



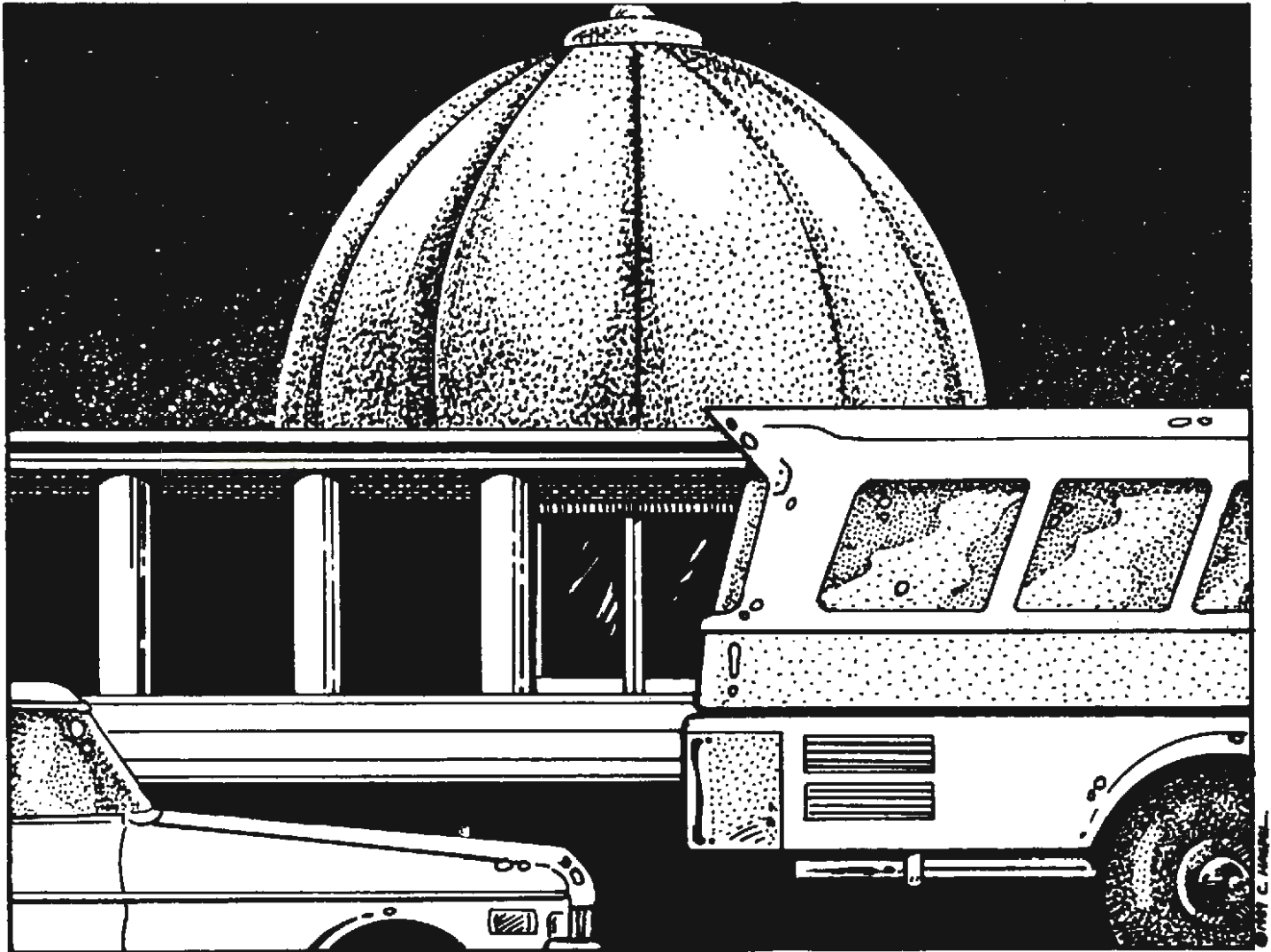
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State Policies in Transit Public and Private

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STATE POLICIES IN TRANSIT: PUBLIC AND PRIVATE

by
Robert A. Krause
Mack C. Shelley II
Gaye Horton

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Headquarters:
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FOREWORD

The Center for Transportation is pleased to release State Policies in Transit: Public and Private. This document assesses state leadership views concerning private sector involvement alternatives in public transit. The views assessed are those of chairs of transportation committees in state legislatures across the nation. The chairs are a core group of state transportation policy makers, and their attitudes concerning transportation issues can forecast the structure of state transportation policy ultimately implemented. The background for the commentary is based on statistical testing methodologies. Relationships discussed in the commentary meet generally accepted standards of statistical probability as to reliability of occurrence.

