOT</u>	<u>RTB</u>
General fund	\$4,398,200	\$14,143,200
Motor vehicle excise tax	<u>1,091,100</u>	<u>5,000,000</u>
	\$5,489,300	\$19,143,200

Since January 1984, all outstate transit systems, and several metropolitan ones, have received state assistance through a fixed share funding formula. This formula sets a fixed local share of the system's total operating cost to be paid by a locally-determined mix of taxes and operating revenues. The remainder of the operating cost is paid by the state, less available Federal assistance.

The state currently provides operating assistance from the general fund and motor vehicle excise tax. The formation of special districts is permitted by the state; the state also encourages private/public cooperative activities.

The sources of transit revenue most acceptable the public are thought to be fares and sales taxes, with revenue bonds, tolls, income taxes, corporate taxes, and payroll taxes the least acceptable.

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, Moorhead, Brainerd, and Cloquet.

The 1987 legislature appropriated \$52,420,000 for transit funding during the next biennium. This appropriation is allocated as follows:

	<u>Greater Minnesota</u>	<u>Metro</u>
FY 1988	\$ 5,800,000	\$20,450,000
FY 1989	<u>5,720,000</u>	<u>20,450,000</u>
	\$11,520,000	\$40,900,000

This level of state funding is virtually the same as the current biennium. When combined with available Federal support, the state appropriation should be sufficient to allow service levels to remain basically the same.

Mississippi

The state provides no capital or operating assistance funds. Local governments are not permitted taxing or independent revenue-raising authority. Mississippi does not allow the formation of special districts, nor does it have a formal policy encouraging private/public cooperation in transit.

Off-peak-hour transit services are expected targets for cuts, while transit fares and the use of part-time transit labor are expected to increase. Fares are seen as the most acceptable source of revenue for transit; lotteries, bonds, and sales, income, 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 \$1.4 million in operating aid from the general fund is provided to non-profit companies which serve the elderly and disabled. The state has no documented policy on private/public cooperation in transit.

Over the next two years, likely targets for cuts are the number of urban and rural routes, and the provision of off-peak-hour transit services. Transit fares are apt to increase. Fares, lottery funds, sales taxes and corporate taxes are seen as having moderate public support as sources of transit revenue. General fund appropriations, bonds, tolls, fees, income taxes, fuel taxes, and payroll taxes on the other hand, are the least acceptable.

Montana

A fuel tax provides the state with \$69,825 each year for the five cities operating public transit cities; note that this is a reduction in funds as mandated by the legislature as part of its overall budget-cutting efforts in 1987. Other than the local property tax, the state government does not permit local government any taxing authority.

The formation of special districts is allowed, and they may tax property.

At the present time Montana has no policy promoting private/public cooperation in transit.

Transit fares are likely to increase over the next two years, and in fact are seen as the most acceptable source of revenue transit. Fees are viewed as moderately acceptable, and general fund, lotteries, bonds, and directed taxes as least acceptable.

Nebraska

State operating assistance of \$1 million is provided through the Highway Fund. Capital assistance available to the one transit authority as a one-time authorization provided through the general fund.

Cities are permitted to levy a sales tax, up to 1.5%, which can be used for transit. The transit authority is authorized to levy a property tax to raise revenue.

Special districts are not permitted.

Cuts in the near future are likely to affect the number of urban routes, the extent of off-peak-hour service provided, and the number of total working hours; an increase in fares will probably occur as well.

Revenues from fares, fuel taxes, general fund, and non-fare enterprise revenues are seen as most acceptable to the public; fees and sales taxes are moderately acceptable; and lottery, general obligation bonds, revenue bonds, tolls, income taxes, corporate taxes, payroll taxes, property taxes, and "sin" taxes are the least acceptable.

Nevada

The state provides capital assistance in a small way, only to pay half the local match for UMTA capital assistance money; this comes from interest income on the General Highway Fund. All other funding, capital and operating, comes from either Federal funds or a local option sales tax (successful in Reno and unsuccessful in Las Vegas) and farebox revenues.

Local governments are permitted to levy a sales tax of up to one-quarter 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.

Nevada participates in a Congressionally mandated special transportation district along with California, although all transportation services are on the California side. Several years ago the two states had a joint Section 18 grant which they gave to the Tahoe Transportation District, but the program lasted only two years and because long-term funding could not be achieved the area did not benefit from any steady, reliable transportation.

There is no policy regarding private/public cooperation.

Increases or cuts in services and revenue sources, along with labor issues, are dealt with by the affected transit provider(s).

While a lottery might be the most acceptable revenue source to the public, there could be resistance from the local gaming industry which could preclude it from becoming a viable funding source. Tolls, fees, income taxes, corporate taxes, and payroll taxes would be the least publically accepted alternatives, primarily because most of these sources don't exist at the moment and any tax would have to be a brand new one.

New Hampshire

New Hampshire basically has no public transit -- no trains, and only a few privately operated bus companies. Thus the state is not involved in public transit at all, aside from having ongoing, informal discussions with its bus companies on how best services might be run.

The only mass transit programs in the state are a few very modest ones funded by UMTA grants, such as the Section 18 programs which provide service to the elderly and disabled.

New Hampshire has no state policy regarding private/public cooperation.

New Jersey

The state provides both capital and operating assistance funds for mass transit. Of the former, in fiscal 1987 90% was provided through New Jersey's Transportation Trust Fund, which is financed through the dedication of 2.5 cents of the state's gasoline tax. The Trust Fund provided \$200 million for public transportation projects between 1985 and 1987, in addition to drawing down significant Federal money and financing highway projects. The New Jersey Legislature is currently considering renewing the Trust Fund for another four years beyond 1987.

The other 10% of the state's capital contribution came from the Casino Revenue Fund, which provides for locally coordinated para-transit services for senior citizens and persons with disabilities. All of the state's operating assistance for public transportation comes from the general fund.

NJ TRANSIT interacts with the private sector in many ways, and actively promotes private/public cooperation in providing public transit. Joint property development and safe harbor leases are some of the ways in which the private sector participates. NJ TRANSIT also provides buses and other capital equipment to private bus carriers in the state, as well as subsidize some carriers and contracting for services with others.

No reductions in service are planned over the next two years since service is periodically adjusted to reflect demand requirements.

Transit fares and fees, the general fund transit allocation, and the gasoline tax dedicated to transportation are all likely to increase. The general fund, bonds, and fuel taxes are the sources of revenue most acceptable to the general public; lottery funds and other dedicated taxes are the least.

New Mexico

The New Mexico Transportation Department recently merged with the Highway Department, creating the new New Mexico State Highway and Transportation Department. Further reorganization is anticipated in the near future.

The state provides no assistance funds for either capital or operating expenses. Local governments can levy a 4.75% 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 private/public cooperation, but no specific reference is made to initiatives in the area of mass transit. In Santa Fe, the city relies solely on two 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, 90% of whom are elderly or disabled.

Within the past year the city of Las Cruces has set up a public bus system which operates on fixed routes.

New York

New York provides both capital and operating assistance funding. The general fund provides nearly all of the capital assistance funds, with the remainder from state general obligation bonds although the Metropolitan Transportation Authority (MTA) may bond against state general fund appropriations.

Of the operating assistance funds provided by the state, 23% come from the general fund, 40% from a corporation tax, 23% from a sales tax, 6% from a fuel tax, and 8% from a long line telephone tax.

Local governments are permitted to levy a sales tax of up to 3% (except in New York City, where the limit is 4%). The state has also authorized an income tax in the cities of New York and Yonkers. None of these are dedicated taxes, however.

Regional transit authorities are allowed independent revenue-raising authority through fares, bond issues, and tolls. A state-enacted mortgage tax is collected by each Authority from every member county.

Special districts are the same as regional transportation authorities, and there are five in the state.

North Carolina

The general fund provides all capital assistance funds contributed by the state. Counties can levy a 2.5% sales tax, 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.

The 1987 session of the North Carolina General Assembly is currently considering two pieces of legislation which would alter public transportation funding:

- * HB 116 would appropriate \$.50 a year for each registered vehicle, to be used for public transportation grants. The money would come from the Highway Fund and would generate \$2.5 million a year, replacing the current \$1.645 million general fund appropriation.
- * SB 58 would appropriate \$2 million from the general fund for elderly and handicapped transportation. Funds would be administered by the DOT and passed through to counties.

North Dakota

There is no direct state aid for transit in North Dakota. All transit assistance is provided through UMTA programs.

There are six "home-rule" cities which could levy any kind of local tax for transit, subject to voter approval, but the three with city bus service all use property taxes.

Local/regional transit authorities also have independent revenue-raising authority but none are currently exercising this option. Special districts are permitted by the state.

Using UMTA funding, the state offers technical assistance to all transit concerns though no specific policy exists for promoting private/public cooperation.

The current level of transit service, urban and rural, fixed route and para-transit, is expected to be maintained over the next two years. Likewise transit fares, dedicated taxes, and general fund transit allocations are not expected to change significantly either.

All gambling receipts (blackjack, bingo, and tip jars) must be donated to charity and thus can be used to fund non-profit transit projects. These sources of revenue and fares are viewed as the most acceptable forms, while tolls and dedicated taxes are the least.

Northern Mariana Islands

There is no mass transit system in the Commonwealth of the Northern Mariana Islands.

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%, an income tax, and/or a payroll tax to help provide transit service. Regional transit authorities -- synonymous with special transit districts -- can also raise revenues through property or sales taxes, based on a vote of the people.

The state has no documented policy on private/public cooperation, but such cooperation has taken place in Cleveland and Toledo.

Over the next two years cuts are likely in the number of routes, off-peak-hour services, and special transit services for the elderly and handicapped. Transit fares and dedicated taxes are likely targets for increases. Two other upcoming issues are the increased use of part-time transit labor, and renegotiated transit labor contracts. Those revenue sources thought to be most acceptable to the public are fares and the general fund. Tolls and fees are seen as least acceptable.

An employee-paid tax is levied by Cincinnati. This represents 3% of the paycheck of everyone who either lives or works in Cincinnati, and is dedicated to transit. 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) receives more than \$12 million annually, or about 30% of its total operating budget, from the payroll earnings tax.

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, although in FY 1987 \$900,000 in oil overcharge funds were used as seed money to allow transit systems to self-insure. This is a one-time use, and after FY 1987 this program is to be self-supporting.

Oklahoma does not permit local taxing authority for cities or transit authorities, and its voters have consistently refused to allow special transportation districts to be established.

Cuts are likely during the next two years in the number of urban routes as well as in the provision of off-peak-hour transit services; transit fares and the use of part-time transit labor, on the other hand, are apt 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

The Public Transit Division was created by the 1969 Oregon Legislature. Originally called the Mass Transit Division, it is now known simply as Public Transit.

The division serves as the state-wide coordinating, planning, financing, and development agency for public transportation systems in Oregon. Its work includes administering state and Federal grants to assist large city transit systems; providing funds from the Federal assistance program for both operating and capital assistance to small city and rural transit programs; and administering Federal grants for capital assistance to nonprofit agencies providing transportation for the elderly and disabled.

The division also provides transit planning help to communities around the state; coordinates the state-wide ride-share program; manages state funds generated for transit projects from lottery proceeds; and distributes transit-dedicated funds from the division's percentage of cigarette tax revenues.

Funding for the division during the 1987-89 biennium includes \$3,122,175 in Federal funds, \$14,129,178 in other funds, and \$943,053 in state general funds. Money from other funds includes \$8 million to be received from oil overcharge proceeds and \$5,563,487 expected to be generated from the cigarette tax. In addition, both Portland and Eugene levy a tax on all non-government payrolls; by statute this tax can be no more than 0.6%.

During the 1987-89 biennium, the division's expenditures include:

- * Small city and rural transit assistance programs, for areas with populations under 50,000 \$2,589,768
- * Planning administration and local technical assistance programs \$ 907,617
- * Elderly and handicapped transit assistance program \$1,105,509
- * Ride-share programs \$ 101,746

Pennsylvania

In FY 1986-87, the state provided \$185 million in operating assistance grants to support urban mass transit, rural transit, and intercity bus and rail passenger services throughout the Commonwealth. Pennsylvania's lottery is dedicated to programs for senior citizens, including transportation programs that serve them. Approximately \$109 million in state lottery funds were dedicated to pay for free and reduced fares for citizens on fixed route and shared-ride, demand-responsive transit services. \$42.6 million was authorized by the General Assembly to fund, on a matching grant basis, transit capital improvement projects.

These funds must be appropriated annually by the General Assembly. There is no dedicated tax for transit in Pennsylvania. Consideration must be given if local tax reform proposals are introduced into the State Legislature.

To deal with the gap between expenses and revenues, service cuts, fare increases, and other measures to minimize expense increases will be taken by the transit operating agencies. The state will see increased usage of part-time labor, along with subcontracting with private carriers for certain services.

Rhode Island

In fiscal 1987, the state provided \$165,500 in capital assistance funds for mass transit, and almost \$9 million in operating assistance.

Rhode Island does not permit local governments to have taxing authority. The Rhode Island Public Transit Authority may sell Revenue Anticipation Notes to raise revenue.

Private/public cooperation in transit, involving particular public money and private taxicab companies, is currently being attempted. In addition, the Rhode Island Department of Transportation is involved in the Newport Gateway Project, which includes private/public development of a 15 acre parcel to include a transportation center, public parking, private hotel, commercial area, and combined sewage overflow facility. The project began construction in the summer of 1987 and is supposed to be completed by early 1988.

In another private/public venture the Rhode Island Public Transit Authority contracted out a service which they had formerly provided in moving citizens from the towns to the beaches. Previously six buses had served four communities; using school buses, the private contractor was able to use nine buses serving eight communities, and at a lower fare. The ninth bus was a wheelchair lift bus which met RIPTA's 504 goals.

In response to the transit revenue/cost gap, it is likely that the state will renegotiate transit labor contracts and increase its 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. The public would probably find the general fund, revenue bonds, and sales and fuel taxes to be the most acceptable revenue sources. Higher 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 36 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 1982 voters approved a state transportation bond issue for highway and transit improvements. A portion of the proceeds are used for transit capital projects.

South Carolina

From the general fund the state provides \$316,493 in capital assistance funds and \$764,850 in operating assistance funds for mass transit. Fiscal 1988 will have a new distribution of 1/4 of 1 cent, for a probable total of \$5 million, from motor fuel tax revenues. Previously, all motor fuel tax money went into the highway fund, but at least for fiscal 1988, that amount will be diverted for general mass transit expenses, either capital or operating.

Enabling legislation has been passed which will allow local governments to levy motor vehicle registration fees in support of mass transit; it is now up to these entities to make use of this ability.

Local/regional transit authorities and special regional planning districts have limited revenue-raising authority (that is, service and bonding). South Carolina currently has ten regional planning districts, all of which are active.

Private/public cooperation is encouraged and has proved very successful. The Greenville Transit Authority arranged a safe-harbor lease for capital purchase in conjunction with a North Carolina-based lending institution, and is also subcontracting with local taxi operators to furnish vanpool and medical transportation services.

Four of the state's seven urbanized areas have transportation services provided by local private utility companies under long-term (in one case as long as 100 years) franchises awarded by the municipality or county government, an arrangement that appears unique in the United States. In another unusual approach, the Coastal Rapids Public Transportation Authority operates as an eleemosynary (that is, private benevolent corporation which exists for public, non-profit purposes) organization providing transit services in an area where the local government didn't feel comfortable getting involved, yet needed some instrument through which transit money could be channelled.

South Carolina anticipates a wide range of responses to its anticipated transit revenue-cost gap: cutting back on the number of routes and the provision of off-peak-hour services; and spending less on new capital and on management services. It also expects to use more part-time labor, reduce total working hours, and reduce employee benefits. In terms of increases, the state predicts higher transit fares and fees, as well as more taxes dedicated to transit and greater allocations from the general fund.

Fares remain the most acceptable source of revenue, with tolls and dedicated taxes -- sales, income, corporate, and payroll -- 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 permitted. Local/regional transit authorities do not exist. The state does allow the formation of special districts.

Cuts in the number of urban and rural routes are likely, as are cuts in special transit services for the elderly and handicapped. An increase in transit fares is likely since this is most acceptable to the public. A lottery, non-fare enterprise revenues, "sin" taxes, and fees are viewed as acceptable revenue sources.

Tennessee

With money from the state fuel tax, Tennessee provides mass transit with both capital and operating assistance funds. And while local governments may also levy a dedicated fuel tax of 1 cent per gallon, none has yet to do so. Transit authorities -- 11 urban and 11 rural -- are not permitted independent revenue-raising authority.

There is no state policy promoting private/public cooperation in transit, but the private sector has been very receptive to commuter ride-sharing programs.

Cuts in new capital expenditures are probable over the next two years, and transit labor contracts may be renegotiated in that time frame as well. Fares, the general fund, and non-fare enterprise revenues are thought to be the most acceptable sources of revenue, while sales, income, payroll, and property taxes are the least so.

The state provides, from gasoline tax funds, half the local share of UMTA-assisted capital projects. The state routinely funds planning grants and has its own service development demonstration program.

Texas

A total of almost \$10 million was provided from the state's general revenue fund for mass transportation capital assistance in fiscal 1985 and 1986. A portion of these funds (\$237,500) was earmarked for the operation of rural transit systems. Six metropolitan transit authorities now exist in the state, collecting \$410 million of sales tax revenues in calendar year 1986.

Because of the current economic situation, the state is facing a decline in transit ridership of 3% in CY 1986. This compares to 13.2% and 12.6% ridership increases in CY 1984 and CY 1985, respectively.

Transit fares are unlikely to increase over the next two years since many systems have already raised their rates relatively recently. Revenues from the general fund and a sales tax are moderately acceptable and may be tapped as a source of additional funds for transit services.

Utah

The state grants local jurisdictions the option to form transit districts and impose a local sales tax. This sales tax can be as high as 1.25%, with the .25% being a transit tax. In fiscal 1987, all cities in one three-county transit district, one city in another, and two cities in a third 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 apt to be renegotiated, and an increase in fares and in the use 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. During the past couple of years, however, the state has begun providing a modest amount of funding to support public transit services.

Regional transit authorities and districts may accept gifts, grants, or loans of money or other property; charge for services; and annually assess member communities in order to raise revenue.

The state emphasizes private sector participation in the planning and providing of proposed public transit services.

It is likely that requests for increased revenues from fares, non-fare enterprise revenues, and the State Transportation Fund will continue over the next few years. These sources seem to be the most acceptable to the public in closing the transit revenue/cost gap.

Virginia

Virginia's financial assistance to mass transit programs was greatly expanded and undergirded by legislative initiatives undertaken by the Governor and General Assembly during 1986. The total amount of state financial assistance to mass transit will more than double, from a straight allocation of \$35,050,000 in FY 1986 to a combination of straight and variable allocations of \$70,609,763 in FY 1988. Over half of the state's financial assistance to mass transit will now come from a revenue source dedicated to transit.

Routine appropriations from the Highway Construction and Maintenance Fund will continue at \$35,050,000 a year. However, transit has been made one of the recipients of the newly-created Commonwealth Transportation Trust Fund, which receives revenue from a combination of sales and transportation-related (fuel and motor vehicle sales, use and registration) taxes dedicated to the Trust Fund. Highways receive the lion's share of the money -- 85% -- with other modes sharing the rest.

Mass transit will receive 8.4% of the Trust Fund money each year. Since the Fund was enacted half-way through fiscal 1987, the 1987 figure is only \$8.5 million; fiscal 1988 is budgeted at \$35.2 million, with amounts expected to go up yearly.

The 8.4% funding available to mass transit programs is to be divided three ways:

- * 73.5% of the total funds are made available for expenses relating to operations (administration, fuel, tires, maintenance, parts and supplies) under a distribution formula based on total operating expenses;
- * 25% of the funds are to be used as capital grants awarded on a discretionary basis. The state participation ratio will vary from year to year according to the demand for capital assistance, but in any one given year the state participation ratio will be the same for all capital grants awarded; and
- * 1.5% of funds will be used to award ride-sharing, technical assistance, and experimental public transportation grants on a discretionary basis.

The 1987 Virginia General Assembly passed enabling legislation which allows the creation of special transportation assessment districts. These will be able to impose fees on developers to partially cover the costs of transportation-related expenses caused by new construction. The law is too recent for any to exist as yet, but at least one is expected to develop in the northern part of the state near the District of Columbia.

There are currently no special transportation districts in Virginia, but the state does have five transportation financing districts which plan and/or operate public transportation, contract, acquire land, and issue bonds. They require special legislation before they can levy a gas tax to raise revenue, and only two have been enabled thus far.

Virginia has initiated major new programs in transit and ride-sharing performance evaluation, transit mechanics training, and rural technical assistance; a transit insurance pool is currently being established.

Washington

The state does not allocate support for transit on the basis of capital or operating assistance. The 1986 state-wide assistance from the Motor Vehicle Excise Tax (see below), attributed to this ad valorem tax collected in areas served by transit, amounted to over \$78 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 0.6% 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 -- metropolitan municipal corporations, county transportation authorities, and public transportation benefit areas -- which are authorized to provide transit services and raise revenue by public referendum.

The Washington Constitution prohibits the lending of state or municipal faith or credit for the benefit of the private sector, thus preventing all private/public enterprises except those involving only Federal funds.

Over the next two years, increases in transit fares and the use of part-time transit labor will occur in several of the urban transit systems. The most acceptable revenue sources as far as the public is concerned are the general fund, fares, bonds, and sales taxes. Fuel and corporate taxes are moderately acceptable.

Note: The state of Washington levies a Motor Vehicle Excise Tax (MVET) on motor vehicles licensed by the state. The levy is equal to 2.2% of the assessed value of the vehicles and can be used for capital or operating expenses. The Washington State Legislature has authorized appropriately-structured local transit authorities to levy a local MVET equal to 1% of the assessed value of vehicles within their service areas. These transit authorities can match their local MVET funds on a dollar-for-dollar basis with other local revenue (sales tax, a household tax, or business and occupation tax). While the local MVET funds are technically a local tax, the state then forgives an equivalent amount from the state MVET assessment. The state collects the MVET funds and returns to the local transit authority tax money equivalent to the local match; the unmatched share reverts to state use.

West Virginia

The state provided \$410,000 in operating assistance funds, from the state general fund, in fiscal 1987.

Neither local governments nor local/regional transit authorities are permitted to levy taxes.

The state's policy concerning private/public cooperative activities does not make specific reference to mass transit.

Fares are the most publicly acceptable transit revenue source and will probably increase over the next two years; so will the general fund transit allocation. Off-peak-hour and para-transit services are likely targets for cuts. The labor issues of the period are expected to be in the increase in use of part-time transit labor and the renegotiation of transit contracts. A lottery, general fund, and general obligation bonds are moderately acceptable to the public as sources of revenue.

Wisconsin

The Secretary of the Wisconsin DOT has formed a Select Committee on Mass Transit to assess, and possibly redefine, the role the state has in supporting efficient and effective mass transit services in its urban areas.

The specific questions to be addressed by the Committee are:

- * The present system of delivering state urban transit aids is neutral with respect to the size of urban area served, Federal operating assistance received, and fares charged to the users of each system. Is this neutrality good public policy? If not, how should these factors be intertwined?
- * Does the present system of delivering state urban transit aids encourage or discourage local officials to periodically assess the cost-effectiveness of their respective transit systems? What tools could the state provide to help local officials with their jobs?
- * The present system of delivering state transit aid does not require local recipients to match state dollars in any manner whatsoever. Is the lack of a local match requirement good public policy? If not, what is an appropriate local matching requirement?
- * Should the state provide incentives to encourage innovative transit service, such as in the urban periphery, to reduce congestion and provide job access to low-income workers?
- * Is there a way to introduce more competitiveness into the delivery of urban transit systems, in order to achieve more effective and efficient services?

- * What is the most appropriate source of revenue, or mix of sources, to be used in financing state mass transit aid program(s) in the future?

The Committee's work is expected to be completed in mid-1988.

Wyoming

The state does not provide financial assistance for transit operations because it is felt that existing Federal assistance -- primarily UMTA programs supporting rural transportation and services for the elderly and disabled -- adequately meets transit needs.

Before state financial assistance could be granted, state-enabling legislation would have to be passed.

Part 2

**Innovative Approaches to Financing
New Fixed Guideway Systems**

Chapter 1

Role of Private/Public Coverture Funding

Chapter 1

ROLE OF PRIVATE/PUBLIC COVENTURE FUNDING

The term "Private/Public Coventure," as it is now used in the American transit industry, is broadly defined. Generally it refers to the process of recovering, for transit, part of the increase in real estate value that follows a permanent transit facility such as a fixed guideway line. Yet it can also describe how a transit system is actually set up or run, such as with a leveraged lease/purchase or "turn key" agreement financed by the private sector, an operational management contract, or actual franchise ownership agreement.

Full credit for pioneering private/public coventure transit funding and financing in the United States belongs to former UMTA Administrator Robert Patrocelli, who served in that capacity from 1972-1976. Mr. Patrocelli launched the national joint development/value capture program and formulated national policy for the "Urban Initiatives" program. In its infancy the program attracted intense interest among land use planners, though little practical use was made of the idea.

In the ten years or so since the first Urban Initiatives project was approved in Baltimore MD (Baltimore Gardens), however, the positive side of the policy has become evident. Private sector development and business communities have found that real estate value tends to appreciate significantly when it's tied to transit access, in particular to a fixed guideway system.

Moreover, public transit authorities and cities have shown that they can work together with the private sector to make a success out of a joint venture. And finally, it has become apparent that most new transit projects on a regional scale could never be built without this sort of cooperation and support.

Based on this successful industry track record and the reality of our national budget crisis, the current administration and Congress have, in the main, agreed that the Federal transit industry's funding role is to be capped until 1993 in accordance with the National Surface Transportation Act of 1987.

While this long-term Federal funding legislation proved more generous than many critics had anticipated, at the same time it moved the Federal government away from the position of being the primary source of new transit system funding, and into one where it is the discretionary funding source of last resort.

In effect, this legislation launches a new era in funding for the American transit industry: an era of dynamic joint development/value capture and private/public coventure packaging, increasing levels of state sponsorship of major transportation projects, and the advent of private sector turnkey franchisee management and/or ownership agreements. In many respects, transit is entering the 21st century by returning to the type of business and economic compact that built the nation's major transportation systems almost 100 years ago.

Miami Metromover Project

Project Description

In 1983 the Dade County Board of Commissioners approved an enabling ordinance that set up a special benefit assessment district to support the initial phase of the Metromover system: a 2.1 mile elevated guideway "loop" downtown to serve as a circulation and distribution system connecting with the regional Metrorail rapid transit system. Of the approximately \$148 million capital costs to implement Phase I, the district was to bring in \$20 million, or about 13.5%, from the private sector.

The Phase I Metromover began full revenue operations in early 1986 and currently attracts approximately 11,000 daily riders. A second benefit assessment district ordinance was approved in June 1986, and will generate approximately \$23 million towards the estimated \$240 million in capital costs required to implement Phase II extensions to Omni and Brickell.

The existing Phase I Metromover system services approximately 18 million square feet of commercial development in downtown Miami. When the Omni and Brickell extensions are completed, the Metromover circulation and distribution system will link an estimated 45 million square feet of commercial and residential development. In the future it is expected that average workday ridership will increase substantially.

Features of the Financial/Funding Program

The non-ad valorem Metromover special benefit assessment district is limited to 15 years in which it must retire both the \$20 million debt and an estimated \$7 million of debt service. When assessments were first levied on commercial properties totaling approximately 16.8 million square feet of net leasable space, they were set at \$0.18 per net leasable square foot. Federal and state-owned buildings, along with properties owned by churches, are exempt from the subject assessment while city-owned buildings and properties are not.

The annual special benefit assessment is levied in conjunction with the County's annual property appraisal/tax collection process. Provision is made for the sale of tax certificates on properties whose owners are delinquent in paying the assessment. The assessment is reviewed annually and its rate per net leasable square foot adjusted to coincide with the actual level of commercial space located within the Phase I Metromover assessment district. In 1987 the assessment was reduced by about 2% to \$0.176 per net leasable square foot of space, reflecting the net addition of approximately 1.2 million net leasable square feet within the confines of the delineated benefit assessment district.

The bonds issued to support the Phase I private sector capital cost contribution are backed by Dade County's general utility service tax revenues. This backing was required to ensure that the benefit assessment district's revenue stream would be sufficient to replenish the County's general fund proportionately to the share of debt service on these bonds for a period of 15 years.

When the Dade County Board of Supervisors approved the second benefit assessment district for Omni and Brickell, local property owners requested parity with the Phase I Metromover, or loop, component. Thus the maximum assessment rate was set at \$.20 per net leasable square foot of commercial and residential space. The positive track record of successful assessment revenue collection associated with the Phase I Metromover allows subsequent Phase II bonds to stand on their own. These bonds will not, in the opinion of bond counsel, require the added backing of county general utility service tax revenues in order to maintain an acceptable market grade.

Overall Project Implementation Status

As previously stated, the Phase I Miami Metromover system began full service operations in early 1986 and is currently attracting approximately 11,000 daily riders. Special private sector benefit assessment district initiatives began in the fall of 1982 with work sessions with a special private sector task force.