We consider this important research to be part of The Center for Transportation's ongoing efforts to further develop the concept of the public/private partnership in America.

Lexington, Kentucky
April, 1989

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In addition to the staff, the Council of State Governments would like to thank the following people for their contributions to the successful completion of the project. Individuals are listed alphabetically.

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Kathy Sebesta, consultant to the Center for Transportation

Doris Settles, consultant to the Center for Transportation

STATE POLICIES IN TRANSIT: PUBLIC AND PRIVATE

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OVERVIEW

"Private sector involvement" has been a rallying cry for a wide range of proposed policies affecting public transit. But what exactly is private sector involvement, and why is there movement in this policy area today?

The term "private sector involvement" covers a wide range of topics and strategies —ranging from total private ownership and operation of public transit systems through joint public/private financing arrangements through to "do-it-yourself" projects such as ridesharing.

An Example

Here is an example where a private sector involvement strategy might fill a public need. The hypothetical situation is a metropolitan area where there has been unfocused growth. Unfocused suburban growth spawns trip patterns which do not have single hubs as do central city hub-and-spoke transit ridership patterns. Traditional public transit does not work well in meeting public transit needs for these kinds of suburban areas.

The private sector solution might be to encourage a small private sector demand-response transit system to cover this service area on a subsidized or unsubsidized basis. This kind of system might be able to deliver low cost quality service where a traditional fixed route system would be unable to operate, if given the opportunity. Other private sector involvement strategies exist for meeting a variety of transit needs.

Numerous examples of various private sector involvement applications such as this can be found in transit research literature. In some localities, however, the degree of private sector involvement in public transit is limited. This may be in spite of the best efforts and intentions of both managers and public officials. In these cases, inertia and institutional barriers may have made public sector involvement in the provision of public services a monopoly. This becomes poor public policy not only for the public, but also for public sector public transit service.

Several states are beginning to look at broad public strategies to enhance private sector involvement, not only to fill special niche applications, improve service, and stretch tax dollars, but also to create market competitors for public sector public transit services, in the hopes that the competition will make both public and private sector operations leaner and generally more responsive to public needs. This report discusses early-stage input in the creation of a state level private sector involvement policy.

The Origins of Private Sector Involvement Policies

In an historical perspective, the movement toward private sector involvement is a natural swing of the policy pendulum. The role of the private sector in public transit had been declining for nearly four decades. The decline of private sector involvement in public transit was in concert with the decline of public transit itself. The overall decline in public transit was driven largely by growth in the use of the automobile and the national "cheap energy" policy which was in effect.

Trends began to reverse with the oil embargoes in the 1970's. Private sector involvement was a first line policy response of the Federal government to the embargoes under the banner of "ridesharing," "carpooling", and "vanpooling."

Emphasis on private sector involvement as a broad strategy for national public transit policy began while Ralph Stanley was Administrator of the Urban Mass Transportation Administration, and has continued during the tenure of Administrator Alfred A. Dellibovi. Energy savings, cost to taxpayers, and benefits to transit users have all been considerations in the establishment of the private sector involvement policy.

The Original Decline of The Private Sector in Transit

While it is relatively easy to understand how the automobile and low cost oil caused public transit to decline, it is more difficult to see how this could have caused private sector involvement to decline, also.

Contributing factors were: the decline of public transit itself, government regulation, public expectations, and the hub-and-spoke nature of the existing transit systems. These factors acted symbiotically in the decline of private sector public transit.

With the growth of new land use patterns after World War II, and the emerging dominance of the automobile, public transit ridership collapsed from more than 25 billion riders per year high to a low of 7 billion in the 1970's before the decline stopped.*

Private sector public transit could not adjust to this rapid market collapse and still maintain service. Public transit was often a regulated utility, and public regulators would not allow the service or rate changes to reflect declining markets. Refusal of the regulators to allow change would often lead to bankruptcy of the private transit operator and the pick-up of public transit service by the government. Where regulation was not a factor, service often constricted to such a degree that the public demanded service restoration through public intervention.