In the summer of 1983 and following a 30-day public review period, Dade County and the City of Miami passed municipal ordinances to implement the benefit assessment district requested by the local property owners and downtown Miami business interests. The general utility service tax revenue bonds were issued in September of 1984 and are scheduled for full debt service retirement in September of 1999. (For a more detailed evaluation of the Phase I Miami Metromover special benefit assessment's implementation, see Miami's Downtown Component of Metrorail: Public-Private Coventure Financing Using a Special Assessment District, prepared by Robert J. Harmon & Associates, Inc.)

The requisite private and public sector approvals supporting the \$23 million Phase II Metromover special benefit assessment district (those covering the Omni/Brickell extensions), were secured in the summer of 1986 through a similar private sector consensus-building process. Approximately \$240 million for Phase II Metromover recently gained Federal approval, combined with a previous substantial Federal funding commitment made by the U.S. Congress. So under current plans, the Phase II extensions should be completed and operational by 1992.

National Precedents

At the time that the Phase I Miami Metromover Benefit assessment measure was formally approved, it was the first transit-related benefit assessment district supporting a regional rapid transit system component in the United States. This precedent-setting project cleared the way for the later Phase II benefit assessment program of \$23 million, as well as the establishment of the Los Angeles Metro Rail private sector benefit assessment program.

The Los Angeles district will generate approximately \$130 million in private/public coventure funding support for the starter line component of SCRTP's regional rapid transit system. The City of Dallas is also seriously considering benefit assessment as a way to get private sector funding to finance three now-unfunded DART stations in its central business district.

The private sector consensus-building process that was used to establish the Phase I Metromover system's benefit assessment program set up several fundamental implementation principles that could be applied nationally. It became obvious, for instance, that key local private sector interests, including major property owners, needed to be integrated into the planning process right from the start. Not only does this help provide the necessary initiative that leads to the eventual adoption of the benefit assessment district, but it can also eliminate the need to seek approval through a regional referendum.

It also became clear that it was much easier to get the private sector to agree to a fixed amount of funding support, such as Phase I's \$20 million, when it was correlated with some percentage system of the final cost, such as 10%. The trade-off is that the private sector must be involved in critiquing the cost estimates so the people there understand why the figures are as they are.

Finally, experiences with benefit assessment in Miami and Los Angeles demonstrated that participating private sector interests insist on at least a 2:1 return on their investment -- that is, for every dollar they invest in the system, they want at least \$2 back out.

Anticipated Level of Federal Funding Support

The \$20 million in Phase I's private sector funding served to help leverage approximately \$63.5 million in Federal funding support. Of the original \$115.5 million in capital that the Phase I system was to have cost, Federal funding represented 55%. Since the actual final total for capital expenses was approximately \$148 million, Federal funding wound up covering only about 43%. Congress has already approved UMTA appropriations of approximately \$128 million to support the estimated \$240 million in capital required to implement the Phase II Metromover; this works out to be about 53%.

Outlook for Full Implementation

One of the most important factors that will help ensure the success of the Phase II extensions is the system's ability to maintain its private sector support. Phase II has already been shown to have benefits: expanded downtown Miami hotel convention trade; increased downtown retail sales; and increased property values in the areas served. In addition, the City of Miami has been able to lower parking space requirements for new commercial development downtown: the reduction of one space per 1,000 gross square feet of leasable space substantially reduces the costs of on-site commercial development.

With establishment of local and Federal full funding commitments for the Metromover extensions, full implementation of the system is virtually assured. As it did with Phase I's Government Center station, the private sector will probably push hard to have future commercial and residential development integrated into the Phase II stations.

Further, Dade County is now using its private/public coventure experience with the Metromover system to go after local capital funding for station facilities on future and further extensions to the regional system.

Los Angeles Metro Rail Project

Project Description

The initial stage of the Los Angeles Rail System, known as MOS-1, extends from Union Station, traverses the downtown area, and eventually reaches the intersection of Alvarado and Wilshire Boulevards. This initial segment of the Los Angeles regional rapid transit system was originally to have extended as a subway to the area near Hollywood and the intersection of Wilshire Boulevard and Fairfax, then proceed to North Hollywood.

Unforeseen underground natural gas and oil deposits now require that officials carefully examine alternative alignments through or around an area that has now been identified as high risk. Among the possible alternatives are aerial configurations or a subway going to a shopping center at the intersection of Pico and Seventh Streets.

The MOS-1 stage of the Los Angeles Metro Rail system includes approximately 4.4 miles of subway, five transit stations, and a maintenance facility and master control center. The estimated capital cost of this element of the Los Angeles Metro Rail system, in 1987 dollars, is \$1.25 billion.

The project is a prime example of local innovations in land use planning, development coordination, and joint development packaging that occurred in the 1980s in central cities constructing "starter line" fixed guideway transit systems. During these years private/public coventure financing and funding mechanisms were primarily used to increase or "overmatch" the local share -- which, before May of 1987, meant that they provided more than the 20% "floor" of local capital funds required to match the 80% Federal contribution. This was a kind of "litmus test" to demonstrate that the local private sector was behind the new system.

Features of the Financial/Funding Program

The significant features of the private/public coventure funding program for the Los Angeles Metro Rail system are many and varied.

- * MOS-1 has the statutory authority to acquire land under the power of **eminent domain** if the land is to be used for joint development;
- * It can establish a **floor area ratio (FAR)** density bonus plan for each Metro Rail station area which reflects its true value to the business world;

- * The program can initiate **station cost-sharing negotiations** between it and the private sector, before the final engineering phase of system development;
- * MOS-1 can draw up a complete **master plan** for the entire project, ensuring that land is used appropriately, productively, and in harmony with the environment;
- * It has the statutory authority to **establish a benefit assessment district** and charge related station connection fees at each station; and
- * It can **establish a single benefit assessment district around all downtown/MOS-1 stations**, which will pay for approximately \$130 million in capital/construction costs.

To date, the Los Angeles Metro Rail project represents the best example of advance land use/joint development coordination and project packaging that has occurred in the history of the United States transit industry. The bonding capacity of the benefit assessment district is four to six times greater than ever before in the support of a public transit system's development.

In addition to the private/public coventure features of the full funding program for the Los Angeles MOS-1 system, the overall financial plan includes application of tax revenues from a local, dedicated retail sales tax. The financial program was comprehensively reviewed by independent private sector financial organizations as well as by the City and County of Los Angeles, the California State Legislature, UMTA, and the U.S. Congress.

Finally representatives of the business community, along with a cross section of property owners and residents living near the proposed system extensions, were allowed to observe and participate in the consensus-building process which eventually led to adoption of full funding for MOS-1.

Project Implementation Status

In late 1983 the U.S. Department of Transportation (USDOT) formally approved the final Environmental Impact Statement (EIS) prepared for the Los Angeles Metro Rail (MOS-1) system. The next year an environmental assessment was completed to identify the MOS-1 construction segment of the adopted Local Planning Agreement (LPA).

A full funding agreement for MOS-1 was executed in August of 1986, based on acceptance of the technical analysis work prepared under the direction of the Southern California Rapid Transit District's (SCRTD) Planning Department.

In April of 1987, funding was approved for a second stage of the Metro Rail system and a full funding agreement reached specifying that USDOT was not to provide more than \$800 million of additional Federal discretionary funding for fiscal years 1987-1992 inclusive. The MOS-1 segment is currently under construction and its environmental work should be completed by early 1988. All final engineering is being finished. The complete right-of-way acquisitions, maintenance facility, and Union Station site acquisitions will be done before the end of calendar year 1987.

The full Los Angeles Metro Rail system is expected to begin operational testing in late 1990 and be in full revenue operation by summer of 1992. By the end of 1987 the SCRTD should have received UMTA funding so it can get onto the supplemental EIS for the next stage of the Metro Rail system: extending it to North Hollywood and the Wilshire Corridor.

National Precedents

The Los Angeles Metro Rail program set three positive national precedents. These include:

- * parallel integrating of corridor-scale land use and station area joint development planning in relation to both the EIS and final engineering processes;
- * securing statutory authority for acquiring land for joint development purposes and establishing benefit assessment districts; and
- * securing consensus private sector support for the system's financial program in advance of EIS approval.

Dallas and Portland Area interests are among the next set of new start cities which appear to be following the Los Angeles model.

From a national perspective, one of the major lessons from MOS-1 stems from a new awareness of the complexities of providing regional transit authorities with the powers to coordinate and package joint development, and to participate in the local development approval process. In addition it is now evident that benefit assessment districts can play a major funding role for rapid transit system improvements in downtown areas.

Anticipated Level of Federal Funding Support

The Los Angeles Metro Rail (MOS-1) system is just ending a five-year, Congressionally-mandated and administration-approved, commitment for approximately \$688 million in Federal funding support. This represents approximately 55% of MOS-1's total system capital costs and, historically, represents the lowest Federal participation in any new start system aside from those in San Francisco and Miami.

This year Congress authorized and committed approximately \$870 million in Federal funding to continue its support of the Los Angeles Regional Rapid Transit system's construction over the next five years. Since approximately \$203 million of this amount is pledged to repay the Los Angeles County Transportation Commission for advancing funds on the MOS-1 project, only \$667 million will be available for the next stage of the Metro Rail project. This amount covers less than 35% of the capital costs originally programmed for the initial, MOS-1 stage.

This first stage of the Los Angeles Metro Rail system was reduced dramatically from the original plan to link North Hollywood via Fairfax and Wilshire Boulevards to downtown Los Angeles. A supplemental EIS and subsequent EIR are now being prepared which will define the system's length, number of Metro Rail stations, and overall design for the next stage of the Los Angeles Metro Rail system. Under no circumstances is Federal funding support for the next phase anticipated to exceed 50% of the second phase system's total capital costs.

Outlook for Full Implementation

Political support for the Los Angeles Metro Rail system remains strong among local residents and the business community at large. A small group of persons who own property located in the CBD had intended to contest the benefit assessment district until the SCRTRD agreed not to collect benefit assessment revenues until the Metro Rail system began formal operations. However when the assessment levy is collected starting in FY 1992, actual fees are almost certain to be higher, reflecting the added carrying costs of debt service to repay approximately \$130 million in public bonds in less time.

Continued strong local political support and Federal cooperation are required to achieve implementation of a full-scale Metro Rail system. If a suitable and acceptable alternative alignment and configuration can be developed in the near future which can serve the needs of the Wilshire Corridor area, the prospects are excellent that full-scale system implementation will proceed.

Washington DC Regional Rapid Transit System

Project Description

The Washington Metropolitan Area Rapid Transit System (METRO) employs fixed guideway, heavy rail technology with the system comprising approximately 103 miles of subway, at-grade, and elevated guideway in about equal proportions. In total there are 89 METRO stations within the currently committed system design. Major joint development projects are anticipated at 35 to 40 (that is, at about 40%) of the 89 METRO stations.

To date, nearly \$8 billion in capital expenditures have been required to build the METRO system, purchase vehicle fleets, and construct the command control center and system maintenance facilities. The final capital costs of the overall METRO system are expected to exceed \$10 billion, making it the largest public works/transportation project ever undertaken in the United States. On an average weekday over 465,000 persons ride the rail component of the Metropolitan Area Transit Authority (WMATA) transit system. Last year alone, nearly 116 million persons rode the WMATA rail system.

Features of the Financial/Funding Program

The capital funding program supporting Washington DC's Metropolitan Area Rapid Transit System has essentially been mandated by Congress. After a brief period when revenue bonds were considered, the WMATA system has, from the commencement of final engineering, been funded by two-thirds (66.7%) Federal and one-third (33.3%) local money.

The WMATA's unique joint development program, rather than its capital funding program, is of prime importance in interpreting the future role of private/public coventure financing in the American transit industry. From its first day of revenue operations in the summer of 1976, WMATA received lease revenues from a major mixed use joint development project known as Connecticut Connection, which was integrated within the downtown Washington Farragut North METRO station. This precedent-setting joint development project was unique in that it was the first such downtown project built without any on-site parking facilities.

As the real estate value of WMATA station locations continued to prove itself in the marketplace, the scale and variety of development increased significantly. In addition to actual air rights leasing, projects such as International Square at the Farragut West METRO station participated in station cost-sharing agreements that represented \$1 million or more in construction costs savings. The interim heating, ventilation, and air conditioning (HVAC) system design for the Farragut West METRO station established national design precedents for accommodating staged mixed use development projects, while meeting all public transit patron needs meanwhile.

The joint development/value capture program that was initiated by WMATA over a decade ago now generates approximately \$4 million in annual lease payments. Taking into account the austere land acquisition budgets and conservative legal opinion regarding eligibility for "a transportation purpose" in the late 1960s, the WMATA track record of joint development/value capture success is nothing short of exceptional. Within the next five to six years, lease revenues from WMATA-owned joint development sites are expected to treble to a level of approximately \$12 million in annual system-wide revenue.

Project Implementation Status

WMATA's joint development program is now fully supported by all participating Virginia and Maryland municipal and county jurisdictions, in addition to its base in the District of Columbia. The real estate division of WMATA has established state-of-the-art procedures for packaging a joint development prospectus.

The most recently released prospectus for the New Carrollton METRO station site has typically been approved and is jointly sponsored by the local jurisdictions of Prince George's County MD and Washington DC. In addition, through its proven experience, WMATA will base its choice of final developer principally on two primary criteria: the financial capabilities of the proposed development team, and the suitability and economic worth of their development proposal.

WMATA's joint development prospectuses generate not only regional but national developer interest, while producing shared station development costs, on-site parking accommodations, and "market rate" lease payments which meet universal acceptance. Within the past year a developer has even proposed to pay the entire capital cost of a new station on the "yellow line" in suburban Virginia, near National Airport.

Operational revenues realized from joint development projects along the WMATA system are more significant economically than air rights lease revenues. Based on a comprehensive evaluation of joint development/induced ridership (Development-Related Ridership, 1987), the Washington experience indicates that:

- * Major retail sites adjacent to METRO stations generate two to six times the number of person trips, as compared to other land uses;
- * Transit mode shares for downtown office buildings located near METRO stations exceed 50%; and
- * The capture of riders from multi-family residential units located near METRO stations is in the 35-45% range -- over three times the regional average.

These results clearly indicate that joint development is the key to reducing subsidies and ultimately to reaching the goal of a break-even operational status for the regional rapid transit system.

National Precedents

The WMATA joint development/value capture program has established several national precedents which are now being emulated by new start cities or metropolitan areas. These precedents include:

- * Being the first joint development program in the United States to support a major mixed use downtown development project requiring no on-site parking (Connecticut Connection);
- * Being the first regional rapid transit authority to attract a development proposal offering to pay the entire cost to construct a new station;
- * Resolving interim HVAC system design in a temporary structure to accommodate a staged mixed use development, while continuing to provide full service to system patrons;
- * Building in the most comprehensive and successful use of "knock-out panels" in station design and construction, to accommodate future joint development;
- * Developing "industry standard" joint development prospectus preparation, issuance, and objective critique and developer selection; and
- * Receiving regional (that is, multi-state) recognition as a community development partner inherently capable of working successfully in concert with the private sector.

With an expanded land acquisition budget, the powers inherent to a transit corridor development corporation, and today's proven market acceptance of the incremental real estate value of a fixed guideway transit station location, WMATA could set another round of national precedents over the next five to ten years.

In the era of coordinated joint development, WMATA has set the industry standard. Thanks to its excellent record in successfully cooperating with local jurisdictions, and its real world understanding of transit station area needs and supportable pace for new development, WMATA is likely to remain the standard for joint development in the ensuing area of product packaging.

Anticipated Level of Federal Funding Support

Due to almost universal Congressional support, the planned 103-mile WMATA heavy rail METRO system will, in all likelihood, be completed, and will likely continue to receive approximately \$200-250 million in annual Federal capital funding support. The prospects for WMATA to receive demonstration funds to expand the scale and to increase the functional integration of future joint development projects system-wide are excellent. This event would set the stage for improved operational efficiencies of the system, and would reinforce its decade-long track record for successfully implementing joint development projects.

The annual operational subsidies paid by the District of Columbia, communities in Arlington and Fairfax Counties in Virginia, and communities in Montgomery and Prince George's Counties in Maryland, now exceed \$400 million, or approximately \$860 per rider. Federal operational support will not be eliminated during the next six years since it is prescribed by the 1987 Urban Mass Transportation Act; conversely, it will not increase over that same time frame either.

Thus any operational deficit will have to be met by a combination of joint development, increased ridership, operational management changes, and local fiscal commitments. The willingness of the local public to share this fiscal burden reflects, to a large extent, a windfall of derived new wealth. An independent Congressional study conducted in 1981 demonstrated a more than \$1 increase in incremental land value realized relative to every \$1 of capital investment made in the WMATA system.

Outlook for Full Implementation

In addition to the planned 103-mile WMATA system, it is likely that the year 2000 will see completion of a National Airport system extension, additional stations, and one or two intermodal centers. These expanded facilities will be developed through recent private/public coventure financing initiatives that include the potential for a private franchise agreement.

In the case of the proposed National Airport extension, full private sector implementation support was developed nearly two years ago. However, this support was attained in advance of consensus support by elected officials. Once the remaining development issues and right-of-way acquisition problems are resolved, the project will undoubtedly go ahead.

In summary, full implementation of the 103-mile WMATA system is virtually assured. By the year 2000, over 200 million people will ride the Washington METRO system annually. Within the next thirteen years, it is anticipated that the farebox recovery will also improve dramatically from approximately 45% currently to nearly 70% of annual system operational costs.

The keys to attaining these system-wide objectives are the continued success of WMATA's unique joint development program, and the implementation of a comprehensive financial strategy along with continued application of system-wide management cost controls.

Significance

The Miami Metromover system, the Los Angeles Metro Rail (MOS-1) system, and the Washington DC Metropolitan Area Rapid Transit (WMATA) system share several attributes:

- * Each local public transit authority successfully established strong support from, and a working liaison with, private sector development and local business communities;
- * Tangible private sector benefits are emanating from the decision to implement each of the three fixed guideway transit projects, and to package joint development projects at selected transit system station areas; and
- * In response to "local match" capital requirements and the need to attain improved operating efficiencies, all three have demonstrated their abilities to establish national precedents in the vital area of private/public coventure funding. These are now being emulated across the country.

As other new start cities and metropolitan areas formulate their private/public coventure transit system funding programs, each local public transit authority can now document that this type of funding approach has been successfully implemented elsewhere. Local transit authorities and regional business associations supporting private/public coventure transit system funding/financing are no longer required to pioneer this progressive funding approach.

The most recent successes documented in Miami, Los Angeles, and Washington DC -- as well as those among other major cities and metropolitan areas -- in securing both joint development/value capture and private/public coventure funding agreements, will serve as an industry stimulus and bode well for the future of the American transit industry.

The capital cost contribution potential of private/public coventure funding for new fixed guideway transit systems, such as that seen in Miami and Los Angeles, has now been demonstrated at the 10% total capital cost level. However, in the 1990s private/public coventure funding will probably be required to contribute at least 25% of the total capital costs for new fixed guideway transit systems. Can this level of funding support be achieved from direct private sector investment in new transit systems and/or expanded use of proven joint development/value capture techniques? To be objective, it can be said that only time will tell.

Chapter 2

Era of Private Franchises and Increased State Sponsorship

Chapter 2

ERA OF PRIVATE FRANCHISES AND INCREASED STATE SPONSORSHIP

The adoption of industry-wide standards for cost accounting took place in 1973 with the implementation of Operation FARE. This program, in effect, legitimized the American transit industry and ushered in an era of significant Federal funding and service expansion under local public sector ownership. As mentioned earlier, the ongoing level of Federal support for the industry's next five years is now set at a sustaining, but not expanding, level.

Those metropolitan areas which are attempting to implement new start fixed guideway transit projects and/or major expansions to existing rapid transit systems are facing a funding dilemma. Possible ways to resolve the situation include:

- * making full use of the joint development potentials of their systems;
- * significantly expanding state-sponsored funding or passing state-enabling legislation to allow transit to gain from local funding sources; or
- * awarding long-term operating rights to the private sector.

From a pragmatic point of view, the larger urban transit operations and future intercity, ground-based transportation systems will eventually need to use all three of these strategies if they're to establish fixed guideway transit systems that will be economically viable over the long term. In fact many systems currently facing major capital investments have already tested some of the alternatives.

This chapter documents four such projects: the Banfield Light Rail System in Portland OR; the Honolulu HI Rapid Transit System Project; the Denver CO Southeast Corridor Rapid Transit System; and the Florida High Speed Rail System. These diverse approaches to private/public coventure for a fixed guideway project represent experimental, yet real world, efforts to effectively address the financial realities now facing the American transit industry.

Critical Issues

The dramatic departure from the conventional Federal/local match financing formula that has supported transit development in the United States since 1973 is, in large part, a result of the economic realities of both the Federal deficit and increased local desires to be autonomous in making system development decisions.

The complete transfer of funding responsibility from the Federal government to the states, as originally envisioned in the conceptual framework of the New Federalism, did not occur. As already mentioned, these new funding approaches have proven successful in meeting increased local match requirements. What happens with the funding efforts of the selected case study metropolitan areas will have a great effect on determining if the evolving forms of private/public coventure funding can meet the new financial demands that exist for both new and existing fixed guideway transit systems in the United States.

The current administration has evoked and encouraged entrepreneurial transit funding approaches. In addition to extensive legislative efforts, such as those attempting to remove the 13C regulations (those which prevented Federal money from being used to buy equipment which would cost an employee his job), the government has tried to ease the difficulties inherent in environmental reviews, and to provide alternatives analyses to assist in implementation.

These efforts have set the stage for new state and local funding efforts, similar to those used when packaging any major investment deal, once the other partners (the local metropolitan areas and states) maximize their real estate and private sector investment-related funding approaches. Then, a response from the other partner (in this case the Federal government) will, in all likelihood, issue another round of national policy formulation.

We feel that the outcome of all ongoing efforts at the Federal, state, and local levels will be a more cost-effective and economically self-sustaining transit industry. This is a critical time for leadership within the industry, and for dedication to expanding and deepening local, state and Federal compacts to meet the transportation needs of our nation's urban and rural areas. Truly, this time can be accurately termed "The Era of Private/Public Coventure Formation."

The Banfield Light Rail System

Project Description

The Banfield Light Rail System traverses downtown Portland OR and extends eastward to the suburban city of Gresham. The entire LRT line, which began revenue operations in September of 1986, is 15 miles long with 27 transit stations. Eleven of these station facilities are located within downtown Portland. The entire capital cost of the Banfield LRT System is estimated at approximately \$212 million and was paid for with UMTA Section 3 and Interstate Transfer Funds (85% Federal money).

To date the Banfield LRT Line has far exceeded its forecasted ridership levels, despite regional economic growth that has been slower than anticipated when system construction began. The LRT line has even experienced a midday (that is, noontime) peak ridership comparable to the initial stage of the Washington DC (WMATA) and Atlanta (MARTA) heavy rail systems. Average weekday ridership now stands at approximately 20,000 persons. Surprisingly, average weekend ridership is actually higher at about 25,000 persons daily. Overall, the Banfield LRT Line generates farebox revenues sufficient to pay for approximately 50 to 55% of the systems' operating costs during its first year of operation.

The next committed stage of expansion of the overall Tri-Met Light Rail System includes a 13 to 15 mile extension from downtown Portland and running west beyond the town of Beaverton. Fifteen LRT stations are planned for this extension, which has an estimated capital cost ranging from \$300 to \$400 million. The variance in capital costs estimates involve alternate solutions to routing the line over a major hill outside downtown Portland.

Features of the Financial/Funding Program

Tri-Met has recently undertaken a unique development packaging study to establish a major joint development program that will ensure that by the year 2000, the Banfield LRT Line achieves break-even operational status. In addition, a comprehensive evaluation is underway to determine which other private/public coventure funding mechanisms would prove most effective in generating capital support for pending transit projects, including future system extensions.

During the course of this study, close liaison will be maintained with the local private business community. The major outcome of the Banfield Joint Development Program will be a comprehensive implementation package for both exemplary short- and long-term joint development packages. These projects will represent the most suitable scale, mix, and functional design that will ensure that the Banfield LRT Line achieves its break-even goal. To date, no percentage of total construction costs or absolute dollar figure has been set for the system revenue return goals of either the Banfield LRT Line Joint Development Program or the system-wide Private/Public Coventure Program.

Project Implementation Status

The West Side LRT extension is now ready for preliminary engineering. The formal Alternatives Analysis/EIS document has been completed and approved by UMTA. Tri-Met is also about to initiate a financial resource and capabilities evaluation, planned to be completed in tandem with the preliminary engineering work. Funding approvals have been partially attained for both the preliminary engineering and the financial capabilities analysis.

The results of the Banfield LRT Line Joint Development Program and the Private/Public Coventure evaluation are scheduled to be available in late 1987, in time for input into the financial capabilities study. Implementation of the West Side LRT extension will ultimately depend on how much Federal funding is available, the level of future funding possible from the state of Oregon, and the documented funding capacity of available private/public coventure mechanisms.

National Precedents

Tri-Met's future success in pursuing a corridor-scale joint development program with the objective of achieving break-even operational status is of major significance to the entire transit industry. If successful, it will be the first time since World War II -- indeed, the first time in the entire history of public sector transit property acquisition within the transit industry -- that a complete revenue/profit link will exist between land use development and fixed guideway transit systems. The positive market image that the Banfield Line has created with its outstanding first-year operational success has set the stage for this unique effort.

In addition there's a sound fiscal planning precedent in the coordinated timing that has an in-depth joint development revenue potential evaluation on the Banfield Line finished in time to be used to formulate funding strategies for future extensions. In addition, Tri-Met is prototypical of several of the other new start metropolitan areas which must coordinate among multiple jurisdictions and other regional entities. This means that the Banfield Line joint development program will provide light rail-related development insights applicable to other areas of the United States.

Anticipated Level of Federal Funding Support

Tri-Met's current projections are to keep the same level of Federal funding support for the West Side LRT extension. UMTA's funding decision regarding the West Side LRT extension project will not be made until the final engineering and financial resource and capabilities analyses are completed. If a strong private/public coventure funding program is approved and implemented and Tri-Met proceeds with its precedent-setting joint development program, it is likely this project will receive maximum consideration for available Federal funding support.

Outlook for Full Implementation

Before future LRT extensions in the Portland OR Metropolitan Area can be implemented, it is essential to evaluate available private/public coventure mechanisms. The Banfield LRT Line joint development program is designed to achieve break-even operational status by the year 2000, and will significantly enhance Tri-Met's image with the established local private sector. Achieving both these pending programs will significantly increase the level of private/public coventure commitment that can be secured for future Banfield LRT Line extensions and related vehicle fleet acquisitions.

During the past decade, the Portland Metropolitan Area has experienced a slower-than-expected regional economic growth. In contrast, the next ten years appear to represent a strong period of regional development -- one which will greatly enhance the odds for the Banfield Line's joint development program success.

Because the best possible policy and financial strategy decisions will be fully evaluated, the outlook is favorable for eventual full implementation of the West Side LRT extension, as well as other future LRT extensions into the Portland area. The combination of cost-effective technology and a strong joint development/value capture program are two vital keys towards achieving successful fixed guideway transit system developments in the future.

The Honolulu Rapid Transit Development Project

Project Description

The Honolulu Rapid Transit Development Project has evolved from over two decades of detailed engineering as well as environmental and economic evaluations. The proposed 14 mile system from Loilili to Waipahu, with branches to the Honolulu International Airport, Waikiki, and the University at Manoa, is one of the most heavily traveled urban transportation corridors in the world. Only Hong Kong, Paris, and London rival the average daily commuter, tourist, and downtown visitor volumes now being experienced in downtown Honolulu.

Using proven state-of-the-art technology, construction of the proposed system is estimated to cost approximately \$800 million in 1987 dollars. Operating costs are expected to range between \$20 and \$30 million yearly. Through a market-oriented fare policy, it is expected that the system could fully recover operational costs through the farebox, and also potentially pay back at least 25% of the original capital costs.

Capital and operating cost estimates for the Honolulu Rapid Transit Development Project take full account of the most recent mainland experience in both Canada and the United States. Vancouver and Portland, as well as Washington DC and Atlanta, were fully considered in the most recent cost refinement of this system's development. The private/public coventure funding experience of these successful transit projects, as well as that in Hong Kong, are reflected in the multi-faceted financial strategy the City/County of Honolulu have formulated to implement their rapid transit project.

Features of the Financial/Funding Program

The City/County of Honolulu has just recently undertaken a financial and organizational effort to determine the most appropriate funding strategy for the Honolulu Rapid Transit Development Project. The unique tactic taken by the City/County in the financial planning effort is to simultaneously pursue conventional implementation (including Federal funding), while also investigating a turnkey supplier, and a system franchisee. To ensure maximum emphasis on viable private/public coventure funding, the financial consultant team includes investment bankers and international financial experts.

Under the conventional approach, the City/County of Honolulu assumes all financial risk. With the turnkey approach, however, a turnkey supplier would contract to engineer and build a complete rapid transit system, within agreed performance specifications and for a fixed price and schedule. The turnkey supplier normally guarantees annual operating costs and performance, and either provides full project financing or a large performance bond. Just as in the conventional method, the public sector remains responsible for operating the system and paying capital and operating costs, either from revenues or from taxes.

There are two major pluses for this kind of system. First, although the project typically represents a city's first or only venture into this kind of construction, turnkey suppliers often bring considerable expertise to the job because they have done similar projects before. The other factor is, of course, that being outside the governmental bureaucracy, a private development can frequently operate more cheaply, and often more quickly as well.

The biggest problem with a turnkey supplier, on the other hand, is the fact that all the development's profits -- and the project must be profitable to attract the private sector -- must come during construction, since the system reverts to the government for its actual operations. This means that all contracts must be exceptionally strong, limiting cost overruns and the like and protecting both parties from the unforeseen.

The other option is to franchise the system. Here, a private or private/public consortium contracts to engineer and build the system within agreed performance specifications. It also, however, agrees to recover all of its costs from system revenues. The selected franchisee assumes not only the technical risk that the system will perform as promised, but also the risk that the revenue target can/will be reached.

Again, the removal from the worst of the political and bureaucratic pressures is one of the primary benefits to franchising a system out. Another is that the franchise limits the economic risks from the public point of view.

One drawback, though, is that once the contracts are signed the consortium has control: choices tend to become limited. Just as a hamburger chain may resist adding chicken to its menu, so may a franchised mass transit system resist taking any action which might reduce the consortium's profit levels, however much in the public interests the changes might be. Typically a franchise contract would provide for periodic review and renewal, perhaps through something like a Public Service Commission.

Project Implementation Status

The multi-faceted financial and organizational planning effort for the Honolulu Rapid Transit Development Program began on July 13, 1987 and is scheduled to be finished by the end of January 1988. In tandem with this financial planning effort, the Department of Transportation Services of the City/County of Honolulu is currently performing conceptual engineering and preparing a draft supplemental environmental impact statement for the design of a grade-separated rapid transit system from the designated Waipahu area to the University of Hawaii and Waikiki corridor areas.

Based on the results of these comprehensive planning efforts, the City/County of Honolulu will finalize an overall implementation program for the proposed rapid transit system project. This effort emanated from a growing technical and political consensus that the construction of a grade-separated rapid transit system offered the best, and perhaps only, long-term solution to Honolulu's traffic problems. The current planning approach takes into account new developments in rapid transit technology, implementation methods, Federal funding and tax policies, and transportation consensus.

National Precedents

Houston, Orlando, and the City/County of Honolulu are the only United States municipalities to fully consider new rapid transit system funding and implementation solely from an operational turnkey or private/public coventure franchise award approach. Assuming this funding/financial feature is carried forth to prospectus, the public sector is being afforded the maximum advantages of international competitive bidding. It is our opinion that, if the franchise approach is to be successful, the public section will also need to provide real estate development rights¹ in the final financial package.

In comparison with other communities that have or are taking this kind of approach to new rapid transit funding, the City/County of Honolulu are also stressing a market-oriented, or full revenue, approach to maximizing farebox returns to the system. Furthermore, under new Federal legislation, more attention will be paid to making the most of advertising and concessionaire revenues. These features of the Honolulu Rapid Transit Project's funding strategy will enhance the attractiveness of both turnkey and franchise options.

1. Similar to the approach taken for the Florida High Speed Rail Project.

Anticipated Level of Federal Funding Support

The City/County of Honolulu are in the process of finishing up revisions to the Alternatives Analysis and Environmental Impact Statements, which have already been approved but must be revised for the system to remain eligible for available Federal funding. The ongoing effort to develop a full funding program for the proposed Honolulu Rapid Transit system recognizes the inherent delays involved in the Federal funding approval process. The City/County view their project as a strong candidate for Federal funding, but are trying to fully evaluate turnkey, joint development, and franchisee approaches as either supplemental or complete alternative sources of funding.

The Honolulu Rapid Transit Development Program has not yet set a specific dollar objective for sources of funding, including Federal. Based on estimates of previous joint development revenue potential², prepared for the former HART (Honolulu Area Rapid Transit) program, financial planning efforts for the system are using a target figure of \$100 million in joint development revenue. In the near future, the idea of trying to maximize all nonfederal funding sources before approaching UMTA will undoubtedly become the prescribed course for the transit industry in this country.

Outlook for Full Implementation

The proposed Honolulu Rapid Transit System is one of the most cost-efficient new start rapid transit projects currently under feasibility evaluation or construction in the United States. It is one of the few new start projects expected to ever fully recover operational costs from the farebox as well as returning a portion of the system's construction costs from that same source. This factor alone bodes well for attracting private sector investment interest and for competing for scarce Federal dollars.

Another important aspect of the process used to formulate the overall Honolulu Rapid Transit system plan is the continuous involvement of the downtown Honolulu business community. This has secured strong political support from the private sector, which favors private/public coventure funding support for the project. In our opinion, from the standpoint of system economics Honolulu should be ranked as one of the most attractive private/public coventure investment prospects in the United States.

2. These estimates were prepared by Robert J. Harmon & Associates, Inc.

Denver Rapid Transit System

Project Description

The newly established Denver Rapid Transit Project would connect the Denver Technological Center, located approximately 15 miles southeast of downtown Denver, to the Denver CBD. The system's final alignment and overall funding package are to be determined by the results of a comprehensive engineering, environmental, and financial feasibility analysis. Current estimates indicate that the entire project's capital cost will be between \$550 and \$800 million; the variance reflects final decisions regarding alignment and station design and location. The project will be implemented by a newly-formed Transit Construction Authority (TCA).

The Denver Rapid Transit Project would directly connect the two largest employment centers in the Denver metropolitan area. The Technological Center is a very large, concentrated, mixed use employment center that currently supports between 50,000 and 55,000 employees; downtown Denver, on the other hand, supports about twice that many. Although a light rail transit system (LRT) is expected to service the heavily traveled southeast business corridor, all formal technology decisions are being delayed until the requisite planning efforts have been completed.

The state-enabling legislation³ creating the TCA is a product of a concerted private sector effort to effectively promote the implementation of a fixed guideway, rapid transit system in the Denver metropolitan area. The Denver Chamber of Commerce and The Denver Partnership, Inc. spearheaded this effort and received maximum cooperation from George Wallace, owner and developer of the Technological Center and a prominent Denver area businessman.

The TCA is headed by a seven-person Board of Directors appointed by Governor Roy Romer, and serves as an independent corporation and a political subdivision of the state. The TCA is authorized to establish, within the regional transportation district (RTD), a fixed guideway rapid transit service area to connect the southeast business corridor with downtown Denver.

3. The state-enabling legislation (House Bill No. 1249), which established the Transit Construction Authority (TCA) and gave the project office status, also provided benefit assessment powers and several other financial capabilities to fund its implementation.

Features of the Financial/Funding Program

House Bill No. 1249 empowers the newly-formed the TCA to acquire, maintain, and dispose of real and personal property within a prescribed radius along the southeast corridor: within a mile from the center point of any rapid transit station, or within half a mile from the centerline of any rapid transit fixed guideway, whichever is greater. It also gives the TCA the right to exercise power of eminent domain (with select restrictions) towards achieving this end.

With respect to financial powers, the TCA Board may finance the authority's operations and the development, construction, and operation of the system under consideration. To this end, it may use any or all of the following methods:

- * Levy an annual benefit assessment on all commercial (that is, non-agricultural, non-governmental, and non-residential) properties located within the prescribed service area, based on the calculated benefit accruing to those properties from construction and operation of the Denver Rapid Transit System;
- * Levy a head tax on each person employed in the southeast corridor service area. This would take the form of a management employment assessment, paid by the responsible employer, and not to exceed \$2 per non-government employee per month;
- * Receive and accept any and all eligible grants, contributions, gifts, donations, and bequests;
- * Sell or lease development rights on real property for which the TCA holds fee title;
- * Sell equipment trust certificates guaranteed by the equipment purchased with the proceeds of the sale of such certificates, and by an equipment reserve fund consisting of at least 25% of the proceeds of the sale of the certificates;
- * Issue interest-free revenue bonds in accordance with state regulations governing their sale; and
- * Accept and apply any other moneys provided by law.

It is important to note that as a product of this same legislation, the Denver Regional Transportation District (that is, the RTD, which is the public transit authority) has until 1989 to seek approval of a \$.004 retail sales tax referendum. The goal is to provide additional annual revenue in support of the overall regional transportation system servicing the entire Denver metropolitan area.

If the referendum is approved by the general public, the RTD will earmark the downtown portion for the development, construction, and operation of the southeast corridor fixed guideway rapid transit authority. However, the TCA will be required to replenish these funds with the proceeds of any benefit assessment levy applied to commercial downtown properties.

Project Implementation Status

UMTA recently apprised the TCA of the fact that the TCA will be granted approximately \$1 million in planning funds to ensure that a detailed analysis of the southeast business corridor is done. Within the next year, the current fixed guideway rapid transit system project will use those funds to complete initial planning. Preliminary system cost estimates have varied from \$550 to \$800 million (technology undecided), and will be refined to allow detailed financial feasibility analyses during the Denver southeast corridor LRT study.

By the end of 1987, the Denver RTD is required to complete a region-wide system operational/needs analysis; the results of this analysis must be reported to the Colorado State Legislature by January 1, 1988. At that time the Colorado Legislature will also review the status of the comprehensive study of the Denver Rapid Transit Project.

National Precedents

The Colorado Legislature's decision to begin by establishing an implementation entity for a future fixed guideway transit system, complete with full funding power, and to give the existing regional transportation authority expanded ongoing operation funding, is a classic precedent for the new era of application of private/public coventure agreements in the American transit industry.

First, this legislation recognizes the ongoing need for increased state financial support for existing transit operations. And second, the primary funding tools authorized for the TCA can be categorized as value capture or private/public coventure mechanisms. The fact that UMTA has committed to fund the comprehensive planning efforts for this project from Section 9 demonstration funds represents Federal recognition of this project's national significance.

Of equal importance to the American transit industry is the role the private sector filled in securing this precedent-setting, state-enabling legislation for a new start project. As documented in Part 1 of this report, the industry norm for the past several years has been for the local community to achieve private sector consensus support for a new start fixed guideway project, conditional on a pre-Federal funding commitment. In other words, the money received from the benefit assessment district, tax increment financing, and the like would normally be used to gain priority for Federal funding.

Colorado has revised the process and, literally and legally, made a commitment that lets it secure the maximum local funds through private/public coventure mechanisms, then only if necessary look to UMTA for the balance. This approach is more typical of what will happen if UMTA serves only as the lender of last resort -- the role created for it by the 1987 Federal Mass Transportation Act.

Anticipated Level of Federal Funding Support

The TCA is empowered to implement a private sector financing plan which supports the Denver rapid transit system servicing the southeast corridor. The TCA intends to finance the Denver Rapid Transit system entirely through private sector funding sources, via its outlined financial powers. Quite literally, the authority is commissioned to explore all legal avenues to secure the highest possible level of private sector funding support.

However, the authority is entitled to receive grants and it is entirely possible that, upon securing 50% or more of the system's financing through private sources, it may apply to UMTA for Federal funding support. Under no circumstances does the TCA anticipate Federal support of more than 50% of the system's capital costs.

Outlook for Full Implementation

The RTD is required to report to the Colorado General Assembly by January 1, 1988 with respect to its Denver metropolitan area (region-wide) plans for implementing various phases of the proposed fixed guideway transit system, such as the downtown Denver circulation corridor. To the extent that the southeast corridor fixed guideway rapid transit system interconnects with the downtown circulation corridor, the TCA will be eligible to receive, and later replenish, any eligible tax increment financing and/or special sales tax proceeds generated by the RTD.

It would be premature to form a professional opinion regarding the realistic chances that the Denver southeast corridor fixed guideway rapid transit system will be successfully implemented. The TCA has only recently been created. Its Board of Directors represents a good cross-section of prominent private sector interests committed to achieving positive results in a realistic time frame. The TCA does have legal authority to carry out its prescribed objectives successfully, but until the detailed system planning and costing have been completed and the requisite levels of private sector financing delineated and secured, the prospects for achieving full-scale system implementation are uncertain.

The Florida High Speed Rail Project

Project Description

The Florida High Speed Rail (FHSR) Project is a proposed high speed rail system 300 miles long. As a private franchise, it would link three major metropolitan areas in the state of Florida: Miami, Orlando, and Tampa. The entire project was approved by the Florida Legislature in June of 1984, after the Florida Department of Transportation completed a detailed economic and financial feasibility study.⁴

The generic system used in the economic and financial feasibility system had five to eight stations⁵ and included direct peplemover system access to the existing Miami, Orlando, and Tampa Bay International airports. Total capital costs for the Florida High Speed Rail Project are now estimated to be between \$2 and \$5 billion. The variance in capital cost is a function of technology options, level of contingency allowance, and alternative alignments.

The ridership forecasts prepared by Barton-Aschman Associates indicated that in its initial year of operation (1990), the Florida High Speed Rail Project would attract approximately 2.5 million annual riders and generate between \$60 and \$70 million in annual fare revenues. The "generic" baseline system was estimated to reach operational break-even status between its fifth and seventh years of operation.

FHSR feasibility study ridership forecasts assumed a fare level comparable to the 16 cents per mile that is now being charged by airlines to carry people between these three cities. The evaluation also assumed that there would be 16 trains daily, and that they would operate at a speed of 160 miles per hour. Determining the break-even point was predicated on the farebox providing full recovery of operational costs plus 40% of capital costs, with the other 60% being paid through real estate development profits.

The enabling legislation that approved future implementation of the FHSR project also established the Florida High Speed Rail Commission. This group was given responsibility to act as both a policy board and ombudsman while the environmental approval process was going on, during the selection of the private sector franchisee, and throughout the system's construction and operational testing. Since the five-member commission was appointed, the agency has prepared its formal Request for Proposal (RFP) and project implementation guidelines. These were formally approved on December 4, 1986, and to date 14 private sector consortia have applied for and received official bidder status.

4. This study was directed by Barton-Aschman Associates. The overall consultant project team included Environmental Sciences & Engineering, and Robert J. Harmon & Associates, Inc.

5. The larger number of stations reflected options involving major mid-corridor development, such as a new town or fully planned retirement community.

Features of the Financial/Funding Program

The Florida High Speed Rail Project is the first major inter-city rail transportation project to request 100% private sector investment since the early 1900s, when the New York Subway and numerous inter-urban systems were developed in the United States. Unique to any other current high speed rail proposal or urban transit private/public coventure project in this country, the FHSR project offers the prospective franchisee the use of public sector eminent domain powers to acquire land around station areas for future private development. In addition Florida's Senator Chiles has introduced Federal legislation to establish tax-exempt bond status⁶ for the FHSR project.

Private sector investment appeal for the FHSR project involves: high potential, long-term operational profits; the ability to package major real estate projects around stations and throughout the service corridor; and the opportunity for a consortium (that is, multi-firm) approach to the development of a full funding package.

The Florida High Speed Rail Commission has also established a comprehensive environmental review and approval process that will result in final environmental project approval before the franchise is awarded. However, this latter requires that all eligible competitive bidders spend between \$5 and \$15 million in agency cost compensation, as well as consultant and filing fees to be approved from an environmental viewpoint, before the independent financial proposals are evaluated.

Project Implementation Status

The current deadline for all Level I FHSR proposals and reference documents to be submitted to the Florida High Speed Rail Commission is no later than March 1, 1988. So far 14 consortia have received official competitive eligibility, and two have paid the the initial filing fees required to compensate public agency costs for environmental reviews.

Between now and March 1st of next year, the Florida High Speed Rail Commission and its senior staff will provide full ombudsman support for all official candidate franchise applicants. After March 1st, a first-round selection will be made to select the top three or four proposals that have satisfactorily met all environmental, engineering costing, ridership, economic impact, legal, insurance, and preliminary financial program requirements.

6. The original enabling state legislation established State of Florida tax-exempt bond financing status for the project. Federal legislation to include all high speed rail projects in last year's Federal Tax Reform Act died in Conference Committee.

The final decision to award the Florida High Speed Rail franchise will occur after the final candidate completes more detailed engineering costing, refined readership sensitivity analyses, and financial program formulation efforts. All things being equal (engineering, construction cost, and so on), the final determination will be based on the strength of the final financial/funding program proposals.

The outcome of the Federal legislative efforts is expected to be known before commencing the Level II financial project packaging efforts. Positive results would greatly facilitate the candidate franchisee's ability to secure firm long-term investor or commercial funding commitments.

National Precedents

The FHSR project is the first time in over 80 years that a state legislature in the United States has approved a private sector, inter-city transportation franchise program. In addition, the FHSR project is the only major (i.e., \$1 billion or more in capital construction cost) active transportation project to extend the public sector's right of eminent domain to the private sector for the purpose of acquiring land for joint development. In the enabling legislation, these types of projects are termed ancillary facilities, and the process for applying these powers involves demonstrating that the franchisee would not otherwise be able to negotiate a fair market value for the subject property.

So far, the Florida High Speed Rail Commission has received a positive response from the private sector for its legislative ombudsman work on financing assistance, and high marks from its legislative sponsors for the high quality management personnel and professional staff engaged. In addition, all procedural/implementation program deadlines have been met.

Anticipated Level of Federal Funding Support

The original financial and operational feasibility studies for the Florida High Speed Rail Project were funded through the Federal Railroad Administration. All ongoing administrative and outside consultant support for the Florida High Speed Rail Commission are being absorbed by the State of Florida. At the present time, the only type of Federal funding assistance being sought for the FHSR project is Federal tax-exempt status for bond financing. No other Federal funding support is anticipated for this project.

As of this time, all Level I preliminary engineering, environmental review, refined ridership/operational analyses, and financial programming is being funded by the competing private sector consortia. In this competitive round, a large portion of the costs (except for filing) are being paid for through pro bono professional service agreements in exchange for a future equity position in the project. The selected private sector franchise consortium will, before the final franchisee selection is made, provide the Florida High Speed Rail Commission between \$15 and \$35 million in professional services and public sector fees.

Outlook for Full Implementation

Before the FHSR project can be implemented, one or more financially qualified private sector consortia must be willing to commit corporate assets or attain outside commercial/private investor funding commitments. While the pending Federal legislation to provide tax-exempt status for long-term bond financing will greatly enhance the project's risk/return ratio, in our opinion some degree of State of Florida bond guarantees may ultimately be required. With the franchise award and Federal tax-exempt bond status, plus the partial bond guarantee supports, the project should be able to be implemented.

The other key to the FHSR project's success involves the degree and scale of advanced land acquisition for ancillary facilities (i.e., joint development sites), and the market response to the long-term development potential of these sites. Those private sector consortia that have fully utilized the real estate development potential of the station areas in their long-term financial program will have the best chances of being selected for this franchise award. The private sector consortia selected in Florida will undoubtedly also wind up with an advantage in the competition for the other high speed rail projects now under consideration in the United States.

Part 3

Sample State Legislative Precedents in Mass Transit

Part 3

SAMPLE STATE LEGISLATIVE PRECEDENTS IN MASS TRANSIT

As states cast about for financial options in order to upgrade or maintain their transit systems, they often find that their first step has to be enabling legislation to get started. As they begin, some states find themselves in the unenviable position of reinventing the wheel: retrying programs that other states have already experienced. With the population growth in the sun-belt, for instance, states there are already feeling the pinch on their transportation systems and are casting about for ways to handle the problem.

Since mass transit is multi-faceted, states need information on such things as state and local administration of taxation, transit authorities, land acquisition and use, and all the other governmental functions which are necessary for efficient transit operations.

Part 3 contains a series of vignettes on the ways -- statutes, constitutional amendments, executive orders, and so on -- that some states have chosen to use to finance their mass transit. The 12 states were selected deliberately to provide a sampling of a variety of approaches. It is hoped that this brief overview will sow some fertile ground wherein states and policymakers can uncover ideas about methods and programs that could work in their own situations.

Alabama

Overview

As states and their policymakers have faced the dilemma of the ever-increasing demand for more program money, offset by the public's very definite antipathy towards new or greater taxes, one apparent trend is the movement toward "luxury" or "sin" taxes.

In some ways these taxes are ideal: the items are generally seen as being outside the economic mainstream, people don't have to buy them if they don't want to (people can give up smoking, for instance, if the tax on the cigarettes is too high), and they're used only by a relatively small portion of the population. Thus sin taxes have a relatively equitable feel to them.

Alabama is not alone in using these types of taxes to help fund public transit, but it does have three of the more unusual mechanisms seen in the country: a beer tax, fees from a horse track, and a tax exemption for transit authorities.

Beer Tax

In 1985 Jefferson County obtained legislative approval to apply a part of that county's proceeds from a general state-wide tax on beer towards its transit system. Specifically, every person licensed under the law to sell, store, or receive (for the purpose of distributing) beer contributes 1.625 cents per 4 oz. in addition to the existing excise tax levied by ARS 28-3-184.

The act specifies that the proceeds provide a minimum of \$2 million annually for the Birmingham-Jefferson County Transit Authority, with more available if revenues exceed a certain figure. Moreover the county and incorporated municipalities within the county share in the money based on their populations, with half the money going to the Transit Authority and half to the surrounding county and municipalities.

Soon after it was enacted the legislation was challenged as to its constitutionality, and it was upheld.

Authority: Title 28, Article 3A, code of Alabama (1985)

Horse Racing Fees

The Birmingham-Jefferson County Transit Authority is authorized to receive 2% of the total net revenues (licenses, permits, and similar fees) from a horse racing track located in Birmingham. However, thus far the race track has only lost money so transit has received nothing from this source.

Authority: Section 36 of Act #84-131 (1984)

Tax Exemptions

The State Department of Revenue, acting under the opinion of the Commissioner of Revenue, has decided to exempt all transit authorities from their obligation to pay a portion (\$.04) of the state motor fuel tax. In practice the exemption will benefit only urban transit systems as there are no rural transit authorities (there are, however, numerous rural public transit systems in the state operating under organizational structures other than that of a local authority).

It should be emphasized that, since the exemption is the result of an administrative interpretation of law, it is subject to rescission by the same process.

Authority: Alabama State Code, Sec. 40-17-22 D-4

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Arizona

Overview

Arizona is one of the many states which has experienced population growth in recent years and is now being forced to come to grips with the negative impacts of growth. In the past Arizona, relied on Federal funding to meet its public transportation needs. Only within the past decade has it begun to address them by emphasizing planning.

The bulk of Arizona's public transit dollars initially came from a state lottery, but the needs of growing urban areas quickly overran that source and the search was on for other revenues. Currently the state uses or plans to use a fuel tax, cigarette tax, vehicle license tax, and sales tax.

The Lottery

In 1981 Arizona passed legislation creating a state lottery with designed to provide money for public transportation. The lottery is administered by the state treasurer and funds are appropriated to incorporated towns and cities according to their populations. The Arizona DOT aids towns and cities in the yearly application they must make for the funds. Money raised by the lottery is put into the Local Transportation Assistance Fund (LTAF), which is used to supply these communities. The fund is projected to furnish \$190 million over the ten years until it ends in 1991.

Authority: ARS TITLE 28-26-01 et al.

Other Transportation Legislation

ARS Title 28 is a sweeping attempt by the Arizona legislature to address its current and long-term public transportation needs. The transportation finance legislation is a complex piece of work allowing multiple options and contingencies, which in turn open up a myriad of possible funding scenarios.

The contingencies are based on actions and decisions that may take place at Federal, county, and city levels. For instance, the following taxes are possible revenue sources:

- * The **3 cent fuel tax** would generate \$890 million over 20 years distributed as follows: 64% to ADOT; 14% to the county and cities of Maricopa, divided according to population; 8.5% to Pina County, divided according to population; 8% among all other unincorporated counties, divided according to population; and 5.5% to cities and towns in all other counties, again allocated on the basis of population.
- * The **8 cent cigarette tax** would provide \$490 million over 20 years, all of which would go to ADOT. This tax is conditional, however, in that it will only go into effect if the Federal government allows the temporary part of its cigarette tax to lapse between now and June 30, 1990.
- * If the cigarette tax does not go into effect, ADOT will instead receive an increase in the amount of the **vehicle license tax** it currently receives. Right now 68.5% of the vehicle license tax goes into the general fund; 10% of this proportion would instead be diverted to ADOT until June 30, 1990.
- * A **1 cent fuel tax** is another part of Title 28, and is also conditional on what happens with the cigarette tax. If the Federal tax there does not lapse, Arizona's fuel tax will go up by a penny per gallon beginning July 1, 1990. This money -- expected to be \$220 million over 15 years -- would go directly to ADOT.
- * A final possibility is an additional **half cent sales tax**. Each county will have the opportunity to enact, with voter approval, up to a 10% increase in existing transaction privilege taxes.

In addition, the act establishes a Regional Public Transportation Authority (RPTA) in Maricopa and Pima counties. RPTA powers can be found within Title 28-106-108.

Authority: ARS Title 28-15-98, 28-19-94.01, 28-106-108

Planning

Title 28 also places a high priority on planning. The Arizona DOT coordinates planning and development efforts by all regions within the state. Metropolitan Planning organizations within Arizona are staffed by ADOT planners. This allows the state to do a better job of coordinating transportation services, and along the way reduces overlaps and unnecessary wastes or money.

The Maricopa Association of Governments (MAG) and Pima Association of Governments (PAG) are regional planning agencies which draw their authority from Title 28. MAG and PAG establish priorities within the regional planning network. Other counties look to the ADOT for their separate regional planning needs.

Authority: ARS Title 28 (1985)

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Connecticut

Overview

As northeastern states continue to develop more elaborate transit systems, coordination begins to develop not only within states, but between them. Working with New York, Connecticut has designed a commuter rail agreement which deals with the cost of lines running between Connecticut and New York City.

Also, since developing and maintaining modern, adequate, and efficient mass transportation is seen as a public necessity in Connecticut, the state has formed public transit districts to serve specified areas.

Various means are used to raise funds for transit, all of which are collected into a single Special Transportation Fund which is then used to pay for projects relating to all modes of transportation. The sole exceptions are deficit payments, which are paid through the general fund.

Multi-state Agreement

Connecticut's commuter rail services are provided by Metro-North, a public benefit corporation incorporated in New York. Since June of 1985 Metro-North has been jointly subsidized by the Connecticut DOT and New York's Metropolitan Transit Authority (also a public benefit corporation), through an amended and re-stated service agreement between Metro-North, the Metropolitan Transit Authority, and ConnDOT.

Some trains travel a "closed door" route directly from a number of Connecticut cities, then through New York to Manhattan's Grand Central Station with only a single New York stop at 125th Street. ConnDOT pays 63% of these operating costs, while New York picks up the rest.

ConnDOT also pays all costs of several feeder lines going into the MTA's New York rail stops (not the ones on the "closed door" line). New York, on the other hand, pays most of the costs for various other lines it operates in conjunction with Connecticut. Since these lines run at a loss, though, ConnDOT does agree to pick up approximately 60% of their deficit (see below).

Authority: Service Agreement among Metro-North, MTA, and ConnDOT (June 21, 1985).

Transit Districts

Connecticut law provides for special transit districts, particularly within metropolitan areas, so that services can be provided by the local districts best suited to furnishing them. The act covers all forms of transportation -- bus, rail, and so on -- and gives the transit districts broad powers including those of eminent domain, bonding, liability, labor responsibilities, and funding through grants.

There are 17 transit districts currently in place.

Authority: Public Act 83-28 Section 1.2

Transportation Fund

Connecticut has a Special Transportation Fund which supplements the funding of transportation programs within the state. The fund comes from various sources: fuel taxes, bond revenues, fees, and surpluses from previous years which had been kept in the general fund until needed. Precise proportions vary depending on whether the use is for capital or operating expenses.

The fund is collected and administered by the state treasurer.

Authority: Public Act 83-30

Deficit Funding - Bus

Since 1974 the state of Connecticut has paid operational subsidies to local transit districts, based on a 60/40 formula: as long as the fare recovery ratio for the system was at least 40%, the state would pay 100% of the deficit (60% of the expenses). If the farebox generated less than 40% of expenses, though, the state and the locality would split the difference between the actual farebox recovery and the 40% level: the state would, therefore, pay a base of 60% of expenses plus half the difference between revenues and the target 40% local contribution.

This left a big question of equity, however. Some transit districts wound up paying part of their operating costs because they couldn't reach the 40% farebox contribution. Other transit districts were luckier in that they generated at least 40% of their expenses through the farebox, hence were not required to pay any part of their operating deficits.

The result was that the Connecticut Public Transportation Committee -- an advisory panel to the Commissioner of Transportation -- recently suggested lowering the baseline fare recovery ratio to 33% of expenses which, in fact, equaled the lowest fare recovery ratio for all the transit districts. In essence, ConnDOT was asked to agree to pick up virtually all operating deficits.

In fact this is what happened. As the budget was being prepared for fiscal year 1988, the state legislature voted to accept the CPTC recommendations and to fund the additional state exposure due to the 33% fare recovery ratio level.

Authority: 13B - 34A (Private Contractors)
13B - 38 (Municipal Transit Authorities)

Non-fare Enterprise Revenue

The state and transit districts generally receive non-fare enterprise revenues by selling advertising space on both the exteriors and interiors of transit buses.

Authority: Informal ConnDOT Policy

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Georgia

Overview

Although taxing authority is most often associated with freedom of the legislatures, some states have constitutional limits on the legislature's ability to dedicate taxes for a particular purpose. This constraint exists in Georgia.

Despite this, Georgia seems to manage its public transportation financing with relatively few problems. In communities where the need for mass transit exists, the legislature either pays for transportation through the general fund or creates a transit district (by referendum) which is allowed to tax for services.