New Interest by the Private Sector in Transit Services

Since the mid-1970's, four new trends have emerged to reverse the factors which drove the private sector out of transit. These trends—market stabilization, new ridership growth, transit management philosophy adjustment to new ridership patterns, and transportation deregulation—justify a re-evaluation of what the proper role of the private sector might be in public transit.

The first two trends are the stabilization and growth of the market. Due to national energy policy changes and due to increased public investment in the national public transit physical plant, trend-lines in transit ridership show stabilization and improvement. Ridership has increased by more than twenty per cent since the dark days of the 1970's. The growth may even be greater, because private sector ridership is difficult to quantify. Further, transit management philosophies are beginning to adjust to the new ridership patterns which resulted from the new and

emerging land use patterns. Finally, philosophies in transportation regulation have changed. "Deregulation," which is actually economically driven regulation, has become a national catch-word in the transportation industry.

State Policy Reviews

In light of these changed circumstances, state policy makers may wish to conduct a formal review of private sector involvement in the delivery of public transit services within their states. State policy makers who are interested in enhanced private sector involvement can, through this process, investigate the impacts on taxes, on transit riders, and on cost, quantity, availability and quality of public transit service.

Private sector involvement policy reviews should recognize that private sector involvement policy is a mosaic rather than a single monolithic solution. Various private sector involvement alternatives can be combined to give a blend which is appropriate to the state's needs for transit services, existing land use patterns within the state, the uniqueness of local jurisdictions, and the successes and failures of existing service delivery systems.

Likewise, private sector involvement policies are not a panacea. Private sector involvement is likely to fail from a policy standpoint if it is seen as a "giveaway " or a shut-down of an existing public service. The goal for the creation of a good private sector involvement policy should be a measure of the public good in terms which both the transit rider and the taxpayer are likely to understand. Those measures relate directly to costs, quantity of service, type of service, availability of service and quality of service.

Designing What The Public Wants

The final definition of this renewed role for the private sector has strong public policy implications. New private sector involvement in the provision of public transit services can have impacts on services available, public subsidies paid, and user fares paid. The public is sensitive to all of these impacts. Therefore, the design of policies for re-involvement of the private sector becomes an important public policy question.

What might a state level private sector policy look like? Understanding current thought by chairs of transportation committees in state legislatures concerning policy options for private sector involvement in public transit may help to anticipate this.

The Hidden Role of the States

The provision of public transit services is often viewed primarily from a local government perspective, even though states have a great deal of input into how transit service is delivered. The federal government, local governments, and even state governments sometimes fall into this perceptions trap. Until one realizes the extensive involvement in transit by states today, it is an easy trap to fall into.

The problem with using an exclusively local perspective to create a state-level private sector involvement policy is that actions which lead to a local policy result

are not always readily apparent. For instance, a state office of ombudsman for private transit operators can do a lot to increase private sector activity in transit on many levels. However, this advocacy is probably not visible to the public, or even the private sector transit providers. Other examples will be discussed.

State involvement in public transit generally is important—and important for more than the dollar amounts of aid which states can and do provide. States set the legal, financial and operating parameters for locally operated public transit. Their impact in these areas is of greater immediate impact than policy actions by the federal government.

Generally, states define permissible taxes for local government, the degree of openness of the governing structure, and even the governing structure itself. In spite of this breadth of authority, the state ability to structure the transit environment is sometimes discounted by policy makers at all levels. If attention is given to this unique power of the state, it is usually discussed in terms of the dollar amounts of transit assistance given by the state. The states' role in creating the proper environment for private sector involvement in the public sector has been likewise ignored.

Given the general unfamiliarity with the potential of the states to structure the transit environment, it is not surprising that when the states' role is discussed, it is often misconstrued.

States—with a few exceptions, such as Delaware—are not structured to administer transit programs at the local level. Even so, the states' role is usually discussed directly in terms of local private sector involvement programs. This is a mistake in perception akin to assuming that the federal government plays the lead role in assigning local garbage collection schedules.

For private sector involvement in public transit to be discussed successfully at the state level, issues must be couched in terms of the "indirect" policy sphere in which the states operate. Very few private sector/public transit studies do this today. Because the focus of policy debate is different at the state and local levels, local private sector involvement studies may not be completely useful for the state policy maker.