The Constitution

Article III, Section IX, Paragraph VI and Article VII, Section III, Paragraph II of the Georgia Constitution generally prohibit dedicating or earmarking state taxes for a specific purpose, aside from a few very specific exceptions.

Mass transit, unfortunately, is not one of the named exceptions. In fact, the closest transportation comes to money in the constitution is in Article III, Section IX, Paragraph VI, which automatically appropriates all revenues derived from motor fuel taxes to be used for highways and bridges. These taxes can be found Code section 48-9-3, 48-9-14.

The Georgia legislature established transit authorities in 1979. Under the act a local referendum of eligible voters can establish a transit authority which will provide public transportation services for that metropolitan area.

The first such authority was the Metropolitan Atlanta Rapid Transit Authority (see below). Two other cities -- Macon and Savannah -- have since incorporated transit authorities. In Georgia the need for public transit is not yet as great as in other states, so individual review by state legislators is the general mechanism for mass transit funding.

Authority: Transit Authority Act, Code 32-9-9

The Metropolitan Atlanta Rapid Transit Authority (MARTA)

The MARTA Act, which in 1965 established a transit authority for metropolitan Atlanta, has been amended yearly to keep it up to date. The original act allowed the metro-Atlanta area to raise revenue through a fuel tax which paid for mass transit services. Following a referendum vote the transit authority was given the power to fund services through a 9 cent motor fuel tax; any further assistance comes from yearly general fund allocations.

The authority, which is an instrumentality of the city of Atlanta and the counties of Fulton, DeKalb, Cobb, Clayton and Gwinett, has several other powers: eminent domain, the issuance of debt, and whatever else may be necessary or convenient for the accomplishment of its stated purpose.

Authority: GA.L. 1965 P.2243 (1965)

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Indiana

Overview

Indiana is one of many Midwestern states which has taken a very active and varied role in providing public transportation. Transit programs are funded through a state sales tax, a public transportation fund, and bond sales.

Transit authorities have been established through various pieces of legislation; these allow governmental units to operate transit services as needed by the varying areas of the state.

Indiana also uses state and Federal funds to help pay for its commuter railroad.

Sales Tax and Public Mass Transportation Fund

Indiana dedicates a portion of the state sales and use tax to the public mass transportation fund, but it can be used only to promote and develop public mass transportation within Indiana. The biennial budget act allocates the money among the various units, agencies, and companies which provide public transportation.

Authority: Indiana Code 6-2.5-10-1 and Indiana Code 8-9.5-6-4 and pages 2605, 2606 and 2607 of Public Law 372-1989

RTAs and UMTSs

Regional Transportation Authorities (RTAs) were established to acquire, improve, operate, maintain, finance, and generally support public transportation systems that operate within boundaries that the state planning service agency has designated a transportation planning district.

Urban Mass Transportation Systems (UMTSs) were established to perform the same functions as RTAs; however, only one public transportation authority may be established within an area designated as a Transportation Planning District. Other counties may adopt resolutions to be added to a pre-existing Transportation Planning District if a majority of these counties are already within the district.

Local units of government may use property taxes and bonds supported by either the farebox or property tax revenue on state allocations or a combination of these.

Authority: Indiana Code 36-9-3 and Indiana Code 86-9-4

Northern Indiana Commuter Transportation District

The Northern Indiana Commuter Transportation District provides a way for state and Federal funds to be used to subsidize passenger transportation on the Chicago South Shore and South Bend Railways. Under the Act which established Commuter Transportation Districts, the Board of Trustees of each district may couple Federal funding with bond sales in order to finance services.

Authority: Indiana Code 8-5-15

Electric Rail Service Fund

The state's Electric Rail Service Fund is used to finance the Northern Indiana Commuter Transportation District's railways. It can be used to support district bonds and derives its funding from the General Fund. Administered by the State Treasurer, the fund uses money raised from both fare revenues and sales of property once used by public transit services.

Authority: Indiana Code 8-3-1.5-20.6

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Massachusetts

Overview

Massachusetts is a highly populated northeastern state with many diverse communities. Although the northeast is best known for its large cities, it -- and Massachusetts in particular -- does have rural areas with rural needs. Less populous states can form their public transportation programs in response to their needs; states such as Massachusetts can't afford this luxury and must preplan their public transportation strategies using a very broad brush.

The Massachusetts Bay Transit Authority (MBTA) was formed To serve its one very large urban area. To serve the more diverse population groups throughout the state a number of Regional Transit Assistance Programs (RTAs) were set up. Massachusetts also has programs for the elderly and those who are wheelchair-bound.

The Massachusetts Bay Transit Authority

The Massachusetts Bay Transit Authority (MBTA) is a body politic set up to serve 79 cities and towns in the Boston area. The MBTA is given the power to hold property, sue and be sued, be liable for debts, incur debt by issuing bonds, operate facilities, appoint officers, make regulations, enter into agreements with other agencies, and otherwise provide mass transit service (even by contract) in the Bay area.

Funding for the MBTA is derived from retail fuel and cigarette taxes. Collected by the state tax commission, the funds are sent to the State Treasurer who administers them. Each authority within the MBTA must submit annual requests for funding to the Treasurer.

The MBTA is set up with a five-member Board of Directors appointed by the Governor. They preside over the 15 separate transit authorities; any two or more towns or cities can unite and incorporate to form an additional transit authority. These transit authorities can choose to provide either "express service" or "local service." Express service refers to rapid transit service or contractual rights of way, while local service refers to MBTA buses, trackless trolleys, and street cars in local streets.

Authority: MGL chapter 161A

Regional Transit Authorities

Regional Transit Authorities (RTA) are municipally-controlled organizations which, by law, must contract with private operators to provide transit services.

The RTAs are coordinated by the Executive Office of Transportation and Construction. The EOTC is the designated recipient of Federal funds under the Rural and Small Urban Public Transportation Assistance Program, UMTA Section 18. The Commonwealth also provides approximately \$17 million in assistance to the 14 regional public transit systems. State funding has become more important following the cutbacks of Proposition 2½, the tax limitation law implemented in 1981. A bedrock principle of the RTA is that each community pays its full local share for transit service.

The RTA serves 34 million passengers annually and 1.5 million through its elderly and handicapped services. The RTAs range in size from the Martha's Vineyard Transit Authority with 43,000 actual passengers to the 190-bus, 12.3 million-passenger Pioneer Valley Transit Authority.

Authority: MGL chapter 161B

Mobility Assistance Program

The EOTC is coordinating a comprehensive interagency campaign for greater handicapped access in Massachusetts; the Mobility Assistance Program is one element of this. Resulting from an amendment to the state constitution which mandates equal access for elderly and disabled persons, the EOTC has made accessible transportation its top priority, reflecting this in Mobility Assistance Program funding. Also, the MBTA intends to make accessible 80% of rapid transit and 35% of commuter rail systems.

The effort is headed by a 23-member, Governor's Commission on Accessible Transportation formed in 1985. The commission works with providers as well as citizen groups to reach a plan to best outline interagency solutions.

MAP derives optimal funding from two sources: state bond funds and Federal funds from UMTA section 16(b)(2). Operating and other expenses are derived from private donations and individual private organizations.

The EOTC monitors the program closely by requiring operators to provide adequate insurance, CPR training for drivers, and monthly operating reports.

Authority: EOTC Initiative

Wheelchair Access to Intercity Bus Service

Massachusetts' Intercity Bus Capital Assistance Program (IBCAP) was developed by the EOTC as a result of the problems the leading service carriers in the mid-1970s were having in financing this very necessary service. Following an EOTC and UMTA study of the options available, attention was drawn to the high cost of capital.

The solution was a low cost lease arrangement in which the carriers would share the benefit of the state's bonding authority. The EOTC purchased the coaches and leased them to participants at a savings of 50% over commercial leasing. Only the interest payments are subsidized, however: the terms are designed to completely recover the state's principal cost by the end of two years. The program has reduced the average age of coaches serving the area, and has also dropped the cost of leasing each vehicle.

Authority: EOTC Initiative

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Nebraska

Overview

Although mass transit and public transportation tends to occupy a visible and sizable portion of urbanized states' budgets, they are of great concern in the rural states, too. When the airlines and buses were deregulated, many rural areas wound up without the service they needed, simply because the rural routes are often not profitable.

Nebraska recognized this void and enacted legislation to deal with the problem. Its three major laws are: the Nebraska Public Transportation Act of 1975, a Highway Allocation Fund, and The Metropolitan Transit Authority Act.

Nebraska Public Transportation Act of 1975 (NPTA)

The Nebraska Public Transportation Act has several goals, in addition to the primary one of meeting the transportation needs of those who lack some other way to move around. The Act is designed to conserve fuel, reduce congestion, and relieve private transit providers who cannot earn a profit.

The Department of Roads coordinates the program. In the process it can contract for services, and help state agencies, subdivisions, public and qualified public purpose organizations, and private carriers to provide the transportation services specified in Sections 19-3901 - 19-3911.

In addition the Department of Roads may: collect data on the level of transit services being provided; assess the effect changes have on both regional and state-wide bases; develop a six-year state-wide transit plan; provide planning and technical assistance to agencies of the state; administer state and Federal programs providing financial assistance; and exercise all other powers necessary and proper for the discharge of its duties.

The Act allows municipalities, counties, and qualified public purpose organizations to lease, purchase, construct, own, operate, maintain, or contract for services to conduct programs for the elderly and disabled.

The Act also establishes a public transportation assistance program which provides state funding for public transportation systems' operating expenses. Funds for this program are derived from the Highway Allocation Fund and transferred to the Highway Cash Fund by the State Treasurer.

Authority: Revised Statutes of Nebraska 19-3901 - 19-3911
(1975)

Highway Allocation Fund

The Highway Allocation Fund is used to fund Nebraska's public transportation program. The Fund receives its money from sales and fuel taxes. The Fund is administered by the State Treasurer who moves it into the Highway Cash Fund for use in transit programs.

Authority: Revised Statutes of Nebraska 39-22-15

Metropolitan Transit Authority

According to statute, a local jurisdiction of 300,000 or more voters may establish a Transit Authority which may in turn levy a 1.5% sales tax for transit services. The Authority is also empowered to "enter into contracts, purchase, construct, own, maintain, operate, or lease for the purpose of providing public transportation." In addition the Authority can accept funds from any Federal, state, public, or private source if it is intended for public transportation.

The City of Omaha, with its population of more than 300,000, is the only city thus far to establish a Transit Authority.

Authority: Revised Statutes of Nebraska 19-18-01 - 19-18-26 -
19-39-08

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New Jersey

Overview

Up until July of 1984 New Jersey had funded transportation programs through general appropriations and general obligation bonds. Moreover, unlike most states where revenues from transportation were returned to transportation, in New Jersey - one of the few states where revenues exceeded expenditures - they went straight into general revenues where they had to compete with all other state programs through the annual budgetary process or be subject to voter concurrence on the need to issue general obligation bonds. Unlike many states where transportation revenues were returned to transportation, revenues from transportation sources were not re-allocated broadly to transportation. As a result, New Jersey's once-premier transportation system fell into a serious state of disrepair.

This changed in 1984 when New Jersey enacted a Transportation Trust Fund authority. At the same time the state legislature amended the state constitution to dedicate 2.5 cents of an 8 cent fuel tax to pay for transportation capital expenditures over the next 17 years.

New Jersey has also passed the New Jersey Bridge Rehabilitation and Improvement Act. In addition, legislation has exempted interstate commuter buses from excise and fuel taxes.

Other financing sources include a Casino Revenue Fund and Non-fare enterprise revenue from bus and train advertising.

Transportation Trust Fund Authority

The authority is composed of three public members as well as the Commissioner of Transportation and the State Treasurer, both as ex-officio members. Although the Governor is not a member of the Authority, he does have veto power over the authority's minutes.

The authority's sole purpose is to finance certain costs incurred by the NJDOT in planning, acquiring, engineering, constructing, reconstructing, repairing and rehabilitating the state's transportation system including its public highways, public transportation, and other transportation projects; it also provides state aid to counties and municipalities for their transportation projects.

The authority is empowered to issue bonds which are general obligations payable from revenues or other funds of the authority.

A Transportation Trust Fund Account is established to which the State Treasurer is to credit annually: (a) not less than \$88 million; (b) an amount equal to the increase in motor vehicle registration fees and fuel user identification marker fees and revenues in diesel tax; and (c) \$25 million from toll road authorities.

A Special Transportation Fund is made up of revenue from the Authority and is used to finance highway and transportation costs incurred by the NJDOT under the Act. The New Jersey Expressway Authority, Turnpike Authority, and Highway Authority are empowered to enter into contracts with the state DOT for Trust Fund account funding.

The state has also increased the fees charged to commercial vehicles and credited these amounts to the Fund.

Authority: Public Law 1984 C.73 (C.27:1B-1 et al.)

Constitutional Amendment

In conjunction with the Transportation Trust Fund Authority, New Jersey amended its constitution to dedicate 2.5 cents of an existing fuel tax (currently set at 8 cents) to transportation capital expenditures, for a period of 17 years. These revenues are intended to pay or finance all costs of planning, acquiring, engineering, constructing, reconstructing, repairing and rehabilitating the state's transportation system. Revenues from the tax are credited to the general fund then legislatively allocated to the Trust Fund.

Authority: ACR-130 of 1985

Bridge Rehabilitation and Repair

The Bridge Rehabilitation and Improvement Bond Act of 1983 represents New Jersey's attempt to deal with the rather special problem of bridge rehabilitation and repair in the state. The act authorizes \$135 million for this purpose, which is to be raised from bond sales. The NJDOT administers these funds.

Authority: Public Law 1983, Chapter 363

Tax Exemption

In an effort to place private carriers on par with the rest of New Jersey's Transit carriers, the legislature amended R.S. 48:4-20 to allow interstate commuter buses to be exempt from excise and fuel taxes.

Authority: S-131 (3rd OCR) - Public Law 1985, Chapter 207

Casino Revenues

Of state income generated by a tax on casino revenues, 7.5% is dedicated to transportation for the elderly and disabled. The Fund is administered by the State Treasurer and receives funding through the Commissioner of Taxation.

Authority: New Jersey State Code Title 5, Chapter 12 - 5-12-139
- 5-12-152

Non-fare Enterprise Revenue

Local authorities in New Jersey can supplement their transit funding through non-fare enterprise revenue tools. The authorities sell advertising space on trains and buses.

Authority: Information initiative of NJDOT

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New York

Overview

New York's mass transit system has been in existence for years. Consequently, operating costs exceed capital expenditures. New York City in particular is now able to concentrate on programs which aid a narrower group within its population. Money, which in other states goes to building programs, in New York City goes to improve or update existing programs and initiate others.

Recent acts of the New York legislature include: the State Transit Operating Assistance (STOA) program, a five year capital program for the Metropolitan Transportation System Authority (MTA), and a push for accessible transportation in New York City.

State Transit Operating Assistance (STOA)

The State Transit Operating Assistance program was enacted to pay towards the operating expenses of public transportation systems.

This program is administered by the Commissioner of Taxation, who is empowered to make payments to the public transportation systems, enter into agreements, examine accounts, and prescribe regulations. The Commissioner also reports to the Governor to evaluate the program.

Money for the program comes from the general fund local assistance account in accordance with Section 18-B of the Transportation Laws.

Authority: Transportation Laws, Section 18-B

Metropolitan Transit Authority (MTA) Capital Program

Citing an emergency situation existing within New York City in 1981, the legislature enacted a law which financed a five-year capital program for the MTA in New York City. The Act, known as the Transportation System Assistance and Financing Act of 1981, was overseen by the members of the Authority.

It establishes funds to provide safe, comfortable, reliable, and efficient mass transportation within the city of New York. The program is financed by bonds and notes.

Authority: S. 6928 - A. 8912 of 1981-1982 regular sessions

Accessible Transportation Act

The Act establishes a transportation system in New York City which will also serve disabled persons by integrating accessible key rapid transit stations, accessible buses and para-transit transportation, and by creating a New York City Accessible Transportation Disabled Committee to assist in developing the system.

Additionally, it amends the Tax Law and the Administrative Code of the City of New York to dedicate a portion of the New York City mortgage recording and real property transfer taxes to finance the expenses of the committee and the para-transit service element of the system.

The Act took effect in 1984 and reinitiated its rapid transit station modernization program in accordance with the provisions of the Act. Its goal is to make 65% of its regularly operated bus fleet accessible for the transportation of persons with disabilities.

Ultimately, the legislation seeks to allow an estimated 350,000 mobility-impaired residents of New York City to participate fully in the economic, educational, recreation and cultural activities available to the rest of the City. It is also intended to allow the Transit Authority to undertake a needed subway station modernization program to improve handicapped accessibility.

The Act has already had the following results:

- * A system of key rapid transit stations was developed to ensure that those with disabilities were transported quickly, efficiently and effectively. Fifty-five stations were designated and more than \$5 million is to be spent in the eight years of the program runs.
- * Accessible bus service was also provided to address a portion of intra-borough travel needs, as well as to directly interface with accessible key rapid transit stations (65% of all buses are to be accessible to wheelchairs).
- * Para-transit service was also provided. The City Accessible Transportation Disabled Committee developed a para-transit implementation plan that provides for the orderly provision of such services consistent with available resources.

Authority: Transportation Laws, Sec. 15B

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Ohio

Overview

The flow of money for public transportation has many sources in Ohio. Five "practices" of transit financing not only make use of a broad scope of revenue collection, but they also allow authorities some degree of flexibility in transit financing. Local transit authorities levy property taxes and are granted exemptions from all state taxes. Port authorities are given great latitude in structure and financing which allows transit revenues to be raised in a variety of ways. Transit authorities also use a sales tax and are entitled to tax refunds on the state fuel tax.

Property Tax

The Ohio Revised Code authorizes a regional transit authority to levy, subject to voter approval, a property tax not to exceed \$1 million. A transit authority is defined as a public entity consisting of a county, township, or municipal corporation, or a combination of any of them, which operates a transit facility of some sort.

The enactment remains valid on all taxable property within the authority's territorial boundaries, and must be reapproved at least every ten years. Revenue from the tax must be used to fund the authority's budget, and notes may be issued in anticipation of collecting the tax.

Authority: Section 306.49 of the Ohio Revised Code.

Exemptions for Publicly Owned Vehicles

This section of the Ohio Revised Code was not enacted to provide tax relief for public transit systems, but it has had that effect. The section requires that motor vehicles owned by the state or any of its political subdivisions be registered, but also provides that such "vehicles that have been registered and that are used exclusively in the performance of the governmental or proprietary functions of the state or any political subdivision ... shall not be subject to charge of any kind." Thus buses operated by regional transit authorities, county transit systems, and port authorities are registered free instead of at the \$12 rate that applies to other transit buses.

Authority: Section 4503.16 of the Ohio Revised Code.

Port Authority Flexibility

Port authorities are allowed to levy, subject to voter approval, a property tax not to exceed \$1 million for no more than five years; this affects all taxable property within the authorities' jurisdiction. Revenue from the tax must be used to fund the authority's budget, but notes may be issued in anticipation of tax collection.

Because port authorities can, among other things, operate "transportation facilities," they could use the funds from such taxes to finance any transit system they operate.

Authority: Sections 4582.14 and 4582.40. (Note: two sections are cited here because Chapter 4582 of the Ohio Revised Code includes provisions for creating and operating two types of port authorities: those created under the law originally enacted in 1955, and those created under a new law enacted in 1982. The new law permits port authorities in existence on the effective date of that law to operate under either the old or the new law.)

Sales Tax

Regional transit authorities have the ability to impose voter-approved sales and use taxes within their boundaries. At present there are two authorities which use this option: the Miami Valley Transit Authority and the Cleveland Area Transit Authority.

Taxes can be imposed at rates of 0.5%, 1%, or 1.5% and can either be limited in duration or ongoing. The reserves they generate can be used to acquire, construct, improve, or enlarge permanent improvements, or they can be used to pay debt service charges.

Authority: Section 306.70 and various sections in Chapters 5739.023 and 5741.022 of the Ohio Revised Code

Fuel Tax Refund

This section authorizes a refund of 6 cents per gallon of the 11 cents per gallon motor vehicle fuel tax when the fuel has been used to operate a transit bus. Refunds are permitted for any single claim involving 100 gallons or more of motor vehicle fuel, but the refund must be reduced by the cents per gallon amount of any credit received by the claimant for qualified fuel (i.e., qualified fuel is fuel that is blended with not more than 10% by volume of ethanol; the credit is 35¢ per gallon for each gallon of ethanol used to create such a blend).

Authority: Section 57-35.142

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Texas

Overview

Texas has experienced great growth in recent years. During the boom period of the early 1970s it recognized the need to implement transit services for its growing urban areas. Although the state aids in financing operating and capital expenditures on a limited basis from the general fund, most funds are raised by the authorities themselves.

There are three major statutes which address public transportation in Texas. The first two pertain to urban transit authorities while the third establishes a public transportation fund where the state matches Federal subsidies.

Articles 1118x & 1118y

Article 1118x was originally enacted in 1973 and applied only to Houston. At that time, it provided financing of a public transit authority via vehicular emission taxes. In 1975, a population bracket amendment extended applicability to San Antonio as well. The law required a confirmation election by voters, but neither area acted to create an authority.

A 1977 revision of Article 1118x allowed financing via a sales and use tax of up to 1%. San Antonio and Houston promptly established authorities in 1977 and 1978, respectively. Then in 1979 the legislature enacted Article 1118y authorizing a regional transit authority for Dallas-Fort Worth. Alternatively, if either city decided to go it alone a subregional authority could be organized around one or the other, or both. The suburb of Grand Prairie was also offered this subregional alternative.

Dallas area voters defeated a transit proposal in 1980, and in 1981 Article 1118y was revised to restrict the use of eminent domain and make other accommodative changes primarily dealing with administration of the authority. Like Grand Prairie, the suburb of Arlington (outside Dallas-Fort Worth) was authorized to establish a subregional authority. After further legislative changes in 1983, both Dallas and Fort Worth that year created public transit authorities.

Meanwhile, in 1981 Article 1118x was amended to extend to El Paso and Austin. El Paso voters defeated a transit proposal later in 1981 and since that time have not acted to exercise their enabling legislation prerogative. Corpus Christi, added by a 1983 population bracket amendment, similarly has not created an authority. Austin, however, did approve a proposal in 1985, thus becoming the fifth urban area to have an established transit program and sales tax.

Texas has five transit authorities currently serving serving the cities of Austin, Dallas, Fort Worth, Houston, and San Antonio. All use the sales tax as their revenue source, each at 1% except Fort Worth at 0.25%.

Authority: Articles 1118x and 1119y, Vernon's Texas Civil Statutes

Article 6663c

Enacted originally in 1975, Article 6663c establishes a Public Transportation Fund for state contributions to match Federal subsidies for public transit. The state picks up 13% of the required matching share; the public transit authority or recipient city picks up the remaining 7%.

State contributions to the fund are derived entirely from general revenues as appropriated by the legislature and are not tied by formula to gasoline taxes or any other specific revenue sources.

Authority: Article 6663c, Vernon's Texas Civil Statutes

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Wisconsin

Overview

Wisconsin has a very diverse and broad public transportation system, all of which is financed through a Transportation Fund. The system is made up of a number of transit aid and ride-sharing programs. These include the State Urban Mass Transit Operating Assistance Program, State Specialized Transportation Assistance Program for Counties, State Specialized Transportation Assistance Programs for Private Nonprofit Corporations, Rural Public Transportation Assistance Program, State Ride-sharing Assistance Program, and the State Urban Rail Program. In addition to these programs Wisconsin, through an UMTA grant, is conducting a study to evaluate the cost-effectiveness of contracting public transit to private companies.

Transportation Fund

The Transportation Fund was established in 1977 to finance Wisconsin's public transportation activities. The fund derives its money from a number of sources. It issues drivers' and other licenses as well as taxes motor vehicle and general aviation fuels. It also taxes air carrier and railroad companies, and uses assessments collected by the Office of the Commissioner of Transportation.

The fund also contains all money paid into the state treasury by any local units of government or other sources if the money is specified for transportation. Federal aid, investment income from the transportation fund, and all amounts transferred by law from other funds are other potential sources.

Payments from the Transportation Fund are made by the order of the Secretary of Transportation.

Authority: Wisconsin Statutes, Section 25.40

Urban Mass Transit Assistance Program

The Urban Mass Transit Assistance Program was established to preserve and improve existing urban mass transit systems within the state, and to encourage their effective and efficient operation.

A state program administered by the Wisconsin DOT, the Urban Mass Transit Assistance Program is allowed to: receive applications for aid, make and execute contracts with any eligible applicant, audit the operating revenues and expenses of all urban mass transit systems participating in the program, and apply for and receive Federal grants.

The state uses the audit to compute how much state and Federal aid an eligible applicant can apply against operating deficits in each contract period.

As a condition of eligibility for a state award, every year applicants must prepare and submit to the department a four-year transit development program.

Authority: Wisconsin Statutes, Section 25.40

State Specialized Transportation Assistance Program for Counties

This program is funded through the state's Transportation Fund and is designed to let counties provide financial assistance in furnishing transportation services for special segments of the population which might not otherwise be able to get to or use public transportation -- primarily the elderly and disabled. The fund provides for installation of special equipment to enhance accessibility.

This program is administered by the Wisconsin DOT. The law gives the DOT the following powers: to receive and review county plans for specialized transportation; to determine the county proportionate share of funding; to make and execute contracts with counties; to encourage the transportation of elderly and handicapped individuals; and if any county fails to contract with the department for its share, to divide that share among the other contracted counties.

Authority: Wisconsin Statutes, Section 25.21

Assistance Program for Private Nonprofit Corporations

This program for private nonprofit corporations, financed through the Transportation Fund, is designed to provide capital assistance to private nonprofit organizations providing transportation services to elderly and disabled people.

The Wisconsin Department of Transportation administers this program and is given the ability to: "receive and review applications for aid, establish criteria for evaluation of applicants, make and execute agreements, audit records of participating private nonprofit organizations, require recipient organizations to furnish information deemed necessary by the department, apply for and receive Federal grants on behalf of eligible recipients, and establish an annual application cycle for the program."

Authority: Wisconsin Statutes, Section 85.22

Rural Public Transportation Assistance Program

The Rural Public Transportation Assistance Program, which receives funds from the Transportation Fund, allows the Wisconsin DOT to administer the rural public transportation aids program funds which Section 18 of the Urban Mass Transportation Act of 1964 makes available.

Authority: Wisconsin Statutes, Section 85.22

Ride-sharing Assistance

Another program paid for by the Transportation Fund -- the Ride-sharing Assistance Program -- has several goals. One is to promote energy conservation, of course, and to reduce traffic congestion and improve air quality. It also seeks to enhance existing transportation systems by planning and promoting ride-sharing programs.

The Wisconsin DOT coordinates, promotes, and markets the ride-sharing concept. In the process it disseminates technical information, provides technical and financial assistance, develops and implements ride-sharing programs, and develops and distributes both computer and manual watching systems.

The department also applies for, receives, and distributes Federal grants.

Authority: Wisconsin Statutes, Section 85.24

Urban Rail Program

The state Urban Rail Program, which receives its funding from the Transportation Fund, is administered by the Wisconsin DOT and is designed to facilitate an urban rail transit system. The department also provides planning and engineering to urban rail transit systems serving urban areas in the state.

Authority: Wisconsin Statutes, Section 85.063

UMTA Study

Wisconsin is one of two states (the other is North Carolina) which recently received an UMTA grant to explore one aspect of privatization: in this case, to evaluate and encourage competitive billing for transportation services, particularly those provided by the private sector.

Competitive contracting, whether for transit services or park maintenance, can often lead to cost savings. A number of transit systems across the country have contracted for transit services and have reduced their costs as a result. UMTA's goal is to find out if privatization of transportation is a viable alternative.

The Bureau of Transit will work with operators, private transportation providers, and local officials to carry out the effort. A number of Wisconsin's transit systems already contract with private firms for management and other support services such as accounting, legal and maintenance work. This project will help UMTA determine how well its objectives of increased private sector involvement can be carried out, what barriers exist to implementing this policy, and how these barriers might be overcome.