The Study

The information presented here broadly defines the states' policy sphere in private sector involvement in public transit, and sets parameters in which other state policy research can evolve.

The target audience and the subject for this study are legislators which chair transportation committees in state legislatures across the nation. Chairs of transportation committees are arbiters of those state laws which create the legal environment which the local transit agencies operate, and are crucial players in the evolution of private sector involvement in public transit.

The study first creates a view of state policy options from the perspective of the chairs of transportation committees. Then it builds a web of scenarios which may govern the direction that these legislative views may take.

The Findings—Perceptions of End Results

The study covers several aspects of private sector involvement: perceptions of end results, state policy options for transit, general funding priorities for transit, and local policy options for transit.

Perhaps the most important finding of the study is the perception of the end results. Measured in terms of service indicators such as quality, convenience, reliability and safety; policies which generally seek to involve the private sector in public transit are seen to have a favorable impact.

In terms of cost to the taxpayer, the results were also seen as generally positive. Without these favorable perceptions of the bottom line in terms of service and cost, the long term success of any private sector involvement policy would be slight.

Results concerning views of the impact of private sector involvement policies on the farebox were not as conclusive. This is probably because of an unspoken assumption that private sector involvement options would be implemented in concert with reduced public assistance for transit. This is not necessarily the case. Private sector strategies can be geared to pass through private sector savings to the farebox also.

The Findings—State Policy Options

For the survey, various possible state policy options for private sector involvement were roughly defined as "catch-phrases." Of the strategies identified, all but one met with a net positive response as "favored" by the chairs. The study created a tiered priority ranking, based both on measurements of favor and on homogeneity of support. The tiering of the ranking brackets options one through five as a clearly identifiable affinity group, options six and seven as another affinity group, and option eight as standing alone.

State policy options by order of preference were:

1. "Steps which would insure involvement of the private sector (operators, the business community, neighborhood groups, and others) in the local planning process for public transit services."

2.5 (Tie) "State level promotion of corporate or private carpool/vanpool initiatives."

2.5 (Tie) "Authorization legislation for joint public/private financial arrangements for construction of public transit facilities (e.g. special benefit districts, required bonding legislation, etc.)."

4. "Devising mechanisms or opportunities for private opportunities to bid for mass transit routes or services."

5. "The establishment of a private sector involvement advocate or unit within the state transit bureaucracy."

6. "Institutional separation. That is, separating the funding and policy functions from operating transit functions in order to promote competitive contracting and other alternatives such as ridesharing."

7. "Economic deregulation, or route deregulation initiatives for buses, vans, and taxis."

8. "Requiring or allowing equal subsidy treatment for publicly-owned transit system contractors and privately-owned or operated transit carriers."

Other Findings

Another goal of the survey was to review how public transit as a public service might fare in the highly competitive marketplace for public funding. Public transit placed mid-point in the priority set of a group of individuals who can be presumed to know something about transit. These same individuals slightly favored raising taxes for public transit purposes, and indicated that if taxes are to be raised, there is a strong preference for dedicated taxes.

Finally, the survey reviewed preferences for local options concerning private sector involvement. Legislator preference for various local options will influence how state private sector involvement policy is designed.

History of State Involvement in Transit

These findings come at an historic time in state involvement in public transit. The states emerged as the dominant givers of financial aid to local transit providers in 1987. In that year, for the first time, state government assistance actually exceeded that of the federal government. When viewed from a trend-line perspective, it is obvious that the 1987 experience is not a fluke. Rather, it is the culmination of a long-term decline in federal aid, and a long-term increase in the amount of state aid.

The state acceptance of this financial responsibility has been gradual, and for that reason has not been widely noted in the media. Nevertheless, the acceptance is historic, especially when one recognizes that major state involvement in the provision of transit services is a relatively recent event.

The collapse of the nation's private transit companies came at a time when state legislatures were largely unresponsive to urban needs. The concept of "one person, one vote" was not yet national public policy for the states. Rural interests dominated state legislatures to a degree which is unimaginable today. The federal government was relatively more responsive to urban interests. Thus, the urban demand for government assistance was met at the federal level. This pattern continued for many years, as urban interests got used to by-passing the states and going directly to the federal government on issues of urban concern, such as transit.

That began to change when state legislative reapportionment was triggered by the U.S. Supreme Court cases of Baker vs. Carr (1962), and Reynolds vs. Sims (1964).