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APPENDICES

Appendix A

**Landmarks in the Evolution of
Federal Programs for Mass Transportation**

**LANDMARKS IN THE EVOLUTION OF
FEDERAL PROGRAMS FOR MASS TRANSPORTATION**

- 1961: The Housing and Urban Development Act of 1961 provided funding for transit demonstrations and loans for mass transportation projects.
- 1964: The Urban Mass Transportation Act of 1964 (UMTA Act of 1964) established the Urban Mass Transportation Administration (UMTA) within the Department of Housing and Urban Development, to administer a program of capital grants to transit systems.
- 1966: The Urban Mass Transportation Administration was moved to the newly-created Department of Transportation (DOT).
- 1970: The Urban Mass Transportation Assistance Act of 1970 provided increased levels of Federal funding by authorizing a \$3.1 billion program of capital grants.
- 1973: The Federal-Aid Highway Act of 1973 increased the Federally funded portion of transit capital projects from two-thirds to 80%, and authorized expenditure of Federal-Aid Urban System highway funds and Interstate Highway Transfers for qualifying transit projects.
- 1974: The National Mass Transportation Assistance Act of 1974 increased authorizations for discretionary capital funding and created a formula grant program that could be used for either operations or capital projects, with funding allocated directly to urbanized areas.
- 1978: The Federal Public Transportation Act of 1978, Title III of the Surface Transportation Assistance Act of 1978 (STA Act of 1978), expanded the formula grant program and divided it into categorical programs that included additional operating grants for fixed guideway systems, capital grants for bus purchases, and operating grants for places outside urbanized areas.
- 1982: The Federal Public Transportation Act of 1982, Title III of the Surface Transportation Assistance Act of 1982 (STA Act of 1982), provided that 1 cent of a 5 cent increase in the Highway Trust Fund users' fee on motor fuels would be placed into a Mass Transit Account for capital projects; increased the portion of all funding allocated through the formula grant program; and altered the formula grant program allocation formula to include transit service as well as population data.
- 1987: The Federal Mass Transportation Act (FMTA) of 1987, Title III of the Surface Transportation and Uniform Relocation Assistance Act of 1987 (P.L. 100-17), authorizes the Federal transit program through Fiscal Year 1991. It increases the level of authorization for the formula and discretionary programs and provides that a portion of the Mass Transit Account may be allocated for capital purposes on a formula basis.

SOURCE: Transit Fact Book, 1987, Washington DC: American Public Transit Association.

Appendix B

**Highlights of Transit Assistance Programs,
Identified by Section Number**

**HIGHLIGHTS OF TRANSIT ASSISTANCE PROGRAMS,
IDENTIFIED BY SECTION NUMBER**

Section 3: Original grant program begun in FY 1964, which provides capital assistance to eligible transit projects selected by the Urban Mass Transportation Administration or earmarked by Congress. This process is known as discretionary funding.

Status: Authorized through FY 1991.

Recipients of Funds: State or local public bodies and agencies making application based on UMTA discretion and availability of funds. Specific areas or categories of expenditures may have amounts earmarked during the Congressional legislative process.

Eligible Expenditures: For capital projects only.

Method of Allocation: Discretionary, by UMTA

Matching Ratio: Prior to FY 1984: 80% Federal, 20% state and local.
Beginning FY 1984: 75% Federal, 25% state and local.

Source of Funds: Prior to FY 1984, general revenues. Beginning FY 1984, the Mass Transit Account of the Highway Trust Fund -- the "transit penny" of the Federal motor fuel tax.

Section 5: Effective in FY 1974, it provided the first Federal operating assistance to transit and allocated funds directly to urbanized areas on a formula basis.

Status: Discontinued at end of 1983 though funds remained available for obligation through FY 1985. Remaining unobligated funds will be reapportioned via the Section 9 formula program.

Section 9: Replaced Section 5 as the program allocating operating and capital assistance on a formula basis to urbanized areas, effective FY 1984. Funding for the Section 9 program is authorized through Section 21(a) of the Urban Mass Transportation Act of 1964, as amended, which together with Section 21(e) also provides funds allocated to rural areas under the procedures of Section 18.

Status: Authorized through FY 1991.

Recipients of Funds: Urbanized areas: directly if over 200,000 population, through state governors if under 200,000 population.

Eligible Expenditures: For operations or capital projects by local decision, up to a limit equal to a percentage of the sum of FY 1982 Section 5, Tiers I, II, and III allocation for each urbanized area. Percentage limitations are 80% for urbanized areas over 1,000,000 population; 90% for urbanized areas between 200,000 and 1 million population; and 95% for urbanized areas less than 200,000 population. Urbanized areas newly designated by the 1980 Census of Population or later are eligible to use up to two-thirds of their first full year Section 9 allocation for operations. The remaining portion of each urbanized area's allocation may be used only for capital projects.

The operating cap for small urban areas between 50,000 and 200,000 in population will be supplemented, beginning in FY 1988, with a 32.2% increase to make up for past losses to inflation. Beginning in FY 1989, small urban areas will have their operating assistance limitations adjusted annually for inflation.

Method of Allocation: By formula. Funds are allocated for Section 9(B) and 18 in seven subsections that are equal to percentages of the total amount authorized under Section 21(a), 21(b), and 21(c) of the FMTA of 1987. The percent of funding for each urbanized area in a subsection with a formula based on transit operating data will vary each year because of variations in the transit operating data. These subsections, designated by funding type, are:

- (1) Fixed guideway operations in urbanized areas over 200,000 population, basic formula, 28.15% of Section 21(a) authorization. The formula is 60% fixed guideway revenue vehicle miles operated and 40% fixed guideway route miles. Urbanized areas over 750,000 population that have commuter rail operations receive a minimum of 0.75% of this subsection.
- (2) Fixed guideway operations in urbanized areas over 200,000 population, incentive formula, 1.29% of Section 21(a) authorization. The formula is the number of fixed guideway passenger miles traveled multiplied by the number of fixed guideway passenger miles traveled per dollar of operating cost. Urbanized areas over 750,000 population that have commuter railroad operations receive a minimum of 0.75% of this subsection.
- (3) Bus operations in urbanized areas over 1,000,000 population, basic formula, 39.31% of Section 21(a) authorization. The formula is 50% bus revenue vehicle miles operated, 25% urbanized area population, and 25% urbanized area population density weighted by population.
- (4) Bus operations in urbanized areas from 200,000 to 1,000,000 population, basic formula, 14.25% of Section 21(a) authorization. The formula is 50% bus revenue vehicle miles operated, 25% urbanized area population, and 25% urbanized area population density weighted by population.

(5) Bus operations in urbanized areas over 200,000 population, incentive formula, 5.43% of Section 21(a) authorization. The formula is the number of bus passenger miles traveled multiplied by the number of bus passenger miles traveled per dollar of operating cost.

(6) Mass transportation operations in urbanized areas of less than 200,000 population, 8.64% of Section 21(a) authorization. The formula is 50% urbanized area population and 50% urbanized area population density weighted by population.

(7) Mass transportation operations outside of urbanized areas, 2.93% of Section 21(a) and (b) under Section 9(B) authorization. These allocations are made through Section 18 procedures.

Matching Ratios: Operating assistance; Federal share up to 50% of operating expense less earned revenue, including passenger fares, to the limit of available Federal funds. State and local operating assistance share must equal or exceed Federal operating assistance share. Capital assistance; 80% Federal, 20% state and local.

Source of Funds: General revenues and a portion of the Mass Transit Account (see Section 9(B) below).

Section 9A: Provided a program to allocate capital assistance from the Mass Transit Account of the Highway Trust Fund until all the provisions of the STA Act of 1982 became effective in FY 1984.

Status: Effective in FY 1983 only. Remaining unobligated funds will be reapportioned via the Section 9 formula program.

Section 9(B): Established by the Federal Mass Transit Act of 1987. Beginning in FY 1988 funds from the Mass Transit Account will be made available for the formula program. Half of all Mass Transit Account funds exceeding \$1 billion annually will be distributed to all recipients through the Section 9 program for capital purposes only. Section 18 recipients will receive a 2.93% share of Section 9(B) as well as their shares of Section 9 (both from general revenues) for capital and operating purposes. Funds represent contract authority and will be available for four years, including the year of apportionment, after which they will be reapportioned via the formula program.

Section 16(b)(2): Established by the Urban Mass Transportation Act of 1970 to assure the availability of mass transportation to elderly and disabled persons.

Status: Authorized through FY 1991.

Recipients of Funds: Through state governors, private non-profit corporations and associations providing mass transportation services for the elderly and disabled.

Eligible Expenditures: For capital equipment and state administrative costs.

Method of Allocation: By formula. Funds are allocated to states based on population of elderly and disabled individuals with a fixed minimum amount for each state.

Matching Ratio: 80% Federal, 20% state and local.

Source of Funds: Prior to FY 1984, general revenues. Beginning in FY 1984, the Mass Transit Account of the Highway Trust Fund.

Section 18: Established by the Surface Transportation Assistance Act of 1978 to allocate funds for mass transportation in rural areas outside of urbanized areas.

Status: Authorized through FY 1991.

Recipients of Funds: Through state governors, mass transportation providers outside of urbanized areas.

Eligible Expenditures: For operations or capital projects.

Method of Allocation: By formula. Prior to FY 1982 funds were authorized directly in provisions of Section 18; beginning in FY 1983 funds are authorized in Section 21(a) and (g) under Section 9(b) of the UMT Act of 1964, as amended, to be allocated through Section 18 procedures. Formula is non-urbanized area population of each state.

Matching Ratio: Operating assistance: not to exceed 50% of net cost up to an amount equal to the sum of state and local operating assistance. Capital assistance: 80% Federal, 20% state and local.

Source of Funds: General revenues.

Interstate Transfers: Introduced in the Federal-Aid Highway Act of 1973, it allows substitution of transit projects in urban areas for non-essential Interstate Highway projects.

Status: Authorized through FY 1991.

Recipients of Funds: Any eligible state or local government agency.

Eligible Expenditures: For capital projects only.

Method of Allocation: Upon application by state governor and local government agency; beginning in FY 1984, 50% of funding at the discretion of the Secretary of Transportation, 50% in accordance with cost estimates approved by Congress. Specific areas may have amounts earmarked during the Congressional legislative process.

Matching Ratio: From FY 1973 through FY 1978, 80% Federal, 20% state and local; after FY 1978, 85% Federal, 15% state and local.

Source of Funds: General revenues.

SOURCE: Transit Fact Book, 1987. Washington DC: American Public Transit Association.

Appendix C

**Operating and Capital Funding
for the State of Iowa,
Transit Programs FY 1987**

STATE TOTALS			TYPE OF WORK	STATE TRANSIT ASST		US DOT				LOCAL/USER				TOTAL	
RIDERSHIP	MILEAGE	PROJECTS		FORMULA	SPEC PROJ	SEC 3	SEC 9	SEC 9A	SEC 16b2	SEC 18	FAREBOX	CONTRACTS	TAX SUP		OTHER
OPERATING															
24,073,986	19,504,643		OP	1,994,400	242,128	0	4,042,726	0	0	819,895	7,258,836	3,373,567	11,163,159	2,259,722	31,154,433
CAPITAL															
NA	NA		CAP	5,600	26,070	926,470	1,328,296	0	516,906	711,575	0	4,375	1,080,810	56,232	4,656,334
TOTAL PROGRAM OF PROJECTS				2,000,000	399,049	926,470	5,371,022	0	516,906	1,531,470	7,258,836	3,377,942	12,243,969	2,315,954	35,941,618



SYSTEM: DES MOINES			TYPE OF WORK	STATE TRANSIT ASST		US DOT					LOCAL/USER			TOTAL	
RIDERSHIP	MILEAGE	PROJECTS		FORMULA	SPEC PROJ	SEC 3	SEC 9	SEC 9A	SEC 16b2	SEC 18	FAREBOX	CONTRACTS	TAX SUP		OTHER
4,228,000	2,232,000	GENERAL OPERATION/MAINTEN- ANCE/ADMINISTRATION	OP	131,248			1,150,000				2,150,000		2,242,942	690,955	6,365,145
368,000	593,000	GENERAL PARATRANSIT	OP	24,000											24,000
		EMPLOYER SUPPORT PROGRAM EXPANSION MARKETING (HOLD)	OP		5,000								15,000		20,000
		TROLLEY MARKETING	OP		2,400		9,600								12,000
		UPDATE SYSTEM ROUTE MAP	OP		3,000		12,000								15,000
		EMPLOYEE VIDEO TRAINING PROGRAM	OP		9,000								9,000		18,000
		ESTABLISH SAFETY AND LOSS PREVENTION PROGRAM	OP		20,500								20,500		41,000
		PURCHASE COMPUTER AND SOFTWARE	CAP				12,480						3,120		15,600
		BUILDING RENOVATION AND EQUIPMENT	CAP				15,600						2,900		18,500
		PURCHASE 10 FAREBOXES	CAP				32,000						8,000		40,000
		PURCHASE 1 WHEELCHAIR	CAP				320						80		400
		PURCHASE BUS STOP SIGNS	CAP				12,800						3,200		16,000
4,596,000	2,825,000			155,248	39,900	0	1,244,800	0	0	0	2,150,000	0	2,304,742	690,955	6,585,645

Appendix D

**Urban Mass Transportation Administration,
FY 1987 Congressional Allocations**

**URBAN MASS TRANSPORTATION ADMINISTRATION,
FY 1988 CONGRESSIONAL ALLOCATION**

	FY 1988 Allocation
Administration.....	\$ 31,882,000
Research	\$ 12,217,000
Interstate transfer -- Transit.....	\$ 123,500,000
Washington METRO.....	\$ 180,500,000
Formula grants (General Revenue).....	\$ 1,736,453,000
Operating Assistance	(804,692,000)
Capital Grants	(862,372,000)
Non-urban Grants (Section 18) (RTAP)	(64,639,000) (4,750,000)
Discretionary grants (Trust fund)	
Obligational Limitation.....	\$ 1,130,500,000
Bus	(145,500,000)
Rail Modernization	(427,000,000)
New Systems	(407,750,000)
Planning (Section 8)	(45,000,000)
Elderly and Handicapped	(35,000,000)
Section 9B Urban Formula Grants	(65,250,000)
University Centers	(5,000,000)
TOTAL.....	\$ 3,215,052,000

Source: U.S. Department of Transportation

Appendix E

**Estimated Total Operating Budget for
Urban Transportation, FY 1986**

ESTIMATED TOTAL OPERATING BUDGET FOR URBAN PUBLIC TRANSPORTATION, FY 1986

*

STATE	Total Estimated Operating Costs (\$1000s)	Farebox & Other Operating Revenue (\$1000s)	%	Federal Aid (\$1000s)	%	State Aid (\$1000s)	%	Local Aid (\$1000s)	%
Alabama	\$ 16,951	\$ 3,495	21	\$ 6,665	39	\$ 0	0	\$ 6,790	40
Alaska	11,235	1,965	18	1,032	9	0	0	8,237	73
Arizona	-	-	-	-	-	-	-	-	-
Arkansas	4,862	1,458	30	1,312	27	46	1	2,046	42
California	1,622,236	497,362	31	124,912	8	551,491	34	448,471	28
Colorado	75,703	0	0	0	0	0	0	0	0*
Connecticut	149,000	71,000	48	11,200	8	66,200	44	5	3
Delaware	9,533	3,459	36	3,006	32	3,068	32	0	0
D.C.	194,469	98,282	51	7,805	4	0	0	88,382	45
Florida	189,800	94,900	50	34,200	18	0	0	60,700	32
Georgia	136,131	47,704	35	9,377	7	0	0	79,051	58
Hawaii	-	-	-	-	-	-	-	-	-
Idaho	2,202	597	27	701	32	0	0	905	41
Illinois	994,700	486,200	46	73,700	7	122,800	12	371,100	35
Indiana	66,061	21,902	33	18,135	27	10,852	17	15,172	23
Iowa	20,638	5,985	29	4,502	22	651	3	9,500	46
Kansas	5,491	1,812	33	1,812	33	0	0	1,867	34
Kentucky	36,240	10,886	38	21,406	59	0	0	3,948	11
Louisiana	84,000	39,000	46	11,700	14	6,984	8	26,316	31
Maryland	557,353	275,179	49	31,378	5	87,708	15	163,365	30
Massachusetts	488,669	129,653	26	31,138	6	223,000	47	104,878	21
Maine	1,808	768	43	904	50	136	8	0	0
Michigan	209,450	52,536	25	29,732	14	65,341	31	61,841	30
Minnesota	125,550	38,364	31	10,300	8	20,958	17	55,878	44
Mississippi	4,120	987	24	1,530	37	0	0	1,603	39
Missouri	126,793	32,966	26	21,555	17	0	0	72,272	57
Montana	4,099	625	15	1,171	29	62	1	2,242	55
Nebraska	16,734	5,614	34	2,813	17	528	3	7,780	46
Nevada	9,807	5,580	57	682	7	0	0	3,757	38
New Hampshire	4,301	924	21	1,549	36	0	0	1,828	43
New Jersey	499,600	295,300	59	44,300	9	160,000	32	0	0
New Mexico	9,000	2,200	25	2,300	25	0	0	4,500	50
New York	4,057,200	2,034,500	50	144,900	4	904,900	22	972,900	24
North Carolina	32,889	13,813	42	7,392	23	0	0	11,684	36
North Dakota	1,693	480	28	491	35	0	0	622	37

ESTIMATED TOTAL OPERATING BUDGET FOR URBAN PUBLIC TRANSPORTATION, FY 1986
(continued)

STATE	Total Estimated Operating Costs (\$1000s)	Farebox & Other Operating Revenue (\$1000s)	%	Federal Aid (\$1000s)	%	State Aid (\$1000s)	%	Local Aid (\$1000s)	%
Ohio	267,946	81,033	30	35,225	13	17,612	7	134,106	50
Oklahoma	15,462	4,253	27	5,369	35	87	1	5,753	37
Oregon	71,100	19,700	28	5,000	7	3,400	5	43,000	60
Pennsylvania	673,000	392,000	58	58,000	9	174,500	26	65,000	10
Puerto Rico	30,794	8,491	28	8,800	29	13,503	44	0	0
Rhode Island	23,539	9,664	41	6,118	26	7,757	33	0	0
South Carolina	16,369	3,630	22	4,806	29	553	3	927	
South Dakota	1,422	245	17	456	32	0	0	721	51
Tennessee	41,439	18,222	44	9,522	23	771	2	12,924	31
Texas	247,300	115,400	47	19,500	8	0	0	112,400	45
Utah	26,000	5,200	20	3,900	15	0	0	16,900	65
Vermont	2,428	746	31	845	35	0	0	837	35
Virginia	159,640	75,162	47	14,602	9	22,292	14	47,584	30
Washington	182,725	35,554	20	12,978	7	44,399	24	89,794	49
West Virginia	10,643	3,398	32	2,937	28	0	0	4,309	40
Wisconsin	109,680	42,308	38	13,067	12	41,130	38	13,175	12
Wyoming	-	-	-	-	-	-	-	-	-

Source: 1986 Survey of State Involvement in Public Transportation. 1986.
Washington DC: American Association of State Highway and Transportation Officials.

* 1986 AASHTO Survey figures on transit expenditures are at variance with CSG survey figures found on Table 1 of Appendix J. This is because of differences in collection standards. For instance, the ASSHTO survey calculates Colorado as a "0" aid state. The Council of State Governments calculates a state administered regional sales tax as indirect state aid in Colorado. States should be checked individually.

Appendix F

**Possible Sources of Revenue for
Public Transportation**

POSSIBLE SOURCES OF REVENUE FOR PUBLIC TRANSPORTATION

Revenues Specific to Transit

Fares	This includes general patronage fares, discount fares, passes, peak-hours surcharges, and other fees levied directly upon the individual passenger taking the trip.
Specific Service Contracts	Contracts to provide targeted transit support to special constituencies such as school children, health and welfare clients, and others.
Charter Services	Trip-specific transit services to groups. Generally not allowed with equipment purchased in part using Federal money.
Non-fare Enterprise Revenues	Includes advertising in transit properties, leasing of air rights, and the like. Increased advertising revenues have been targeted for special treatment by recent Federal legislation, and may now be bondable if properly dedicated.
Land Banking	<p>Involves the process of purchasing land and holdings in anticipation of future use. Substantial cost savings possible if the land is purchased or optioned before major peripheral development; if land is purchased as it comes on the market, rather than being taken by eminent domain; or if land values are generally escalating.</p> <p>Some "cost of money" recovery may then come from leasing. Large capital outlays are required, and some states may prohibit use or place a time restriction on the banking. This may be important for corridor or station development.</p>

User Fees with Transit Applicability

Vehicle Fees	A variety of fees and taxes imposed by most states on vehicle owners as part of the vehicle registration process. Can include a graduated tax on vehicle weight or wheels, or on miles traveled. Usually considered a charge for access to system and not based on use of system. Provides stable source of revenue. May be used to cross-subsidize transit.
Fuel Taxes	Levied by all states on fuel sales. Some local governments are authorized to impose motor fuel taxes and share in state fuel tax revenues. Are easily administered and produce substantial revenues. The so-called "Federal transit penny" is a fuel tax.

Parking Taxes	Imposed by local governments on vehicle drivers or operators. Can yield significant revenue in large urban areas. Two-fold purpose may be to generate transit subsidy, as well as to make transit economically competitive.
Tolls	Fees charged to users of a facility. Generally based on size, weight, number of axles, and distance traveled. Can produce high amounts of revenue. Can be used to cross-subsidize transit in addition to supporting the actual facility. Example: Delaware.

Non-user General Taxes which can be applied to transit

Property Taxes	Levied on both real and personal property. May be imposed by states, local governments, or transportation authorities, although some states have rate limitations depending on state statutory structures. Revenues may be sensitive to changes in property values. Often politically sensitive.
Income Taxes	Include employer payroll taxes and employee income taxes. Can produce substantial revenue due to large base. Some states have authorized local option income taxes for a variety of purposes.
Sales Taxes	Imposed by most states and many local governments on general merchandise, specific services such as advertising or legal fees, and luxury items. Some portions may be diverted or dedicated to transportation. Easily administered and responsive to inflation.
Utility Taxes	Tax added to water, sewer fees, natural gas, or electricity, based on consumption. May be used to cross-subsidize transit. Tends to be stable as revenue source. Easily administered. Sometimes treated as franchise fee on utility.
Severance Taxes	Levied on removal of minerals and natural products from land or water. Can be imposed on resource-extracting industries. Often sensitive economically to changes in the value of the U.S. dollar relative to other international commodity suppliers, as well as sensitive to general industrial economic activity.
"Sin" Taxes	Taxes on beer, cigarettes, and the like. Alabama earmarks some of its beer tax for transit. New Jersey dedicates some casino gambling tax revenues for transit purposes.

Lottery Authorized by 29 states plus the District of Columbia, although not all have one operative as yet. Pennsylvania, as an example, earmarks some of this money for public transit.

Special Benefit Fees

Various forms of special benefit fees are the core mechanism behind the public-private coventure partnerships discussed extensively in this report. Unless created by voluntary contract, or by cities under broad home rule authority, almost all of these mechanisms probably require some form of authorizing state legislation.

Tax Increment Financing Earmarked revenues from taxes on personal and real property based on increases above a fixed base attributable to transportation improvement. Can be used to secure bonds.

Special Assessments Charges to the owners of a property that benefits from an improved transportation facility. Can be based on frontage, area, value, or a combination of factors. Can be used to support bond issues, although special legislation is usually required.

Impact Fees Imposed on private developers to mitigate impacts of the development on local service. Can be in the form of tax on square footage, sponsorship of a transportation program, or improvements to adjoining facilities. Can be used as a condition for obtaining site plan approval or building permit.

Service Charges Charge on properties for direct access to a transportation facility. May be assessed as a lump sum contribution to a capital item or an annual fee to cover operating costs.

Private Financing - Public Ownership

Developer Financing Payment of capital transportation improvement costs by private developers in return for dedicated land or air rights, or construction of specific facilities or subsidized facilities. In transit, one example might be a private complex built in conjunction with a privately financed, publicly owned transit station, possibly with joint building utilities.

May be voluntary or required by law. Many result in reduction of public expenditures but care should be taken to give equitable opportunity to all responsible developers.

Negotiated Investments Contributions by private property owners or developers to the cost of public transportation improvements in return for changes in existing zoning and building regulations, improved accessibility and customer acceptance (i.e. security agreements), or other perceived benefits. Similar to developer financing. May be the voluntary project of a downtown business organization or similar group.

Private Donations Land or capital contributions by businesses and private donations for improvements that have strong private interest. Donors benefit from tax deductions and access.

Private Financing - Private Ownership

Private Ownership Includes sharing ownership cost between transportation agencies and private entrepreneurs, employer subsidies for transportation, or development of a private consortium with authority to finance, construct, and charge fees to provide transportation. Need not be monolithic within a community.

May include a variety of transit options addressing market niches not well suited to conventional public transit. Public policy can promote private taxis, commuter vans, charter commuter buses, and so on to be complementary transit providers, relieving government of potential financial obligation.

Leasing or Selling Rights Involves the sale or lease of undeveloped land, subsurface rights, or air rights surrounding a public facility. Can generate site-specific revenue and can provide a steady, long-term cash flow.

Leasing or Selling Existing Facilities Can be a potential revenue source or may be an opportunity for cost avoidance, although it may require capital outlays and sophisticated real estate and development skills. Amount of revenue is affected by availability and condition of facilities, as well as by characteristics of local real estate market. May require approval if facilities are funded by Federal or state sources.

Public Financing - Private Ownership

Contracting Services Involves contracting out work, management, or both to reduce costs or meet peak requirements. Allows greater flexibility in adjusting program size. May allow for the retention of specialized management teams which might otherwise be unavailable, as in Dallas.

Debt Financing

Bonds	Appropriate for high front-end capital expenses where a tax or fee can be pledged for debt service. Good source for obtaining large amounts of revenue quickly, although local government's authority is usually regulated by the state. Federal tax statutes, local government bond rating, type of bond (general obligation or revenue), statutory soundness, kind of revenue source, and interest rate often have a bearing on the feasibility and attractiveness of this option.
Participation Trust Certificates	Used to provide evidence of ownership to an investor who leases property back to the agency. Secured by asset and cash reserve fund. Interest to investor is tax-exempt and there is low risk. As of this writing, the tax-exempt provision which supports these certificates is under threat of possible repeal as a part of Gramm-Rudman deficit reduction efforts. Interested parties should review the current status.
Grant Anticipation Notes	Can be issued upon contract execution to provide working capital before receipt of government subsidies, grants, or reimbursements. Interest is tax-exempt, and payment is guaranteed by municipal revenues. Issuance procedures to qualify for tax exemption are under consideration for change, and may involve questions of municipal cash balances. Interested parties should review the current status.
Zero Coupon Bonds	Issued by public agencies at price below face value and at a deferred unspecified interest rate. Discounting maturity value provides competitive, tax-exempt yield.
Interest Arbitrage	No long possible as a result of the 1986 Tax Code change.
Vendor Financing	Loan provided by manufacturer for value of equipment. Often used to gain competitive bidding advantage. Does not generally require specific revenue pledge, although local agencies need authority to issue.
Private Leasing	Ownership of equipment or building by a private firm that then secures a bond and leases equipment or building to agency. Lease agreement is structured so that bond proceeds pay for most of the purchase price. No significant tax advantage is offered since the 1986 Tax Code changes.

Safe Harbor Leasing Originally authorized under the 1981 Tax Act and used extensively by New York and Los Angeles. Tightly restricted by 1986 Tax Act but still legal. May not be competitive with well-negotiated lease agreements.

Cash Enhancement Techniques

Budget Indexing Automatic adjustment and guarantee of transportation revenues to meet rising costs. Permits better long-range planning and programming and results in part of the budget being immune to inflation.

Accounting System Management Shifting from an accrual to a cash-based financial management system. Can result in a one-time source of additional revenue and generate significant interest on cash balances.

Cash Balance Management Investing short-term balances in Treasury bills and other financial instruments.

Reference: Transportation Research Board. 1985. Proceedings of the Conference on Evaluating Alternative Local Transportation Financing Techniques, TRB special Report 208, Washington DC: National Research Council. Updated and revised by CENTRANS, The Council of State Governments, 1987.

Appendix G

**Theoretical Economic Underpinnings for
Transit Subsidies**

**THEORETICAL ECONOMIC UNDERPINNINGS
FOR
TRANSIT SUBSIDIES**

Broadly defined, transit fares include patronage fares, passes, and surcharges for peak-hour use. As a rule, fares cannot be raised high enough to cover the true cost of a ride on the system; this appendix tries to explain why.

In normal circumstances the supply and demand curves cross at an equilibrium point that represents the balance between the product's price and number of consumers who can to pay that amount: an increase in price will increase the per unit profit but it will force some consumers out of the marketplace, while a decrease will make the item available to more consumers though it may not make it more profitable for the manufacturer because the per unit profit drops.

On occasion, though, the supply and demand curves fail to control the marketplace, which is what economists call "market failure." Typically this happens in industries with declining marginal costs (natural monopolies), combined with high fixed costs for capital and operations and low marginal costs (the incremental costs of including just one more passenger).

This is what takes place with fares in transit. Increasing the amount passengers are asked to pay to use transit causes some to decide the system is too expensive to use (particularly when convenience factors are added to the equation), resulting in a net loss of revenue from what started as a fare increase.

If followed to its illogical extreme, where fares are increased infinitely in an attempt to recover all the system's average per passenger cost, the last paying customer would have a fare equal to all the average costs. Fed up, at that point he, too, would leave the system. In other words, the end result would be the inevitable economic ruin of the transit system.

Hence the government's intervention to subsidize transit and check this market failure. Unlike a new Cadillac, which would cost greater society nothing if a small Ford were put in its place for basic transportation, society would pay a variety of increased costs if more auto transit were substituted for mass transit. Economists call these costs negative externalities, and in terms of transit include, but are certainly not limited to:

- * the health costs of additional air pollution, and the increased stresses of a long, congested commute;
- * the toll in time and money that motorists would have to pay when spending more time behind the wheel, and in more congested surroundings;

- * the price of building and maintaining more highways, particularly in areas where land is already at a premium -- which coincidentally happen to be where additional roadways would be most desperately needed;
- * the defense and security loss from increased dependence on fossil energy and an over-full interstate highway system;
- * the cost in welfare and productivity because people can't get to a job, or can't get to the highest and best job for them which is also within a reasonable commute of their residences;
- * the loss resulting when the non-driving elderly, lacking the means to get to stores and appointments, are forced out of their own homes and into nursing homes a few years earlier; and
- * Many others along similar lines.