By the early 1970's, the reapportionment policies mandated by the Court were fully implemented. With that implementation came a new responsiveness to urban interests by state legislatures. The growth of financial aid for local transit by the states is indicative of that responsiveness. Financing for The Future: Changing Roles in Mass Transit, published by the Center for Transportation, Council of State Governments provides an in-depth discussion of this evolution.

The natural growth in transit assistance which resulted from the increased responsiveness of state legislatures has been accelerated by the shrinking role of the federal government. The federal shrinkage results in part from the well-publicized budget constraints installed to control the federal deficit. Another major cause for the shrinkage is a dramatic national change in philosophy concerning federal involvement in the provision of domestic services. In recent years, Congress is less likely to provide federal assistance for local government service unless there is an over-riding federal interest.

Evolution of the States' Role

The role of the states, however, does not appear to be evolving as one of a direct federal aid surrogate. States are faced with limits in the amount of budgetary growth that is possible, given other broad budgetary priorities, for the delivery of governmental services. It is significant that the transportation committee chairs surveyed ranked public transit behind highways, education and environment as a state funding priority. Among non-transportation oriented legislators, a broad ranking would possibly place public transit in a much lower funding priority. These kinds of financial pressures will probably force private sector re-entry into the provision of public transit services if enough investment is to be generated.

This new investment capital for the nation's transit systems may in the long run be the most significant benefit of all. Service improvements are likely to draw more fare-paying customers to transit. This can drive down the per-rider costs, help to reduce urban highway congestion, and increase other transit related public benefits.

To be comprehensively successful, private sector involvement requires a strategy, institutionalized as public policy. By creating a public policy on private sector involvement, and placing it in the law books, states generate a direction for private involvement, and insure that it takes place in a reasoned framework that protects the public interest.

States have an interest in developing this public policy infrastructure, from both a cost and a service perspective. Chairs of transportation committees in state legislatures are the builders of this policy infrastructure. This report explores their views.

*1987 Transit Fact Book, American Public Transit Association, 1987.

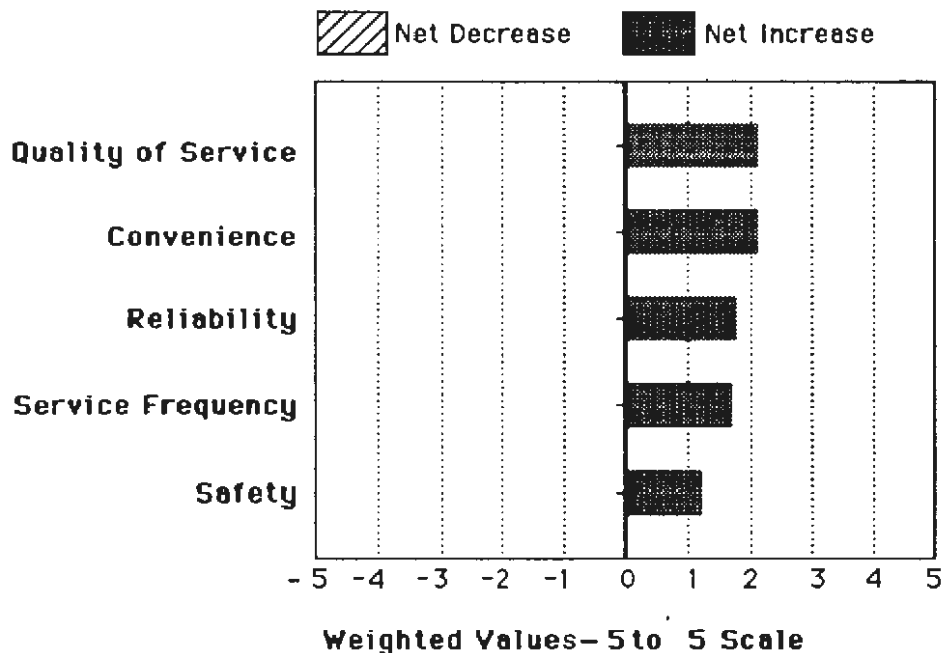
STATE POLICIES IN TRANSIT: PUBLIC AND PRIVATE

THE BOTTOM LINE -- SERVICE INDICATORS

What is the anticipated bottom line for these policies which promote private sector involvement in public transit? Transportation committee chairs in state legislatures across the country say that generally, the expected public impacts of increased private sector involvement are good—at least in terms of the major service indicators shown on the graph below.