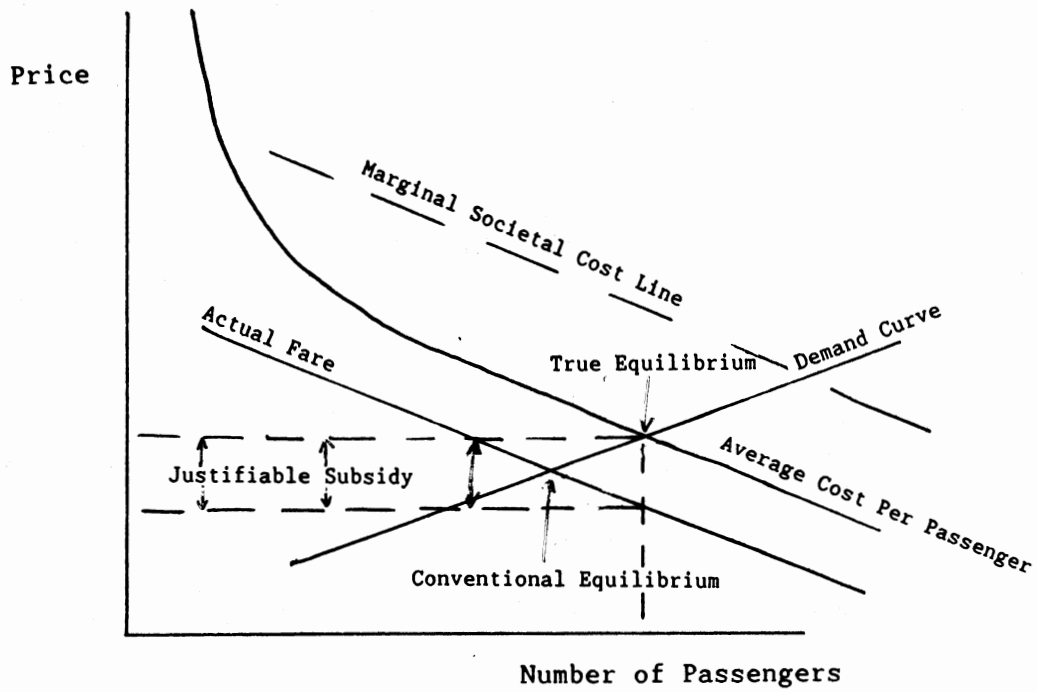
Rather than the question of how much it costs to add another rider to the system, the question now becomes how much does it cost society not to have one more person using mass transit. At any one point, then the true fare line to purchase another rider would be the sum of the actual fare at that point, plus the marginal societal cost at that point.

Supply and demand would be in true equilibrium where the supply line (number of passenger trips) crossed not the Actual Fare line, but rather the point representing the sum of Actual Fare and Marginal Societal Cost (total price). See the Figure below.

If the Average Cost per Passenger line crosses the Demand Curve anywhere between the point of true equilibrium and the point of conventional equilibrium, then the difference between the average cost and the actual fare at that point is the theoretical justifiable level of subsidy.

Obviously there are very real differences of opinion in how to evaluate society's costs through the political economy, making the "correct" level of subsidy subject to much debate.

Figure: Theoretically Justifiable Subsidy



Source: The Council of State Governments, 1987

Appendix H

Task Force Committee Deliberations

Task Force Committee Deliberations

The project Task Force committee met twice in 1987 to discuss how mass transit financing can be optimized -- that is, what states can do to make the funding process work best for them.

After deliberation, the Task Force deliberately decided to make no specific recommendations on taxes and revenue sources because each state and location is different. It was decided to present the collage of data and revenue options, so that policymakers could pick and choose as appropriate to their situations.

An interesting common concern evolved from the discussions, however, which while not a final recommendation is nonetheless food for thought for policymakers. That is, that a variety of policy and management elements must accompany revenue enhancement activities. The relationship between these elements and revenue enhancement is symbiotic and based on the premise that the only successful way to get additional needed revenues, is to build the case -- either through press agency or actual occurrence -- that the public is getting its money's worth.

The preference is, of course, for actual productivity and efficiency to stand on their own. Thus these comments on the elements which can lead to success in enhancing revenue for public transit.

Leadership

The leadership in any organization sets it going in a direction and ensures that it continues along those lines. Moreover, since trends and issues within and outside the organization often affect the way the organization functions, leaders must also be in a position where they can remain aware of changing circumstances that might require the organization to go a different way.

- * The logical people to provide leadership for mass transit are state and local elected officials, who can see the "big picture" and see where a particular system might work to benefit their constituents. City or state legislators can greatly assist a system in getting off the ground or in its day-to-day functioning, or they can stand in the way and make operations difficult, to say the least.

- * Another group of leaders comes from the private sector -- people who are already running transit systems, perhaps, or interested businessmen. They can offer a degree of expertise from which transit can benefit.

- * Leaders from both public and private sectors can establish transit committees with a view to developing short-term strategies and long-term programs which will meet the mobility needs of the individuals in their charge. These needs should be integrated into an overall community development plan.

Improving Management

The day-to-day running of a transit system often takes a different set of skills than that of providing overall leadership. And while many managers learn from the ground up, so to speak, most can benefit from some formal training designed to improve their management skills. And if the managers benefit, so does the system they're managing.

- * Not all managers are experienced, at least not in running a mass transit system. And not all experienced managers are as good at managing as they might be. A certain amount of basic management training is often a good idea.
- * If the transit system hires experienced managers who can work well with businesses and consumers, its public image can't help but improve. Public image is something that is critical in all communities.
- * Cost-benefit analyses, both macro and micro. Macroanalysis quantifies the role of public transit as part of the community's overall social and economic development and is invaluable in that it draws a clear picture of just how the community is or will benefit from a system or improvement that may otherwise be hard to understand. Model information can be packaged to promote systems in general, as well as to improve overall awareness by public officials, the media, and the general public.

Microanalysis, on the other hand, uses the cost-benefit formula for route selection, normalized bus replacement policies, and the like. It provides a readily accepted way to justify decisions -- internally, to the press, and to the general public.
- * Long-term financial management is becoming an increasingly critical area, and should be continually upgraded.

Organizational

How is the transit organization set up? How does it fit in with other organizations having similar goals? With increasingly tight budget conditions it becomes even more important that every dollar spent does a full dollar's worth of work -- or more. Waste caused by duplicated or unnecessary services will not be tolerated; nor can systems afford a public perception that the community's needs are being ignored.

- * State-level coordination of public transit, using representatives of all agencies that are involved in administering or funding transit services, is vital in the optimization process. Recognizing this, many states have put such a system in place.
- * A centralized state Transit Department as a part of a state DOT or other agency is one approach, though not all states are organized in this fashion. This group would provide technical, administrative, and financial assistance to transportation associations as they try to inform the public and public officials about transit needs, issues, and resources.
- * Regional Transit Districts with multi-county jurisdictions is another. For best effect they should also emphasize coordination -- of administrative costs, vehicle purchasing and maintenance, and functions in general.
- * At all levels -- local, regional, state -- transit decision-making should interface with other people making transportation decisions, such as those involved with highways and regulation structures. This makes it possible to make policy trade-offs between systems clearly and at the lowest possible level.
- * Objective analysis of private sector options should be encouraged. Private providers may have much to contribute to an overall, balanced public transit economy, and often from a unique perspective unsuspected by public sector policymakers.

Training and Assistance

Managers aren't the only ones who need training, of course, and even fully trained managers sometimes need to go outside their organizations for help. Ideally a state should be able to provide some form of on-call assistance for those times when it's needed, although the particular types of aid offered will depend on what kinds of mass transit the state has and what assistance is likely to be required.

- * The state might be able to increase the technical assistance which it can make available to provider systems managers. It may also supplement or coordinate technical assistance from Federal sources.
- * Even if a state cannot provide direct assistance, it might be able to send information packages to local systems managers. These might deal with licensing, certification, regulatory reporting, networking, motor vehicle requirements, insurance, or unit costs. They might also provide important state, regional, or national contacts and resources.
- * The state might serve as an information exchange among the various public and private groups that deal with activities, funding levels, policies and regulations, and planning for public transit services.
- * A state which want to provide maximum support might develop technical assistance networks and sponsor an ongoing series of technical assistance workshops. These could draw upon the resources of such organizations as the USDOT Technology Sharing Program, AASHTO, The Transportation Research Board, The American Public Transit Association, The Council of State Governments, The National Conference of State Legislators, and the like.

Funding

Money seems to be a problem almost everywhere in government, and certainly mass transit is part of the trend. Yet for decades mass transit has relied on the Federal government to pay the lion's share of capital improvements, as well as picking up some operating expenses.

It seems apparent that the states and/or their local governments are going to have to pick up much more of the tab than they are accustomed to. The Task Force looked at possible ways around the dollar crunch.

- * In light of diminishing Federal support for capital improvements and operations, state and local officials should explore all funding options. This report presents a wide variety.
- * Where possible, states may consider maintaining or increasing existing funding levels and financial commitments to public transit.
- * Sometimes it helps to diversify the revenue sources which fund public transit.

- * Along the same lines, establishing earmarked sources of funding in the form of dedicated taxes may be a partial solution. The critical component here is that, as with highways, dedicated taxes can permit the long-term planning which is necessary from the standpoint of quality transit management.

- * States that increase their assistance to transit should consider, as part of that aid, that the receiving systems or governmental entities maintain the effort they have been putting in. In fact, unless fares and local taxes are excessively high and the purpose of state aid is to lower fares or taxes, local efforts should never be allowed to diminish except at the cost of some state money. Minimum local effort structures may have to be reviewed.

Appendix I

Survey:
State Financing of Mass Transit

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. For clarification on any survey item, please contact Dinker Patel or Bob Krause at The Council of State Governments 606/252-2291.

Survey Sent to _____
Address _____

Telephone # (____) _____

Person Completing Survey
(If different from above) _____

Address _____

Telephone # (____) _____

Please return the survey to: The Center for Transportation
Council of State Governments
Iron Works Pike, P.O. Box 11910
Lexington, KY 40578

PART I: CURRENT LEVEL OF STATE SUPPORT FOR TRANSIT

1. WHAT IS YOUR STATE'S LEVEL OF SUPPORT FOR MASS TRANSIT?

WHAT IS YOUR STATE'S LEVEL OF SUPPORT FOR MASS TRANSIT?

CAPITAL ASSISTANCE IN FY 1987

OPERATING ASSISTANCE IN FY 1987

AMOUNT \$ _____

AMOUNT \$ _____

Contributing Sources:

Dedicated for Mass Transit?

Yes No

_____ % Sales Tax	_____	_____
_____ % Income Tax	_____	_____
_____ % Fuel Tax	_____	_____
_____ % Corporate Tax	_____	_____
_____ % Payroll Tax	_____	_____
_____ % Lottery	_____	_____
_____ % General Obligation Bonds	_____	_____
_____ % Revenue Bonds	_____	_____
_____ % Tolls	_____	_____
_____ % Fees (parking, registration, license, etc.)	_____	_____
-----% Other (Please Describe)	_____	_____

Contributing Sources:

Dedicated for Mass Transit

Yes No

_____ % Sales Tax	_____	_____
_____ % Income Tax	_____	_____
_____ % Fuel Tax	_____	_____
_____ % Corporate Tax	_____	_____
_____ % Payroll Tax	_____	_____
_____ % Lottery	_____	_____
_____ % General Obligation Bonds	_____	_____
_____ % Revenue Bonds	_____	_____
_____ % Tolls	_____	_____
_____ % Fees (parking, registration, license, etc.)	_____	_____
-----% Other (Please Describe)	_____	_____

2. Does your state permit local government taxing authority, other than the local property tax? (If no, skip to Question 10.)

_____ Yes _____ No

3. Please mark (x) 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)

4a. If there is a ceiling on the local taxing authority, please note the percent of the ceiling on each tax.

4b. Who sets the ceiling?
Please mark (x).

<u>Local Tax</u>	<u>Percent Ceiling</u>	<u>Who sets the ceiling?</u>
Sales Tax	_____ %	<input type="checkbox"/> Set by the State Constitution
Income tax	_____ %	<input type="checkbox"/> Set by state statute
Payroll tax	_____ %	<input type="checkbox"/> Set by local referendum
Corporate tax	_____ %	<input type="checkbox"/> Other (please specify)
Other	_____ %	_____

5a. How many local governments or transit jurisdictions in your state were eligible to levy local taxes (other than the property tax) in Fiscal Year 1987?

5b. How many local governments or transit jurisdictions in your state took advantage of the local taxing authority (other than the property tax) in Fiscal Year 1987?

5c. How many local governments or transit jurisdictions in your state used a portion of the local taxes levied (other than the property tax) to provide transit service?

6a. Does your state play a role in the administration of the local taxes?

Yes No

6b. If you answered Yes to 6a, please note the nature of the state role (i.e. collection, allocation, etc.):

6c. If you answered No to 6a, are there any plans to involve the state more directly in the administration of the local taxes? Please describe any such pending plans:

6d. Would expansion of the state role in the administration of local taxes in your state require statutory authority? Yes No

7a. Does your state allow local/regional transit authorities independent revenue raising authority? Yes No

7b. If you answered Yes, please detail:

8. Does your state allow for the formation of special districts? (If no, skip to Question 13.) Yes No

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

- | | |
|---|--|
| <input type="checkbox"/> State legislation | <input type="checkbox"/> Petition |
| <input type="checkbox"/> State executive order | <input type="checkbox"/> Public referendum |
| <input type="checkbox"/> Public hearing | <input type="checkbox"/> Court action |
| <input type="checkbox"/> Other (please specify) | |

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

11a. How many special transit districts presently exist in your state? # _____

11b. Please identify each existing special transit district and the revenue source(s) employed.

Special Transit District

Revenue Source(s)

12. 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:

13a. Does your state have a technical assistance program promoting public-private cooperative activities in mass transit?

_____ Yes

_____ No

13b. If you answered Yes to 13a, please explain.

14. Public perception of existing public transit systems is crucial to public support for increased revenues. Please check (x) the importance of the following items to the favorable public perception of a local transit system.

	<u>High</u> <u>Importance</u>	<u>Medium</u> <u>Importance</u>	<u>Low</u> <u>Importance</u>
Fare Levels	_____	_____	_____
Frequency of Service	_____	_____	_____
Reliability of Service	_____	_____	_____
Quality and cleanliness of buses, railcars, and stations	_____	_____	_____
Employee Attitude	_____	_____	_____
Marketing	_____	_____	_____
Safety	_____	_____	_____
Quality of Management	_____	_____	_____
Convenience of Service	_____	_____	_____
Other _____	_____	_____	_____

15. 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

16. In response to the transit revenue-cost gap, please mark (x) 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.)
 Cutbacks in new capitals (i.e., buses)
 Cutbacks in maintenance
 Cutbacks in marketing
 Cutbacks in management services offered to local transit systems
 Other _____

17. In response to the transit revenue-cost gap, please mark (x) 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
 Non-fare enterprise revenue (i.e. advertising, charter service, brokerage fees, franchise fees)
 Other _____

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

Increase utilization of part-time transit labor
 Renegotiate transit labor contracts
 Reduce total working hours
 Reduce employee benefits
 Other _____

19. 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.

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

_____ Yes

_____ No

Suggested Changes, if any:

21. A number of transit revenue sources are listed in the left-hand column below. From your perspective, please mark (x) 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 (x) the No Opinion column.

<u>Revenue Source</u>	<u>Nature of Problem</u>					
	Legis- lative	Adminis- trative	Legal	Public Support	No Problems	No Opinion
General Fund.	_____	_____	_____	_____	_____	_____
Lottery	_____	_____	_____	_____	_____	_____
General Obligation Bonds	_____	_____	_____	_____	_____	_____
Revenue Bonds	_____	_____	_____	_____	_____	_____
Tolls	_____	_____	_____	_____	_____	_____
Fees (parking, regis- tration, license, etc.)	_____	_____	_____	_____	_____	_____
Non-fare enterprise revenues (i.e., advertising, charter, brokerage fees, etc.)	_____	_____	_____	_____	_____	_____
Dedicated Taxes						
Sales taxes . . .	_____	_____	_____	_____	_____	_____
Income taxes . .	_____	_____	_____	_____	_____	_____
Fuel taxes . . .	_____	_____	_____	_____	_____	_____
Corporate taxes .	_____	_____	_____	_____	_____	_____
Payroll taxes . .	_____	_____	_____	_____	_____	_____
Property taxes .	_____	_____	_____	_____	_____	_____
"Sin" taxes (beer, cigarettes, etc.)	_____	_____	_____	_____	_____	_____
Other (specify)	_____	_____	_____	_____	_____	_____

23. 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 (x) them as Most Acceptable, Moderately Acceptable, or Least Acceptable to the voter, in your opinion.

Revenue Source	Voter Acceptability		
	Most Acceptable	Moderately Acceptable	Least Acceptable
Fares	_____	_____	_____
General Fund.	_____	_____	_____
Lottery	_____	_____	_____
General Obligation Bonds	_____	_____	_____
Revenue Bonds	_____	_____	_____
Tolls	_____	_____	_____
Fees (parking, registration, license, etc.)	_____	_____	_____
Non-fare Enterprise Revenues			
Dedicated Taxes			
Sales taxes	_____	_____	_____
Income taxes.	_____	_____	_____
Fuel taxes.	_____	_____	_____
Corporate taxes	_____	_____	_____
Payroll taxes	_____	_____	_____
Property tax	_____	_____	_____
"Sin" taxes (beer, cigarette, etc.)	_____	_____	_____
Other (specify)	_____	_____	_____

24. Below is a listing of transit revenue sources. Please mark (x) 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, regis- tration, license, etc.)	_____	_____
Non-fare Exterprise Revenues	_____	_____
Dedicated Taxes		
Sales taxes	_____	_____
Income taxes.	_____	_____
Fuel taxes.	_____	_____
Corporate taxes	_____	_____
Payroll taxes	_____	_____
Property tax	_____	_____
"Sin" taxes (beer, cigarettes, etc.)	_____	_____
Other (specify)	_____	_____
_____	_____	_____

The attached description of Mass Transit appeared in the 1984 study "State Options for Transit Financing." If you will update or send a revised version of the status of Mass Transit in your state, we will be happy to include it in our 1987 publication. (Please Note: Appropriate credit will be given to the person(s) completing the survey for their state.

BIBLIOGRAPHY - Mass Transit Studies

Please attach a list of all mass transit studies available for your state since 1980.

Appendix J

Results of the Council of State Governments Survey

Table 1

**STATE ALLOCATIONS FOR TRANSIT:
HOW THE STATES COMPARE**

	Total State Portion of Cap- ital and Oper- ating Expenses (dollars) ^A	Per Capita Transit Expenditure* (dollars)	Ridership (Unlinked Passenger Trips) [†]	Per Rider Transit Expenditure [†] (dollars) [†]	Passenger Miles [†]	Per Mile Transit Expenditure [†] (dollars) [†]
Alabama	350,000	0.08	5,820,792	0.06	19,473,021	0.02
Alaska	0	0.00	3,378,854	0.00	17,590,041	0.00
Arizona	19,000,000	5.76	28,504,018	0.67	115,870,540	0.16
Arkansas	300,000	0.13	3,138,659	0.10	14,671,612	0.02
California	691,611,382	25.62	1,095,637,300	0.63	4,817,429,199	0.14
Colorado	92,595,000	28.06	57,043,450	1.62	226,633,895	0.41
Connecticut	120,103,703	37.53	41,751,067	2.88	149,766,143	0.80
Delaware	6,528,800	10.88	5,443,628	1.20	23,690,180	0.28
Florida	9,900,000	0.85	136,126,921	0.07	619,140,751	0.02
Georgia	156,593,596	25.67	155,533,949	1.01	564,905,627	0.28
Hawaii	0	0.00	75,561,342	0.00	349,155,231	0.00
Idaho	0	0.00	1,113,718	0.00	3,426,401	0.00
Illinois	170,100,000	14.66	761,717,323	0.22	3,537,819,429	0.05
Indiana	13,032,334	2.37	28,925,546	0.45	164,556,164	0.08
Iowa	2,399,049	0.83	9,051,711	0.27	30,773,349	0.08
Kansas	0	0.00	3,684,644	0.00	16,376,679	0.00
Kentucky	774,100	0.21	32,647,139	0.02	115,043,371	0.01
Louisiana	0	0.00	86,869,124	0.00	231,183,465	0.00
Maine [#]	1,800,000	1.50	473,255	3.80	1,664,985	1.08
Maryland	54,670,000	12.15	125,017,531	0.44	392,716,539	0.14
Massachusetts	320,826,617	55.31	308,236,591	1.04	1,048,862,198	0.31

^A See Tables 2 and 3.

*Calculated by dividing Total Expenses by State Population (taken from USA Statistics in Brief: A Statistical Abstract Supplement).

[†] Source: American Public Transit Association, 1987, unpublished data collected in compliance with UMTA Section 15 rules for FY/CY 1987.

[#] Much ridership and mileage data missing; includes some unreported data

NOTE that trips and miles are credited to the state in which the transit organization is headquartered, and may be somewhat misleading when a large metropolitan area encompasses portions of two or more states. Figures also do not include private companies and those which are not required to report.

Table 1

**STATE ALLOCATIONS FOR TRANSIT:
HOW THE STATES COMPARE**
(continued)

	Total State Portion of Cap- ital and Oper- ating Expenses (dollars) ^Δ	Per Capita Transit Expenditure* (dollars)	Ridership (Unlinked Passenger Trips) [†]	Per Rider Transit Expenditure (dollars) [†]	Passenger Miles [†]	Per Mile Transit Expenditure (dollars) [†]
Michigan	98,353,700	10.81	105,160,653	0.94	435,698,504	0.23
Minnesota	24,632,500	5.86	78,845,488	0.31	322,281,652	0.08
Mississippi	0	0.00	1,641,957	0.00	6,995,479	0.00
Missouri	0	0.00	75,064,815	0.00	258,810,285	0.00
Montana	69,825	0.09	462,626	0.15	1,449,857	0.05
Nebraska	1,400,000	0.88	10,269,237	0.14	37,400,997	0.04
Nevada	0	0.00	4,706,312	0.00	2,109,161	0.00
New Hampshire	0	0.00	167,602	0.00	415,132	0.00
New Jersey	299,900,000	39.46	251,215,230	1.19	3,745,109,379	0.08
New Mexico	0	0.00	4,025,837	0.00	18,560,916	0.00
New York	993,000,000	55.79	2,713,931,694	0.37	12,634,049,193	0.08
North Carolina	1,036,156	0.16	14,017,022	0.07	42,942,682	0.02
North Dakota	0	0.00	1,484,865	0.00	2,463,470	0.00
Ohio	30,713,960	2.84	168,978,894	0.18	694,424,876	0.04
Oklahoma	900,000	0.27	6,855,239	0.13	36,056,646	0.02
Oregon	9,270,000	3.43	56,479,820	0.16	197,664,728	0.05
Pennsylvania	227,500,000	19.12	468,757,191	0.49	1,815,342,596	0.13
Rhode Island	8,985,500	8.99	54,342,048	0.17	146,171,580	0.06
South Carolina	1,081,343	0.32	1,823,964	0.59	11,819,269	0.09
South Dakota	0	0.00	670,092	0.00	1,966,631	0.00
Tennessee	7,600,000	1.58	30,013,991	0.25	134,111,691	0.06

^Δ See Tables 2 and 3

*Calculated by dividing Total Expenses by State Population (taken from USA Statistics in Brief: A Statistical Abstract Supplement).

[†] Source: American Public Transit Association, 1987, unpublished data collected in compliance with UMTA Section 15 rules for FY/CY 1987.

} Includes some unreported data

NOTE that trips and miles are credited to the state in which the transit organization is headquartered, and may be somewhat misleading when a large metropolitan area encompasses portions of two or more states. Figures also do not include private companies and those which are not required to report.

Table 1

**STATE ALLOCATIONS FOR TRANSIT:
HOW THE STATES COMPARE**
(continued)

	Total State Portion of Cap- ital and Oper- ating Expenses (dollars) ^Δ	Per Capita Transit Expenditure* (dollars)	Ridership (Unlinked Passenger Trips) [†]	Per Rider Transit Expenditure [†] (dollars) [†]	Passenger Miles [†]	Per Mile Transit Expenditure [†] (dollars) [†]
Texas	9,775,000	0.59	194,970,967	0.05	923,761,196	0.01
Utah	23,685,000	13.93	17,079,385	1.39	85,045,005	0.28
Vermont	243,646	0.49	1,468,681	0.17	5,823,320	0.04
Virginia	53,509,101	9.23	48,318,993	1.11	149,302,211	0.36
Washington	78,000,000	17.33	125,880,260	0.62	694,874,418	0.11
West Virginia	410,000	0.22	3,426,162	0.12	17,261,143	0.02
Wisconsin	43,600,000	9.08	91,475,174	0.48	238,920,917	0.18
Wyoming [‡]	0	0.00				
Dist. of Col.	125,900,000	209.83	315,906,467	0.40	1,312,772,746	0.10
American Samoa	0	0.00				
Guam	140,000	0.11	127,925	1.09	1,094,000	0.13
N. Mariana Is.	0	0.00				
Puerto Rico	16,222,616	4.94	36,105,743	0.45	76,295,837	0.21
Virgin Islands						

^Δ See Tables 2 and 3

*Calculated by dividing Total Expenses by State Population (taken from USA Statistics in Brief: A Statistical Abstract Supplement).

[†]Source: American Public Transit Association, 1987, unpublished data collected in compliance with UMTA Section 15 rules for FY/CY 1987.

[‡]Is not required to file Section 15 reports

NOTE that trips and miles are credited to the state in which the transit organization is headquartered, and may be somewhat misleading when a large metropolitan area encompasses portions of two or more states. Figures also do not include private companies and those which are not required to report.

Table 2

SOURCES OF STATE CAPITAL TRANSIT SUPPORT

	Capital Assistance	Sales Tax	Income Tax	Fuel Tax	Corp. Tax	Payroll Tax	Lottery	General Oblig. Bonds	Revenue Bonds	Tolls	Fees (Park, Regis., etc.)	Other	Tax Breakdown and Comments
Alabama	350,000											X	one-time; crude oil overcharge funds
Alaska	0												
Arizona	19,000,000	XY					XY						1/2% sales; >32% lottery; operating and capital combined
Arkansas	150,000			X	X								.0004% fuel; .02% corporate
California	87,000,000	XY		XY									58% sales; 42% fuel
Colorado	0												
Connecticut	43,945,000			XY				XY			XY		.3% fuel; 99.5% bonds; .2% fees
Delaware	1,887,800			XN						XN	XN		
Florida	9,900,000			XY									
Georgia	19,420,324	XY										XY	96% sales; 4% general revenue
Hawaii	0												
Idaho	0												
Illinois	54,725,000							XY				XN	4.4% sales, income, corporate; lottery; 95.6% general obligation bonds
Indiana	651,617	XY											
Iowa	31,670	X										X	one-time, Exxon overcharge fund
Kansas	0			XN									10% fuel
Kentucky	774,100											XY	100% general fund
Louisiana	0												
Maine	300,000											XN	100% general fund; \$400,000 dedicated to state ferry service
Maryland	5,170,000			XY	XY					XY	XY		34.8% fuel, 7.5% corporate, 19.3% tolls & other operating revenue, 38.4% fees — taken from Transportation Trust Fund
Massachusetts	128,322,222			XY				XY			XY		
Michigan	13,152,200	XY		XY							XY	XY	31% sales; 63% fuel; 1% fees; 5% lapsed funds and interest
Minnesota	1,100,000	X											discretionary amount payable by MnDOT from operating funds (sales tax on motor vehicles)
Mississippi	0												

X = state is using this resource

Y = resource is dedicated to mass transit
(X without qualifier = state did not indicate)

N = resource not dedicated to mass transit

Table 2

SOURCES OF STATE CAPITAL TRANSIT SUPPORT
(continued)

	Capital Assistance	Sales Tax	Income Tax	Fuel Tax	Corp. Tax	Payroll Tax	Lottery	General Oblig. Bonds	Revenue Bonds	Tolls	Fees (Park, Regis., etc.)	Other	Tax Breakdown and Comments
Missouri	0												
Montana	69,825			X									used for either capital or operating 100% general fund
Nebraska	400,000											XY	
Nevada	0												
New Hampshire	0												
New Jersey	134,900,000			XY									90% fuel; 10% casino revenue fund
New Mexico	0												
New York	101,300,000							XY					5.7% bonds; 94.3% general fund
North Carolina	1,036,156												100% general fund
North Dakota	0												100% general fund
Ohio	12,000,000												general fund
Oklahoma	0												
Oregon	3,000,000						XY						100% lottery
Pennsylvania	42,500,000	XN	XN		XN		XY	XN					20% general obligation bonds
Rhode Island	165,500							XY					
South Carolina	316,493												100% general fund
South Dakota	0												
Tennessee	3,800,000			X							X	X	fuel & motor vehicle registration fees
Texas	9,537,500	XN											
Utah	0												
Vermont	108,646				XN						XN	XN	39% fuel; 31% fees; 30% purchase and usage
Virginia	8,504,344	XY		XY							XY	XY	Commonwealth Transportation Trust Fund motor vehicle excise tax (pass-through which can be applied to either capital or operating expenses)
Washington	78,000,000											X	
West Virginia	0												

X = state is using this resource

Y = resource is dedicated to mass transit
(X without qualifier = state did not indicate)

N = resource not dedicated to mass transit

Table 2

SOURCES OF STATE CAPITAL TRANSIT SUPPORT

(continued)

	Capital Assistance	Sales Tax	Income Tax	Fuel Tax	Corp. Tax	Payroll Tax	Lottery	General Oblig. Bonds	Revenue Bonds	Tolls	Fees (Park, Regis., etc.)	Other	Tax Breakdown and Comments
Wisconsin	0												
Wyoming	0												
Dist. of Col.	33,800,000												
American Samoa	0												
Guam	0												
N. Mariana Is.	0												
Puerto Rico	157,139											XY	local income 100%
Virgin Islands													
TOTAL NUMBER OF STATES USING THIS SOURCE		10	1	14	3	0	3	6	0	2	8	17	
TOTAL NUMBER OF STATES DEDICATING THIS SOURCE		6	0	8	1	0	3	5	0	1	5	7	

X = state is using this resource

Y = resource is dedicated to mass transit
(X without qualifier = state did not indicate)

N = resource not dedicated to mass transit

Note: Blank cells mean no response or not applicable. Includes all state funds, including pass-throughs.

Source: Survey by the Council of State Governments, 1987

Table 3

SOURCES OF STATE OPERATING TRANSIT SUPPORT

	Operating Assistance	Sales Tax	Income Tax	Fuel Tax	Corp. Tax	Payroll Tax	Lottery	General Oblig. Bonds	Revenue Bonds	Tolls	Fees (Park, Regis., etc.)	Other	Tax Breakdown and Comments
Alabama	0												
Alaska	0												
Arizona	19,000,000	XY					XY						operating & capital combined
Arkansas	150,000			X	X								.0004% fuel; .02% corporate
California*	691,611,382	XY											100% sales; includes \$535,271,552 in indirect assistance
Colorado	92,595,000	XY											.6% sales pass-through in 6-county DDenver metropolitan area
Connecticut	76,158,703			XY							XY	XY	50% fuel; 37% fees; 13% other surplus from a general fund
Delaware	4,641,000			XN						XN	XN		
Florida	0												
Georgia*	137,173,272	XY											37% sales
Hawaii	0												
Idaho	0												
Illinois	115,375,000											XN	100% transfers from general fund
Indiana*	12,380,717	XY											
Iowa*	2,367,379	X										X	one-time, Exxon overcharge fund
Kansas	0			XN									10% fuel
Kentucky	0												
Louisiana	0												
Maine	1,000,000											X	100% general fund
Maryland	49,500,000			XY	XY					XY	XY		17.4% fuel, 3.75% corporate, 9.65% tolls & other operating revenues, 19.2% fees — taken from Transportation Trust Fund
Massachusetts	192,504,395			XY							XY		

X = state is using this resource

Y = resource is dedicated to mass transit

N = resource not dedicated to mass transit

(X without qualifier = state did not indicate)

Note: Blank cells mean no response or not applicable

* = Figures may include indirect state support

Source: Survey by the Council of State Governments, 1987

Table 3

SOURCES OF STATE OPERATING TRANSIT SUPPORT
(continued)

	Operating Assistance	Sales Tax	Income Tax	Fuel Tax	Corp. Tax	Payroll Tax	Lottery	General Oblig. Bonds	Revenue Bonds	Tolls	Fees (Park, Regis., etc.)	Other	Tax Breakdown and Comments
Michigan	85,201,500	XY		XY							XY	XY	31% sales; 63% fuel; 1% fees; 5% interest
Minnesota	24,632,500	XY	XN										25% motor vehicle excise tax; 75% income; includes \$1.1 million that can be used for capital assistance
Mississippi	0												
Missouri	0												
Montana	69,825			X									used for either operating or capital
Nebraska	1,000,000	XY		XY							XY	XY	25.9% sales; 51.1% fuel; 22.8% fees; .2% investment
Nevada	0												
New Hampshire	0												
New Jersey*	165,000,000											XN	10% general fund
New Mexico	0												
New York*	891,700,000	XY		XY	XY							XYN	23% sales; 6% fuel; 40% corporate; 8% telephone; 23% general fund. Includes \$181 million in indirect funds
North Carolina	0												
North Dakota	0												
Ohio	18,713,960												100% general fund
Oklahoma*	900,000											XY	one-time, oil overcharge funds, to set up self-insurance system
Oregon*	6,270,000					X	XY					XY	53% payroll; 43% cigarette; 4% general fund
Pennsylvania	185,000,000	XN	XN		XN		XY						
Rhode Island	8,820,000			XY									40% fuel
South Carolina	764,850											X	100% general fund
South Dakota	0												
Tennessee	3,800,000			X							X	X	fuel & motor vehicle registration

X = state is using this resource

Y = resource is dedicated to mass transit
(X without qualifier = state did not indicate)

N = resource not dedicated to mass transit

Note: Blank cells mean no response or not applicable

* = Figures may include indirect state support

Source: Survey by the Council of State Governments, 1987

Table 3

SOURCES OF STATE OPERATING TRANSIT SUPPORT
(continued)

	Operating Assistance	Sales Tax	Income Tax	Fuel Tax	Corp. Tax	Payroll Tax	General Oblig. Lottery	Bonds	Revenue Bonds	Tolls	Fees (Park, Regis., etc.)	Other	Tax Breakdown and Comments
Texas	237,500	XN											
Utah*	23,685,000	XY											.25% sales with local option
Vermont*	135,000			XN							XN	XN	39% fuel; 31% fees; 30% purchase & use
Virginia	35,004,757	XY		XY							XY	XY	Commonwealth Transportation Trust Fund
Washington*	78,000,000											X	motor vehicle excise tax (pass-through which can be applied to either capital or operating expenses)
West Virginia	410,000											XY	general fund
Wisconsin	43,600,000			XN							XN		65% fuel; 35% fees
Wyoming	0												
Dist. of Col.	92,100,000	XY		XY							XY	XY	50% sales; 11% fuel; 11% fees; 28% motor vehicle space & traffic fines
American Samoa	0												
Guam	140,000			XY								XY	6% fuel; 35% general fund
N. Mariana Is.	0												
Puerto Rico	16,065,477											XY	100% subsidy from Commonwealth of Puerto Rico
Virgin Islands													
TOTAL NUMBER OF STATES USING THIS SOURCE		15	2	17	4	1	3	0	0	2	11	19	
TOTAL NUMBER OF STATES DEDICATING THIS SOURCE		12	0	10	1	0	3	0	0	1	7	11	

X = state is using this resource

Y = resource is dedicated to mass transit
(X without qualifier = state did not indicate)

N = resource not dedicated to mass transit

Note: Blank cells mean no response or not applicable
* = Figures may include indirect state support.

Source: Survey by the Council of State Governments, 1987

Table 4

**TRANSIT REVENUE SOURCES:
IN USE BY STATES, NOT PRESENTLY USING, CONSIDERING**

	Fares	General Fund	Lottery	General Oblig. Bonds	Revenue Bonds	Tolls	Fees	Sales Taxes	Income Taxes	Fuel Taxes	Corp. Taxes	Payroll Taxes	Property Taxes	"Sin" Taxes	Non-fare Enterprise Revenues	Other
Alabama	U	C	N	N	N	N	N	N	N	N	N	N	N	C	N	N
Alaska	unknown															
Arizona	U	U	U	N	N	N	N	U	N	N	N	N	N	N	U	N
Arkansas	U	C	N	C	N	N	U	U	N	C	U	N	N	C	U	N
California	U	U	N	C	N	N	N	U	N	U	N	N	N	N	N	N
Colorado	U	U	N	N	U	N	N	U	N	N	N	N	N	N	N	U Pillow tax
Connecticut	U	N	N	U	N	N	U	N	N	U	N	N	N	N	U	U Transportation fund
Delaware	U	N	N	N	U	U	U	N	N	U	N	N	N	N	U	N
Florida	U	N	N	N	N	N	N	N	N	U	N	N	N	N	N	N
Georgia	U	U	N	N	N	N	N	U	N	N	U	N	U	N	U	N
Hawaii	U	N	N	N	N	N	U	N	N	N	N	N	N	N	C	N
Idaho	U	N	N	N	N	N	N	N	N	N	N	N	N	N	N	U Resort communities referendum
Illinois	U	U	N	U	N	N	N	N	N	N	N	N	N	N	N	N
Indiana	U	N	N	N	N	N	N	U	N	N	N	N	N	N	N	N
Iowa	U	N	N	N	N	N	U	U	N	N	N	N	N	N	U	U Exxon overcharge fund
Kansas	U	C	N	N	N	N	N	N	N	U	N	N	N	N	C	N
Kentucky	U	U	N	N	N	N	N	N	N	N	N	N	N	N	N	N
Louisiana	U	N	N	N	N	N	N	U	N	N	N	N	N	N	N	N
Maine	U	U	N	N	N	N	N	N	N	N	N	N	N	N	N	N
Maryland	U	N	N	C	C	U	U	N	N	U	U	U	N	N	U	C ad valorem taxes & impact fees
Massachusetts	U	U	N	U	N	N	U	N	N	U	N	N	N	U	N	N
Michigan	U	U	N	N	N	N	U	U	N	U	N	N	U	N	U	U Coordinated agency contracts
Minnesota	U	U	N	U	N	N	C	U	N	N	N	N	U	N	U	N
Mississippi	U	C	C	N	C	N	N	U	C	C	C	N	N	C	U	N

U = Using revenue sources currently

N = Not using revenue sources

C = Considering using revenue sources

Table 4

TRANSIT REVENUE SOURCES:
IN USE BY STATES, NOT PRESENTLY USING, CONSIDERING
 (continued)

	Fares	General Fund	Lottery	General Oblig. Bonds	Revenue Bonds	Tolls	Fees	Sales Taxes	Income Taxes	Fuel Taxes	Corp. Taxes	Payroll Taxes	Property Taxes	"Sin" Taxes	Non-fare Enterprise Revenues	Other
Missouri	U	N	N	N	N	N	N	U	N	N	N	N	N	N	N	N
Montana	U	N	N	N	N	N	N	N	N	N	N	N	U	N	N	N
Nebraska	U	U	N	N	N	N	U	U	N	U	N	N	N	N	N	N
Nevada	U	U	N	N	N	N	N	U	N	N	N	N	N	N	U	N
New Hampshire	not applicable — no mass transit															
New Jersey	U	U	N	N	N	U	U	N	N	U	N	N	N	N	U	U Casino revenue funds C Development fees
New Mexico	U	N	N	N	N	N	N	N	N	N	N	N	N	N	U	N
New York	U	U	N	U	U	U	U	N	U	U	U	N	N	N	U	N
North Carolina	U	U	N	N	N	N	U	N	N	N	N	N	N	N	U	N
North Dakota	U	U	N	N	N	N	N	N	N	N	N	N	U	N	N	N
Ohio	U	U	N	N	N	N	N	U	U	N	N	U	U	N	U	N
Oklahoma	U	N	N	N	N	N	N	N	N	N	N	N	N	N	U	N
Oregon	U	U	U	C	U	N	N	U	N	C	N	N	U	U	U	N
Pennsylvania	U	U	U	U	N	N	N	C	C	N	N	N	N	C	N	N
Rhode Island	U	N	N	U	U	N	N	N	N	U	N	N	N	N	N	N
South Carolina	U	U	N	N	N	N	C	N	N	C	N	N	C	C	U	N
South Dakota	U	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
Tennessee	U	U	N	N	N	N	N	N	N	U	N	N	N	N	U	N
Texas	U	U	C	N	N	N	N	U	N	N	N	N	N	N	N	N
Utah	U	N	C	C	C	C	U	U	N	C	N	N	N	C	U	U Resort tax
Vermont	U	N	N	N	N	N	N	N	N	N	N	N	N	N	U	U Transportation fund
Virginia	U	U	N	U	N	N	U	U	N	U	N	N	N	N	U	N
Washington	U	N	N	N	U	N	U	U	N	N	N	N	N	N	U	N
West Virginia	U	U	C	N	N	N	N	N	N	C	N	N	U	N	U	N

U = Using revenue sources currently

N = Not using revenue sources

C = Considering using revenue sources

Table 4

TRANSIT REVENUE SOURCES:
IN USE BY STATES, NOT PRESENTLY USING, CONSIDERING
 (continued)

	Fares	General Fund	General Oblig. Lottery Bonds	Revenue Bonds	Tolls	Fees	Sales Taxes	Income Taxes	Fuel Taxes	Corp. Taxes	Payroll Taxes	Property Taxes	"Sin" Taxes	Non-fare Enterprise Revenues	Other	
Wisconsin	U	C	N	N	N	N	N	N	U	N	N	N	N	N	N	
Wyoming	not applicable — no mass transit															
Dist. of Col.	U	U	N	U	U	U	U	N	U	N	C	N	N	U	N	
American Samoa	not applicable — no mass transit															
Guam	U	U	N	N	N	N	N	N	U	N	N	N	C	U	N	
N. Mariana Is.	not applicable — no mass transit															
Puerto Rico	U	U	N	N	N	N	N	N	N	N	N	N	N	N	N	
Virgin Islands																
SUMMARY OF STATES																
USING	50	27	3	9	7	5	16	21	2	17	4	2	8	2	26	9
CONSIDERING	0	5	4	5	3	1	2	1	2	6	1	1	1	6	3	2
NOT USING	0	18	43	36	40	44	32	28	46	27	45	47	41	42	21	40
TOTAL	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	51

U = Using revenue sources currently N = Not using revenue sources C = Considering using revenue sources

Source: Survey by the Council of State Governments, 1987

Table 5

**LOCAL GOVERNMENT TAXING AUTHORITY EXCLUDING PROPERTY TAX
BY TYPE OF TAX, FISCAL 1987**

	Sales	Income	Payroll	Corporate	Other	Ceilings Set by	Comments
Alabama							
Alaska	6%					S	
Arizona	X		X				
Arkansas	1-5%					S	
California	1%					S	
Colorado	7%		X	X	X	C S R	ownership
Connecticut							
Delaware			X			S	
Florida					X	S	gasoline 6 cents/gallon
Georgia	1%					S	
Hawaii					X	N/A	vehicle weight & gas tax
Idaho					X		liquor by the drink; hotel/motel
Illinois	1.25%				X	S	MFT, MVR, utility tax, gross receipt tax
Indiana		1%				S	
Iowa	1%				7%	S	hotel/motel tax
Kansas	1%					S	
Kentucky			1%				
Louisiana	3%				X	C	occupation/license tax
Maine					X		
Maryland	X	X			X	S	property transfer tax, recordation tax, trailer park tax, admissions & amusement tax; income tax ceiling 50% of state rate
Massachusetts					X	R	4% hotel/motel; jet fuel; 2.5% previous year's property tax
Michigan		2%				S	
Minnesota							not allowed
Mississippi					2%	S	
Missouri	.5%				X	S R	earnings tax - selected cities; .5% transportation sales tax
Montana							not allowed
Nebraska	1.5%						

X = Type of tax local governments are permitted to levy
C = Constitutional S = Statutory R = Local referendum O = Other

Note: Blank cells mean no response or not applicable
Source: Survey by the Council of State Governments, 1987

Table 5

LOCAL GOVERNMENT TAXING AUTHORITY EXCLUDING PROPERTY TAX
BY TYPE OF TAX, FISCAL 1987
(continued)

	Sales	Income	Payroll	Corporate	Other	Ceilings Set by	Comments
Nevada	.25%					S	
New Hampshire							N/A
New Jersey							not allowed
New Mexico	4.75%					S	on gross receipts
New York	X	X			X	S	mortgage tax
North Carolina	1.5%				X	S	\$5 vehicle city registration fee
North Dakota	X						ceiling to voter approval
Ohio	1.5%	X	X			S (sales) R (income, payroll)	
Oklahoma	city/county					S	counties with population >300,000 - 2% counties with population <300,000 - 1%
Oregon		1%	.6%		X	S	bus license fee
Pennsylvania			X				
Rhode Island							not allowed
South Carolina					X	R	vehicle registration fee
South Dakota	2%				X	S O	
Tennessee	2.25%					S	
Texas	1%	.5%			X	S R	Metropolitan Transit Authority tax
Utah	.25%				X	S R	square footage; business license
Vermont					X	S	2½ rooms, 1½ meals
Virginia					2%	S	retail sales of motor fuel
Washington	.06%				X	S	household, \$1/month; utility tax, no limit
West Virginia							not allowed
Wisconsin	.5%				X		hotel/motel, local motor vehicle registration fee
Wyoming							N/A
Dist. of Col.	X	X		X	X	O (Fed)	property, inheritance, utilities, franchise

X = Type of tax local governments are permitted to levy
C = Constitutional S = Statutory R = Local referendum O = Other

Note: Blank cells mean no response or not applicable
Source: Survey by the Council of State Governments, 1987

Table 5

**LOCAL GOVERNMENT TAXING AUTHORITY EXCLUDING PROPERTY TAX
BY TYPE OF TAX, FISCAL 1987
(continued)**

	Sales	Income	Payroll	Corporate	Other	Ceilings Set by	Comments
American Samoa							N/A
Guam							
N. Mariana Is.							N/A
Puerto Rico							N/A
Virgin Islands							
TOTAL # STATES THAT GIVE THE AUTHORITY	27	8	7	2	24	S 29 R 7 C 2 O 2	

X = Type of tax local governments are permitted to levy
C = Constitutional S = Statutory R = Local referendum O = Other

Note: Blank cells mean no response or not applicable
Source: Survey by the Council of State Governments, 1987

Table 6

**LOCAL GOVERNMENT TAX LEVIES FOR TRANSIT,
EXCLUDING PROPERTY TAX, FISCAL 1987**

	Number of Local Governments Eligible to Levy Local Taxes	Number of Local Governments Using Tax Authority	Number of Local Governments Using Portion of Tax for Tax Transit	Does State Administer Local Taxes?	Nature of State Administration
Alabama	160	unknown	unknown	yes	collection of personal property tax (i.e., registration fee) for motor vehicles for 10 municipalities
Alaska					
Arizona	79	66	—	no	
Arkansas	559	2	2	yes	collection & redistribution
California	13	13	13	yes	collection & distribution
Colorado	2	2	2	no	
Connecticut					
Delaware	1	1	0	no	
Florida	78	56	3	no	
Georgia	159	1	2	yes	collection
Hawaii	4	2	2	no	
Idaho					
Illinois	108	7	7	yes	collection & redistribution
Indiana	31	18	2	yes	collection & distribution
Iowa	35	20	0	yes	determination & allocation
Kansas	3,000	1,171	0	yes	administration & collection
Kentucky					
Louisiana	366	—	—	yes	resolve, assessment, property tax
Maine					
Maryland	all cities + Baltimore City	all	0	yes	collection & allocation
Massachusetts	unknown	unknown	0	yes	approval of tax rate
Michigan	21	21	21	no	
Minnesota					
Mississippi	4	4	4	yes	
Missouri	all cities > 500	56	12	yes	collection & legislates special uses
Montana					
Nebraska					

Note: Blank cells mean no response or not applicable
Source: Survey by the Council of State Governments, 1987

Table 6

**LOCAL GOVERNMENT TAX LEVIES FOR TRANSIT,
EXCLUDING PROPERTY TAX, FISCAL 1987
(continued)**

	Number of Local Governments Eligible to Levy Local Taxes	Number of Local Governments Using Tax Authority	Number of Local Governments Using Portion of Tax for Tax Transit	Does State Administer Local Taxes?	Nature of State Administration
Nevada	17	1	1	yes	collection
New Hampshire					
New Jersey					
New Mexico	all local	0	0	yes	collection & distribution
New York	5	5	5	yes	collection & allocation
North Carolina	0	0	0	yes	collection & distribution
North Dakota	6	4	4	no	
Ohio	all cities/counties	all cities/counties	2	yes	administration, notification, provision, auditing, distribution
Oklahoma	660	470	—	yes	collection & distribution
Oregon	5	5	5	yes	collection & distribution
Pennsylvania	—	30	30	no	
Rhode Island					
South Carolina	5	0	0	no	
South Dakota	all cities	majority of cities	4	yes	collection & distribution
Tennessee	all cities	most cities	n/a	no	
Texas	1,419	1,045	26	yes	collection of city sales tax, TA tax
Utah	5	5	5	yes	collection & redistribution
Vermont	1	1	—	no	
Virginia	2	2	2	yes	collection & distribution
Washington	21	21	21	yes	collection & distribution
West Virginia					
Wisconsin	1,962	69	0	yes	collection & distribution
Wyoming					
Dist. of Col.	0	—	—	yes	see note

Note: Blank cells mean no response or not applicable
Source: Survey by the Council of State Governments, 1987

Table 6

**LOCAL GOVERNMENT TAX LEVIES FOR TRANSIT,
EXCLUDING PROPERTY TAX, FISCAL 1987**
(continued)

	Number of Local Governments Eligible to Levy Local Taxes	Number of Local Governments Using Tax Authority	Number of Local Governments Using Portion of Tax for Tax Transit	Does State Administer Local Taxes?	Nature of State Administration
American Samoa					
Guam					
N. Mariana Is.					
Puerto Rico					
Virgin Islands					
TOTAL STATES WITH LOCAL INVOLVEMENT	38	34	30	yes - 27; no - 11	

Note: The District of Columbia is a unique entity in that it finances both state and local services. The District's taxing authority also reflects this dual nature. The District levies traditional state taxes: income, sales, excise, and corporate. The District also levies traditional local taxes and fees: property and parking. The District is forbidden by the U.S. Congress to levy a payroll or commuter tax.

Note: Blank cells mean no response or not applicable
Source: Survey by the Council of State Governments, 1987

Table 7

SPECIAL TRANSIT DISTRICTS

	State Legis- lation	State Executive Order	Public Hearing	Public Referendum	Petition	Court Action	Other	No. Transit Districts in State	Independent Revenue-Raising Mechanisms
Alabama								4	voluntary action
Alaska								0	
Arizona				X	X			1	property tax, bonds
Arkansas	X	X	X	X	X	X		1	sell bonds based on assessments
California	X							16	need voter approval
Colorado	X		X	X	X	X		1	assessment property
Connecticut								17	
Delaware								0	
Florida									
Georgia	X							2	special district taxes, usually related to use
Hawaii									
Idaho			X	X	X			0	property tax
Illinois	X			X				7	sales, property
Indiana							X loc ord	8	property tax
Iowa									
Kansas	X							3	property tax special assessment
Kentucky									
Louisiana	X							1	special assessments, sales tax by referendum
Maine								2	
Maryland	X		X					1	none — tax is part of county property tax revenue
Massachusetts					X			15	none
Michigan	X			X				19	property tax
Minnesota								6	property tax with mill levy set by statute
Mississippi									not allowed
Missouri	X			X				0	property tax, user fees
Montana								2	transit districts levy 12 mills of property tax
Nebraska								0	

X = method can be used to create a Special Transit District

Note: Blank cells mean no response or not applicable
Source: Survey by the Council of State Governments, 1987

Table 7

SPECIAL TRANSIT DISTRICTS
(continued)

	State Legis- lation	State Executive Order	Public Hearing	Public Referendum	Petition	Court Action	Other	No. Transit Districts in State	Independent Revenue-Raising Mechanisms
Nevada	X						X referendum	1	identified by legislation
New Hampshire								0	N/A
New Jersey									
New Mexico	X		X					0	local bonding authority
New York	X							5	regional mortgage recording tax
North Carolina	X							0	special taxes upon approval by public referendum
North Dakota	X							0	
Ohio									property and sales taxes
Oklahoma								0	
Oregon			X	X	X			6	see note
Pennsylvania							X	1	appointed by elected officials; Revenue Anticipation Notes, Safe Harbor Leasing
Rhode Island								1	
South Carolina	X			X				5	vehicle registration fee
South Dakota							X	0	property taxes, fees, grants
Tennessee								11	not allowed
Texas	X			X				6	assessment of .25, .5, .75% sales tax
Utah	X		X	X				2	.25 cent sales tax by referendum
Vermont				X	X			1	gifts, grants, assessment & member committees
Virginia					X			0	special real estate assessments
Washington	X		X	X			X	3	sales, motor vehicle excise, utility, household
West Virginia								0	
Wisconsin	X				X			0	property tax assessments
Wyoming								0	N/A
Dist. of Col.							X	0	Act of Congress

X = method can be used to create a Special Transit District

Note: Blank cells mean no response or not applicable
Source: Survey by the Council of State Governments, 1987

Table 7

SPECIAL TRANSIT DISTRICTS
(continued)

	State Legis- lation	State Executive Order	Public Hearing	Public Referendum	Petition	Court Action	Other	No. Transit Districts in State	Independent Revenue-Raising Mechanisms
American Samoa								0	N/A
Guam								0	N/A
N. Mariana Is.								0	N/A
Puerto Rico								0	N/A
Virgin Islands								0	N/A
TOTAL STATES	20	1	8	13	9	2	6	28 states with transit districts	
USING THIS METHOD TO CREATE TRANSIT DISTRICTS									

Note: Ad valorem tax on property; general obligation bonds; revenue bonds; service charges and user fees; business license fee; net income tax; employer payroll tax; state and/or Federal grants

X = method can be used to create a Special Transit District

Note: Blank cells mean no response or not applicable
Source: Survey by the Council of State Governments, 1987

Table 8

**PUBLIC SUPPORT/VOTER ACCEPTANCE OF
TRANSIT REVENUE SOURCES**

	Fares	General Fund	Lottery	General Oblig. Bonds	Revenue Bonds	Tolls	Fees	Sales Taxes	Income Taxes	Fuel Taxes	Corp. Taxes	Payroll Taxes	Property Taxes	"Sin" Taxes	Non-fare Enterprise Revenues	Other
Alabama	1	2	3	3	3	2	3	3	3	3	3	3	3	1	1	
Alaska	2	1	1	3	2	3	3	1	3	2	1	3	2	3	1	
Arizona	1	2	1	2	2	3	3	2	3	2	3	3	3	3	1	
Arkansas	1	2	2	2	2	2	2	3	3	2	1	3	3	2	1	
California	1	3	3	2	2	3	2	3	3	2	2	2	3	3	1	
Colorado	1	3	2	3	3	3	3	3	3	3	3	3	3	3	3	3 pillow tax
Connecticut	3	1	1	1		3	3	3	3	3	1		3	2	1	
Delaware	1	2	2	2	1	1	1	3	3	1	2	3	2	2	1	
Florida	3	2	3	2	2	3	3	3	3	2	3	3	3	3	2	
Georgia	2	1		3	3	3	2	1	3	3	2	3	3	3	1	
Hawaii	1	3	3	3	3	3	2	3	3	3	3	3	3	3	1	
Idaho	2	3	2	3	3		2	2	2	2	3	3	3	1	1	
Illinois																
Indiana	1	2		3	2	3	3	1	2	3	2	3	2	2		
Iowa	1	2	2	3	3	3	1	3	3	3	3	3	2	2	1	
Kansas	1	1	2	2	1		3	3	3	2	3	3	2	3	2	
Kentucky	2	2														
Louisiana																
Maine	1	1														
Maryland	2	3	2	2	2	2	2	3	3	3	3	3	3	3	1	
Massachusetts	2	1	1	1	1	2	2	3	3	2	2	3	3	1	1	
Michigan	1				2		2	2		2			1		1	1 Coordinated agency contracts
Minnesota	1	2	1	2	3	3	2	1	3	2	2	3	2	1	1	
Mississippi	2	1	1	3	3	3	3	1	1	1	3	3	3	2	1	
Missouri	2	2	3	3	3	3	3	1	2		2	2	2	3	1	
Montana	1	3	3	3	3	N/A	2	N/A	3	3	3	3	3	3	2	
Nebraska	1	1	3	3	3	3	1	2	3	1	3	3	3	3	1	

1 = Most Acceptable

2 = Moderately Acceptable

3 = Least Acceptable

Note: Blank cells mean no response or not applicable
Source: Survey by the Council of State Governments, 1987

Table 8
**PUBLIC SUPPORT/VOTER ACCEPTANCE OF
 TRANSIT REVENUE SOURCES**
 (continued)