The service indicators measured were selected because of their relevance to public acceptance of private sector involvement options. Without an expectation of favorable results, policy makers would have a difficult time justifying increased private sector involvement.

THE ANTICIPATED BOTTOM LINE
SERVICE INDICATORS
MEASURED BY STATE TRANSPORTATION COMMITTEE CHAIRS

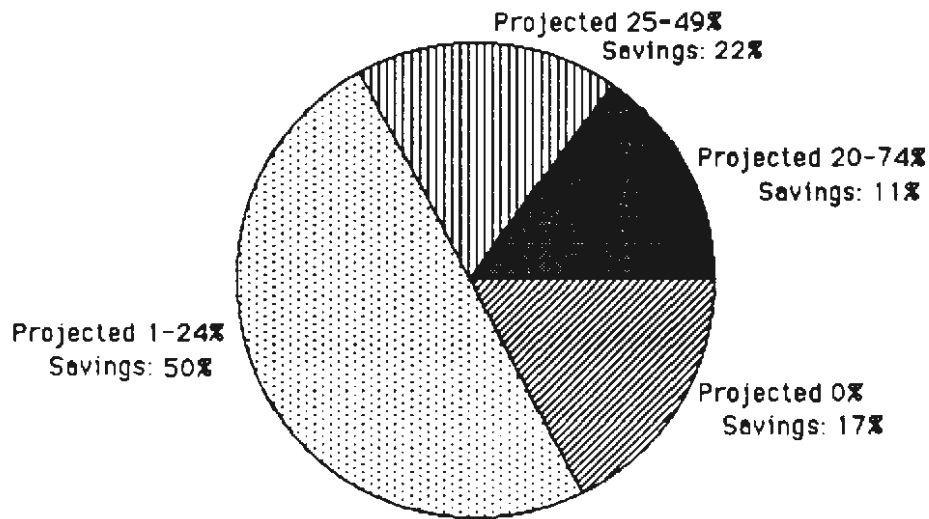


Graph 1. Source: Center for Transportation, The Council of State Governments, 1989.

THE BOTTOM LINE -- GOVERNMENT SAVINGS INDICATORS

Likewise, the responding legislators anticipated general savings in cost to the government from the implementation of private sector involvement in public transit policies generally.

**THE ANTICIPATED BOTTOM LINE
GOVERNMENT SAVINGS INDICATORS
MEASURED BY STATE TRANSPORTATION COMMITTEE CHAIRS**

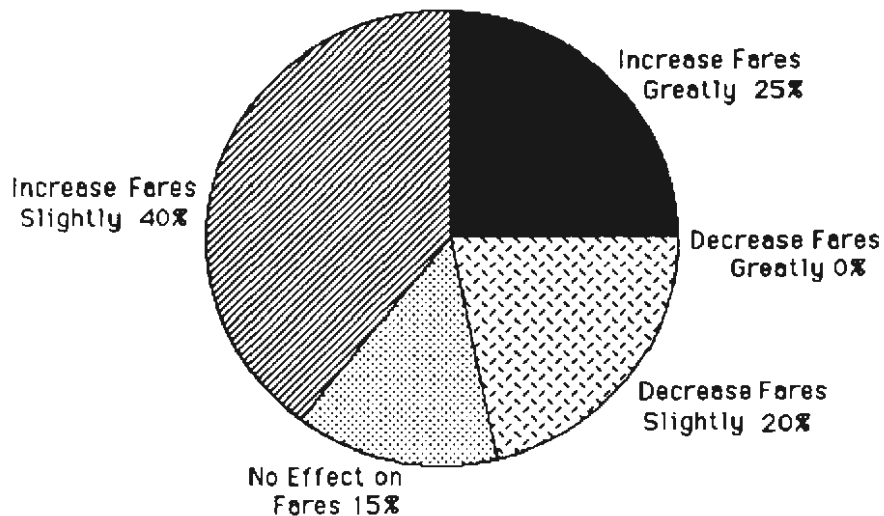


Graph 2. Source: Center for Transportation, The Council of State Governments, 1989.