	Fares	General Fund	General Lottery	General Oblig. Bonds	Revenue Bonds	Tolls	Fees	Sales Taxes	Income Taxes	Fuel Taxes	Corp. Taxes	Payroll Taxes	Property Taxes	"Sin" Taxes	Non-fare Enterprise Revenues	Other
Nevada																
New Hampshire	not applicable — no mass transit															
New Jersey	2	1	3	1	N/A	2	2	3	3	1	3	3	3	3	2	3
New Mexico	1	2	3	2	2	1	2	3	3	3		3	3		1	
New York	2	2	2			2	2	2	3	3	2	3	3	2	1	
North Carolina	1	1		3		3	1	2	3	2	3	2	2	1	1	
North Dakota	2	2	2	3	3	3	3	2	3	3	3	3	3	3	2	
Ohio	1	1	2	2	2	3	3	1	1	2	2	1	1	1	1	
Oklahoma	1	3	2	3	3	2	2	3	3	2	3	3	3	3	1	
Oregon	1	2	1	2	2	3	3	3	2	3	2	2	2	1	1	
Pennsylvania	1	1	1	1	2	3	3	2	3	3	3	3	2	2	1	
Rhode Island	2	2	3	2	2	3	3	2	3	1	3	3	3	3	1	
South Carolina	2	2	3			2	2	3	3	2	3	3	3	2	1	
South Dakota	1	2	1	3	2	3	1	3	3	2	2	2	2	1	1	
Tennessee	1	1	2	2	2	2	2	3	3	2	2	3	3	2	1	
Texas	1	1	3	2	2	1	2	1	3	2	2	3	2	2	2	
Utah	2	1	3	2	2	3	2	2	3	2	1	3	3	1	1	
Vermont	1	2					2								1	2 Transportation Fund
Virginia	2	3	2	2	3	3	2	3	3	3	3	3	3	3	1	
Washington	1	1	3		1	3	3	1	3	2	2	3	3	3	1	
West Virginia	1	2	2	3	3	3	2	3	3	2	3	3	2	3	1	
Wisconsin																
Wyoming	not applicable — no mass transit															
Dist. of Col.	1	1	2	1	2	3	1	2	2	1	2	3	2	2	1	

1 = Most Acceptable

2 = Moderately Acceptable

3 = Least Acceptable

Note: Blank cells mean no response or not applicable
 Source: Survey by the Council of State Governments, 1987

Table 8

**PUBLIC SUPPORT/VOTER ACCEPTANCE OF
TRANSIT REVENUE SOURCES
(continued)**

	Fares	General Fund	General Lottery	General Oblig. Bonds	Revenue Bonds	Tolls	Fees	Sales Taxes	Income Taxes	Fuel Taxes	Corp. Taxes	Payroll Taxes	Property Taxes	"Sin" Taxes	Non-fare Enterprise Revenues	Other
American Samoa	not applicable			— no mass transit												
Guam	1	3	2				1	3	3	1	3	3	3	1	1	
N. Mariana Is.	not applicable			— no mass transit												
Puerto Rico	1	2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Virgin Islands																
1 - MOST ACCEPTABLE	30	17	9	5	4	3	7	9	2	7	4	1	2	10	34	1
2 - MODERATELY ACCEPTABLE	15	20	15	16	18	9	21	11	5	20	15	5	14	12	5	1
3 - LEAST ACCEPTABLE	2	9	14	17	15	26	16	22	35	15	22	35	27	19	1	2
TOTAL RESPONSES	47	46	38	38	37	38	44	42	42	42	41	41	43	41	40	4

1 = Most Acceptable 2 = Moderately Acceptable 3 = Least Acceptable

Note: Blank cells mean no response or not applicable
Source: Survey by the Council of State Governments, 1987

Table 9a

DEGREE OF PROBLEM WITH FUNDING SOURCES

	General Fund	Lottery	General Obligation Bonds	Revenue Bonds	Tolls	Fees	Non-fare Enterprise Revenues	Dedicated Taxes Sales Taxes
Alabama	L	P1	P1	P1	P1	P2	N	P1
Alaska	A2	LG1	P2	N	P2	L1	N	LG1
Arizona	L2 A2	N	O	O	L1 A1 LG2 P1	L2 A2 LG2 P1	O	
Arkansas	L2	L LG2 P1	L2 LG2 P1	LG1 P2	L1 P1	A2 P2	LG1	P1
California	L2	L1 LG1 P1	L2 P2	L2 A2 P2	L1 P1	L2 P2	O	N
Colorado	L1 LG2 P1 A3	L1 LG2 P1 A3	L1 LG1	L1 LG1 P1	L1 LG1 P1	L1 LG1 P1	L1 LG1 P1	L1 LG1 P1
Connecticut	O	O	L3	O	L2 P2	L3 P3	N	N
Delaware	L2	L2	L1 A2 LG2	N	N	N	N	L1 A1 LG1 P1
Florida	L	L1 P2	L2	L2	L1 P1	L1	A2	P1
Georgia	N	L1 LG1	O	O	LG1	LG2	N	L2
Hawaii	L1	L1	P1	P1	P1	P1	A1	P1
Idaho	L	L2		O	O	P2	N	P1
Illinois	N	O	N	O	O	O	N	O
Indiana	A	O	O	O	O	O	L (UMTA)	N
Iowa	L2 P2	O	L1 P2	L1 P2	L1	L2	LG1	L2 P2
Kansas	L1	L1	O	O	O	O	P2	P1
Kentucky	L2 A3	O	O	O	O	O	O	O
Louisiana	L1 P1	O	O	O	O	O	O	L2 P2
Maine	N							
Maryland	L1 A1 LG1 P1	L1 A1 LG1 P1	N	N	N	N	N	L1 A1 LG1 P1
Massachusetts	N	O	N	N	O	O	N	O
Michigan	A2	L2 A3 LG1 P1	L A2 LG1	A2 LG1	O	O	A3	L1 P1
Minnesota	L2	L1	N	O	L2 P2	N	N	P2
Mississippi	N	L1 A P1	L1 P1	L1 A1 LG1	L1 A1 LG1 P1	L1 A1 LG1 P1	N	N
Missouri	L2	L1 A1 P2	L1 A1 P1	L1 A1 LG1 P1	L2 A2 LG2 P2	L2 A2 LG2 P2	N	P3
Montana	L1	L1	L1	L1	N/A	A2	A2	N/A
Nebraska	L2	O	O	O	O	N	O	N

L = Legislative A = Administrative LG = Legal
P = Public Support N = No Problems O = No Opinion

1 = Major problem (insurmountable) 2 = Middle case (resolved with effort) 3 = Minor problem (easily resolved)

Note: Blank cells mean no response or not applicable
Source: Survey by the Council of State Governments, 1987

Table 9a

DEGREE OF PROBLEM WITH FUNDING SOURCES
(continued)

	General Fund	Lottery	General Obligation Bonds	Revenue Bonds	Tolls	Fees	Non-fare Enterprise Revenues	Dedicated Taxes Sales Taxes
Nevada	P	L	A P	A P	L A LG P	A P	N	N
New Hampshire	not applicable	— no mass transit						
New Jersey	N	O	N	LG2	N	N	N	O
New Mexico	L2	L1 LG P2	P2	P	O	O	N	P2
New York	L2	N	O	P3	P3	P3	A3	L2 P3
North Carolina	L2 A2	L2 A1	L2 A2 LG2	L2 A2	L2 A	L3 A2 P2	A2	L2 P2
North Dakota	L3	P2	LG3	LG3	L P2	L2 P3	N	L3
Ohio	N	L2 A2 P2	A3	A3	L2 A2 LG1 P2	L2 A2 LG1 P2	N	N
Oklahoma	O	O	O	O	O	O	N	O
Oregon	L2 A2	A2	N	N	P1	LG1 P1	N	P1
Pennsylvania	N	N	N	L2 LG3	L1	L2 P1	O	L1 P2
Rhode Island	N	L1 A2 P1	N	N	A1 P2	L2 P1	N	L2
South Carolina	L2	L1 P1	O	O	O	P2	L3	P1
South Dakota	L2	L2	LG1	L2	L1	L2	P3	L1
Tennessee	L2 A2	LG2 P2	O	O	O	O	O	P2
Texas	O	O	O	O	O	O	O	L1 P2
Utah	L1 A2 LG1 P2	L2 LG2 P2	P2	P2	P2	N	LG2	P2
Vermont	L2 P2	L2 P2	O	O	O	L2 P2	A3	L2 P2
Virginia	P2	O	LG2	LG2	LG2	A2 P2	N	LG1
Washington	L1	L1 P	N	N	L1	N	A2	N
West Virginia	N	L2 A2 LG2	L2 A2 LG3 P1	L1 A1 LG3 P1	L2 A2 LG3 P1	L2 A2 LG3 P2	N	L1 A1 LG2
Wisconsin								
Wyoming	not applicable	— no mass transit						
Dist. of Col.	N	N	N	L1 A2 LG3	L1 A1 LG1 P1	N	N	N

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1 = Major problem (insurmountable) 2 = Middle case (resolved with effort) 3 = Minor problem (easily resolved)

Note: Blank cells mean no response or not applicable
Source: Survey by the Council of State Governments, 1987

Table 9a

DEGREE OF PROBLEM WITH FUNDING SOURCES
(continued)

	General Fund	Lottery	General Obligation Bonds	Revenue Bonds	Tolls	Fees	Non-fare Enterprise Revenues	Dedicated Taxes Sales Taxes
American Samoa	not applicable	— no mass transit						
Guam	L2 A2 P2	O	O	O		LG2	N	L2 A2 LG2
N. Mariana Is.	not applicable	— no mass transit						
Puerto Rico	N	N	N	N	N	N	N	N
Virgin Islands								

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P = Public Support N = No Problems O = No Opinion

1 = Major problem (insurmountable) 2 = Middle case (resolved with effort) 3 = Minor problem (easily resolved)

Note: Blank cells mean no response or not applicable
Source: Survey by the Council of State Governments, 1987

Table 9b

DEGREE OF PROBLEM WITH FUNDING SOURCES (Part 2)

	Dedicated Taxes						
	Income Taxes	Fuel Taxes	Corporate Taxes	Payroll Taxes	Property Taxes	"Sin" Taxes	Other
Alabama	P1	P1	P1	P1	P1	P2	
Alaska	LG1	LG1	LG1	LG1	LG1	LG1	
Arizona	L1 A2 LG1 P1	L2 A2 LG2 P2	L1 A2 LG1 P2	L1 A2 P1	L1 A2 P1	L1 A2 LG3 P1	
Arkansas	L2 P1	O	N	O	P1	L3	
California	L1 P1	LG2 P2	L1	L	L1 LG1 P1	L1 P1	
Colorado	L1 LG1 P1	L1 LG1 P1	L1 LG1 P1	L1 LG1 P1	L1 LG1 P1	L1 LG1 P1	N Pillow tax
Connecticut	L1 P1	L3 P2	N	O	N	N	N Transportation fund
Delaware	L2 A2 LG2 P1	N	L2 A2 LG3 P2	L2 A2 LG2 P2	L2 A2 LG2 P2	L1 A2 LG2 P2	
Florida	P1	P2	P1	P1	P1	P1	
Georgia	L1 LG1	L2 LG2	O	L1 LG1	N	O	
Hawaii	P1	P1	P1	P1	P1	P1	
Idaho	O			O	LG1 P1		
Illinois	O	O	O	O	O	O	
Indiana	L A LG P	L A LG P	L A LG P	O		O	
Iowa	L1 P2	L2 P2	L1 P2	L1 P2	L2 P2	L1 P2	
Kansas	L P	P	O	O	LG	O	
Kentucky	O	O	O	O	O	O	
Louisiana	LG1	O	O	O	O	O	
Maine							
Maryland	L1 A1 LG1 P1	L1 A1 LG1 P1	L1 A1 LG1 P1	L1 A1 LG1 P1	L1 A1 LG1 P1	L1 A1 LG1 P1	
Massachusetts	O	O	O	O	O	O	
Michigan	L1 P1	L1 P1	O	O	A2 P1	O	
Minnesota	L1 P1	L1 LG1	O	O	P2	N	
Mississippi	N	N	O	O	O	O	
Missouri		L1 A1 LG1 P1	L2 P2	L1 P1	L2 P2	L1 LG2	
Montana	L1	L1	L1	L1	L1	L1	
Nebraska	O	N	O	O	O	O	

L = Legislative A = Administrative LG = Legal
P = Public Support N = No Problems O = No Opinion

1 = Major problem (insurmountable)

2 = Middle case (resolved with effort)

3 = Minor problem (easily resolved)

Note: Blank cells mean no response or not applicable
Source: Survey by the Council of State Governments, 1987

Table 9b

DEGREE OF PROBLEM WITH FUNDING SOURCES (Part 2)
(continued)

	Dedicated Taxes						
	Income Taxes	Fuel Taxes	Corporate Taxes	Payroll Taxes	Property Taxes	"Sin" Taxes	Other
Nevada	L	A LG	L	L	P	A P	
New Hampshire	not applicable	— no mass transit					
New Jersey	O	L2	O	O	O	O	
New Mexico	P1	P1	O	P1	P1	P2	
New York	L1 P3	L1 P3	L2 P3	L1 P3	L2 P3	L2 P3	
North Carolina	L1 A1 P1	L2 A2 LG2 P3	L1 A1 P2	L2 A2 P2		L3	
North Dakota	L3	L3	L3	L3	P3	L3	
Ohio	N	L2 A2 LG1 P2	L2 A2 LG2	N	N	O	
Oklahoma	O	O	O	O	O	O	
Oregon	L2 P2	LG1 P2	O	L2 A2 P2	P2	L2 A2	
Pennsylvania	L1 P1		L1 P1	L1 P1	L1 P1	L1 P1	
Rhode Island	L1	N	L1 P2	L1 P1	L1 LG P1	L2 LG2	
South Carolina	O	A2	O	O	P1	P1	
South Dakota	L1	L2 LG1	L1	L1	L1	L2	
Tennessee	LG2 P2	P2	P2	LG2 P2	P2	P2	
Texas	L1 P2	L2 LG2	L1 P1	L1 P1	N	O	
Utah		A2	N	A LG P1	P1	N	
Vermont	L2 P2	L2 P2	L2 P2	O	P2	L2 P2	
Virginia	LG1	LG1	LG1	LG1	LG1	LG1	
Washington	O	O	O	O	O	O	
West Virginia	L1 A1 LG2		L1 A1 LG2	L1 A1 LG2	O	L1 A1 LG3 P1	
Wisconsin							
Wyoming	not applicable	— no mass transit					
Dist. of Col.	N	N	N	L1 LG1	N	N	

L = Legislative A = Administrative LG = Legal
P = Public Support N = No Problems O = No Opinion

1 = Major problem (insurmountable) 2 = Middle case (resolved with effort) 3 = Minor problem (easily resolved)

Note: Blank cells mean no response or not applicable
Source: Survey by the Council of State Governments, 1987

Table 9b

DEGREE OF PROBLEM WITH FUNDING SOURCES (Part 2)
(continued)

	Dedicated Taxes						
	Income Taxes	Fuel Taxes	Corporate Taxes	Payroll Taxes	Property Taxes	"Sin" Taxes	Other
American Samoa	not applicable	— no mass transit					
Guam	N	L2 A2 LG2	O	O	L2 A2 P2	L2 A2	
N. Mariana Is.	not applicable	— no mass transit					
Puerto Rico	N	N	N	N	N	N	
Virgin Islands							

L = Legislative A = Administrative LG = Legal
P = Public Support N = No Problems O = No Opinion

1 = Major problem (insurmountable) 2 = Middle case (resolved with effort) 3 = Minor problem (easily resolved)

Note: Blank cells mean no response or not applicable
Source: Survey by the Council of State Governments, 1987

Table 10

PERCEPTION OF EXISTING PUBLIC TRANSIT SYSTEMS

	Fare Levels	Service Frequency	Service Reliability	Quality/Cleanliness of Buses, Railcars, Stations	Employee Attitude	Marketing	Safety	Management Quality	Convenience of Service	Other
Alabama	H	H	H	H	H	M	H	M	H	
Alaska	H	H	H	M	L	L	M	L	H	
Arizona	M	H	H	M	H	M	H	L	H	
Arkansas	H	H	H	M	M	H	H	M	H	
California	H	H	H	M	M	M	H	M	L	
Colorado	H	H	H	H	H	H	H	H	H	
Connecticut	H	H	H	M	M	L	H	M	M	
Delaware	H	H	H	H	M	H	M	M	H	
Florida										
Georgia	M	H	H	H	M	H	M	H	M	
Hawaii	H	H	H	H	H	L	H	L	H	
Idaho	M	H	H	M	H	M	M	M	H	
Illinois										
Indiana	M	H	H	H	H	L	H	M	H	
Iowa	H	H	H	M	M	H	H	M	M	
Kansas	M	H	H	M	M	M	H	M	H	
Kentucky	H	M	H	M	M	M	H	M	H	H
Louisiana	H	H	H	M	M	M	H	M	M	
Maine	M	H	H	M	M	M	M	M	H	
Maryland	H	M	H	H	M	L	M	M	H	
Massachusetts	H	H	H	L	L	M	M	M	M	
Michigan	H	H	H	M	M	L	L	L	M	
Minnesota	M	M	H	H	H	M	M	M	H	H
Mississippi	M	H	H	H	H	H	H	M	H	M
Missouri	H	M	H	M	M	M	M	M	H	
Montana	H	H	H	M	M	H	M	L	M	
Nebraska	M	H	H	L	L	L	M	L	H	

H = High importance M = Medium Importance L = Low Importance

Note: Blank cells mean no response or not applicable
Source: Survey by the Council of State Governments, 1987

Table 10

PERCEPTION OF EXISTING PUBLIC TRANSIT SYSTEMS
(continued)

	Fare Levels	Service Frequency	Service Reliability	Quality/Cleanliness of Buses, Railcars, Stations	Employee Attitude	Marketing	Safety	Management Quality	Convenience of Service	Other
Nevada										
New Hampshire	not applicable — no mass transit									
New Jersey	M	H	H	M	H	M	H	M	H	
New Mexico	M	H	H	M	H	L	L	L	M	
New York	H	M	H	H	M	L	H	L	H	
North Carolina	M	M	H	H	H	M	H	H	M	
North Dakota	M	H	H	M	M	M	M	M	H	
Ohio	M	H	H	H	M	M	H	M	H	
Oklahoma	M	H	H	M	M	M	H	M	H	
Oregon	M	H	M	M	M	L	M	L	H	
Pennsylvania	H	M	M	M	M	H	M	M	M	
Rhode Island	M	M	H	H	H	M	H	M	M	
South Carolina	M	H	M	M	M	L	M	M	H	
South Dakota	M	H	H	M	H	H	M	L	H	
Tennessee	H	H	H	H	H	M	M	H	H	
Texas	H	H	H	H	H	M	H	H	H	
Utah	H	H	H	M	H	M	M	M	H	
Vermont	H	H	H	M	H	M	H	M	M	
Virginia	H	H	H	H	M	M	M	M	H	
Washington	M	M	H	H	H	M	H	H	H	
West Virginia	H	H	H	M	M	M	H		H	
Wisconsin	H	H	H	H	H	H	H	H	H	
Wyoming	not applicable — no mass transit									
Dist. of Col.	H	H	H	H	M	M	H	H	H	

H = High importance M = Medium Importance L = Low Importance

Note: Blank cells mean no response or not applicable
Source: Survey by the Council of State Governments, 1987

Table 10

PERCEPTION OF EXISTING PUBLIC TRANSIT SYSTEMS
(continued)

	Fare Levels	Service Frequency	Service Reliability	Quality/Cleanliness of Buses, Railcars, Stations	Employee Attitude	Marketing	Safety	Management Quality	Convenience of Service	Other
American Samoa	not applicable	— no mass transit								
Guam	H	H	H	L	H	H	H	H	H	
N. Mariana Is.	not applicable	— no mass transit								
Puerto Rico	H	H	H	H	H	H	H	H	H	
Virgin Islands										
HIGH	28	39	45	20	21	12	28	10	35	2
MEDIUM	20	9	3	25	24	25	18	27	12	1
LOW	0	0	0	3	3	11	2	10	1	0
TOTAL REPLIES	48	48	48	48	48	48	48	47	48	3

H = High importance M = Medium Importance L = Low Importance

Note: Blank cells mean no response or not applicable
Source: Survey by the Council of State Governments, 1987

Table 11

**STATE RESPONSES TO TRANSIT DILEMMAS: SERVICE CUTS
LIKELY TARGETS FOR CUTS**

	Number of Rural Routes	Number of Urban Routes	Off-peak Transit Services	Special Transit Needs for Elderly/ Handicapped	Para- transit Services	Cutbacks in New Capital	Cutbacks in Main- tenance	Cutbacks in Marketing	Cutbacks in Management Services Offered to Local Trans- it Systems	Other	Comments
Alabama	X					X			X		
Alaska			X					X			
Arizona											
Arkansas	X	X	X								
California	X		X			X	X	X	X		
Colorado	X	X	X	X			X	X			
Connecticut											
Delaware						X					
Florida	X	X	X		X	X		X	X		
Georgia			X								
Hawaii		X	X			X					
Idaho											
Illinois											Local basis, depending on local circumstances
Indiana	X	X	X					X	X		
Iowa		X	X				X				
Kansas	X	X	X	X		X					
Kentucky						X		X			
Louisiana	X	X	X							X	Cutbacks in administrative personnel
Maine	X	X	X	X	X	X		X			
Maryland			X			X					
Massachusetts											
Michigan			X					X			
Minnesota		X	X			X					
Mississippi	X		X			X	X	X	X		

X = state likely to use this method in the next two years

Note: Blank cells mean no response or not applicable
Source: Survey by the Council of State Governments, 1987

Table 11

STATE RESPONSES TO TRANSIT DILEMMAS: SERVICE CUTS
LIKELY TARGETS FOR CUTS
 (continued)

	Number of Rural Routes	Number of Urban Routes	Off-peak Transit Services	Special Transit Needs for Elderly/ Handicapped	Para- transit Services	Cutbacks in New Capital	Cutbacks in Main- tenance	Cutbacks in Marketing	Cutbacks in Management Services Offered to Local Trans- it Systems	Other	Comments
Missouri		X	X			X	X	X			
Montana	X	X	X			X		X	X		
Nebraska		X	X								
Nevada										X	Unknown
New Hampshire	not applicable — no mass transit										
New Jersey										X	None
New Mexico	X					X		X	X		
New York	X		X								
North Carolina											
North Dakota										X	Expect current level of service
Ohio	X	X	X	X	X	X	X	X			
Oklahoma	X	X	X								
Oregon	X		X			X					
Pennsylvania	X	X	X				X	X			
Rhode Island	X	X	X								
South Carolina	X	X	X			X			X		
South Dakota	X	X	X			X			X		
Tennessee						X					
Texas	X	X	X			X		X			
Utah	X		X			X				X	Personnel cutbacks
Vermont	X	X	X			X			X		
Virginia	X	X	X								
Washington											
West Virginia	X	X	X		X	X					

X = state likely to use this method in the next two years

Note: Blank cells mean no response or not applicable
 Source: Survey by the Council of State Governments, 1987

Table 11

STATE RESPONSES TO TRANSIT DILEMMAS: SERVICE CUTS
LIKELY TARGETS FOR CUTS
 (continued)

	Number of Rural Routes	Number of Urban Routes	Off-peak Transit Services	Special Transit Needs for Elderly/ Handicapped	Para- transit Services	Cutbacks in New Capital	Cutbacks in Main- tenance	Cutbacks in Marketing	Cutbacks in Management Services Offered to Local Trans- it Systems	Other	Comments
Wisconsin											
Wyoming	not applicable — no mass transit										
Dist. of Col.						X					
American Samoa	not applicable — no mass transit										
Guam			X			X					
N. Mariana Is.	not applicable — no mass transit										
Puerto Rico											
Virgin Islands											
TOTAL RESPONSES	25	23	33	4	4	25	7	15	9	5	

X = state likely to use this method in the next two years

Note: Blank cells mean no response or not applicable
 Source: Survey by the Council of State Governments, 1987

Table 12

**STATE RESPONSES TO TRANSIT DILEMMAS: SERVICE INCREASES
LIKELY TARGETS FOR INCREASES**

	Fares	Taxes for Transit	Fees	Municipal Bonds	General Fund	Non-fare Enterprise Revenue	Other	Comments
Alabama	X	X				X		
Alaska								
Arizona		X						
Arkansas	X					X		
California	X	X	X	X				
Colorado	X					X		
Connecticut	X		X					
Delaware	X		X					
Florida	X							
Georgia	X				X			
Hawaii	X					X		
Idaho								
Illinois								
Indiana	X							
Iowa	X							
Kansas	X	X						
Kentucky	X							
Louisiana							X	Enhanced marketing
Maine	X		X		X	X		
Maryland	X		X			X		
Massachusetts					X		X	state bond for capital assistance; human service contracts
Michigan	X	X				X		
Minnesota	X		X					
Mississippi	X	X	X		X	X		
Missouri	X					X		
Montana	X							
Nebraska	X							

X = state likely to use this method in the next two years

Note: Blank cells mean no response or not applicable
Source: Survey by the Council of State Governments, 1987

Table 12

**STATE RESPONSES TO TRANSIT DILEMMAS: SERVICE INCREASES
LIKELY TARGETS FOR INCREASES**
(continued)

	Fares	Taxes for Transit	Fees	Municipal Bonds	General Fund	Non-fare Enterprise Revenue	Other	Comments
Nevada	X	X					X	Unknown
New Hampshire	not applicable — no mass transit							
New Jersey	X	X	X		X	X	X	Real estate, ridership increases
New Mexico			X			X		
New York	X	X	X					
North Carolina	X				X			
North Dakota	X	X						
Ohio	X	X				X		
Oklahoma	X					X	X	Volunteers
Oregon	X	X						
Pennsylvania	X				X			
Rhode Island	X	X				X		
South Carolina	X	X	X		X			
South Dakota	X	X				X		
Tennessee								
Texas	X							
Utah	X	X	X					
Vermont	X				X	X	X	Local contribution
Virginia	X				X	X		
Washington	X	X	X					
West Virginia	X				X			
Wisconsin								
Wyoming	not applicable — no mass transit							
Dist. of Col.	X		X		X			

X = state likely to use this method in the next two years

Note: Blank cells mean no response or not applicable
Source: Survey by the Council of State Governments, 1987

Table 12

**STATE RESPONSES TO TRANSIT DILEMMAS: SERVICE INCREASES
LIKELY TARGETS FOR INCREASES
(continued)**

	Fares	Taxes for Transit	Fees	Municipal Bonds	General Fund	Non-fare Enterprise Revenue	Other	Comments
American Samoa	not applicable — no mass transit							
Guam	X	X				X		
N. Mariana Is.	not applicable — no mass transit							
Puerto Rico								
Virgin Islands								
TOTAL RESPONSES	41	18	14	1	12	18	6	

X = state likely to use this method in the next two years

Note: Blank cells mean no response or not applicable
Source: Survey by the Council of State Governments, 1987

Table 13

TRANSIT REVENUE/COST GAP SOLUTIONS

	Increase Part-time Transit Labor	Renegotiate Labor Contracts	Reduce Total Working Hours	Reduce Employee Benefits	Other	Cash Flow Problems Created by Timing of Federal Allocation
Alabama	X					YES
Alaska	X	X		X		NO
Arizona						NO
Arkansas	X		X			NO
California	X					NO
Colorado	X	X	X			NO
Connecticut	X	X				NO
Delaware	X			X		YES
Florida			X			NO
Georgia	X					NO
Hawaii	X		X			NO
Idaho	X			X		YES
Illinois						NO
Indiana	X	X	X			NO
Iowa	X		X			NO
Kansas	X					NO
Kentucky			X			NO
Louisiana	X	X	X	X		NO
Maine	X	X	X	X		NO
Maryland	X	X				NO
Massachusetts	X					NO
Michigan	X	X				YES
Minnesota	X					NO
Mississippi	X		X	X		YES
Missouri	X	X				NO
Montana	X					NO
Nebraska			X			NO

X = state likely to use this method in the next two years

Note: Blank cells mean no response or not applicable
Source: Survey by the Council of State Governments, 1987

Table 13

TRANSIT REVENUE/COST GAP SOLUTIONS
(continued)

	Increase Part-time Transit Labor	Renegotiate Labor Contracts	Reduce Total Working Hours	Reduce Employee Benefits	Other	Cash Flow Problems Created by Timing of Federal Allocation
Nevada					X Unknown	N/A
New Hampshire						N/A
New Jersey					X Negotiate Contacts	YES
New Mexico			X			NO
New York					X General Productivity	YES
North Carolina	X					NO
North Dakota	X			X		NO
Ohio	X	X	X	X		YES
Oklahoma	X		X	X		NO
Oregon	X	X			X Contracting out	NO
Pennsylvania	X		X			YES
Rhode Island	X					NO
South Carolina	X		X	X		NO
South Dakota	X		X			YES
Tennessee		X				NO
Texas	X		X			NO
Utah	X	X		X		NO
Vermont	X		X			YES
Virginia	X	X				YES
Washington	X				X Pay for performance	NO
West Virginia	X	X				NO
Wisconsin						NO
Wyoming						N/A
Dist. of Col.	X	X				NO

X = state likely to use this method in the next two years

Note: Blank cells mean no response or not applicable
Source: Survey by the Council of State Governments, 1987

Table 13

TRANSIT REVENUE/COST GAP SOLUTIONS

(continued)

	Increase Part-time Transit Labor	Renegotiate Labor Contracts	Reduce Total Working Hours	Reduce Employee Benefits	Other	Cash Flow Problems Created by Timing of Federal Allocation
American Samoa						N/A
Guam						YES
N. Mariana Is.						N/A
Puerto Rico						YES
Virgin Islands						
TOTAL RESPONSES	38	16	19	11	5	YES - 14; NO - 36

X = state likely to use this method in the next two years

Note: Blank cells mean no response or not applicable
 Source: Survey by the Council of State Governments, 1987

Appendix K

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