THE BOTTOM LINE -- FARE INDICATORS

Perceptions are critical in policy making. Thus, the inconclusive nature of the views concerning the impact at the fare box is important. This is a sensitive perception concerning private sector involvement in public transit, and must be dealt with frankly. While many experts on private sector involvement state a strong argument that fares will come down, they have not made their argument conclusive in the public arena.

**THE ANTICIPATED BOTTOM LINE
FARE INDICATORS
MEASURED BY STATE TRANSPORTATION COMMITTEE CHAIRS**



Graph 3. Source: Center for Transportation, The Council of State Governments, 1989.

STATE POLICY OPTIONS FOR PRIVATE SECTOR INVOLVEMENT

While fare impact is an important driver of public opinion, it does not appear to have materially impacted the overall favorable views of these state legislators concerning various state policy options for private sector involvement.

Most state level policy options for private sector involvement in public transit meet with favor, according to the Center for Transportation survey of transportation committee chairs in state legislatures across the country. These favorable views are interwoven with individual perceptions and attitudes which will ultimately govern the make-up of any broad policy effort at the state level which concerns private sector involvement in public transit.

Private sector involvement in public transit is not a new issue. During the energy crunches of the 1970's, a major segment of private sector involvement was called "Ridesharing." It has been around under a variety of colorations for many years.

It has only been in the 1980's, however, that private sector involvement has been promoted from a broad public policy perspective. This swing of the policy pendulum is probably in part a reaction to the gradual withdrawal of the private sector from a large portion of the public transit market which took place in the 1950's, the 1960's and the early 1970's.

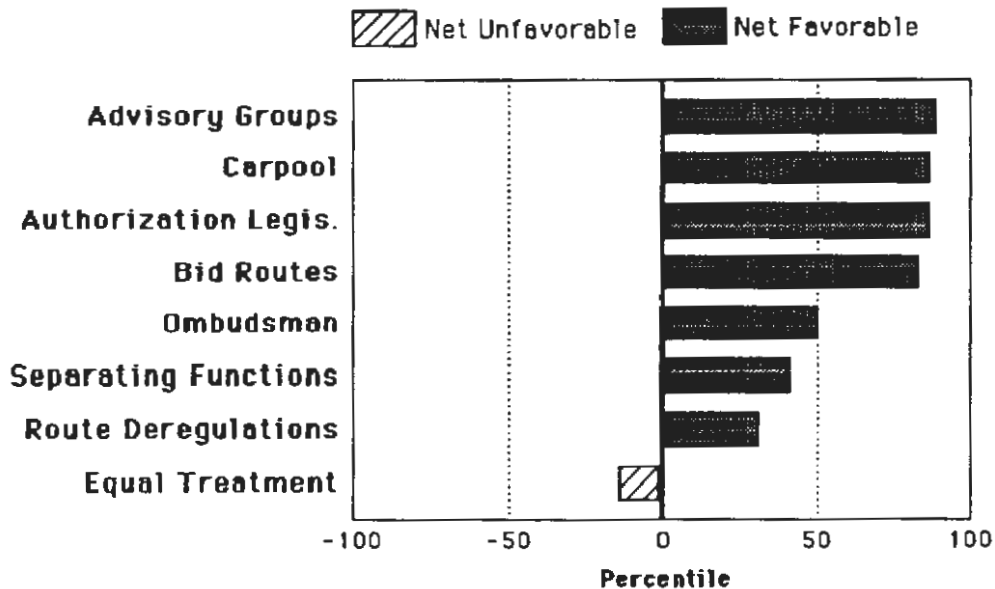
The public policy initiatives for private sector involvement in transit come at a time when the states are emerging as the primary providers of assistance to local transit, for the first time in history.

This adds complexity to what may be viewed as a relatively simple task to individuals who are unfamiliar with the state legislative process. Private sector involvement activity is often discussed in terms of the local transit operation. State policy makers do not usually react on that kind of "front-line" basis. Few state policy makers are in a position to manage a transit system directly, and few want to.

Because transit systems are often the creature of local governments, state policy activity in support of private sector involvement must usually be framed in that dimension -- as an indirect policy which will "promote" private sector involvement decisions by front-line transit management and by front-line transit governing bodies.

When asked their view of several state-level private sector involvement policy options, state transportation committee chair responses resulted in the ranking which is shown on the chart below. Taken as a group of options, if a legislator tended to favor one private sector involvement option, it was likely that all others would be favored.

**STATE POLICY OPTION RANKINGS
BY STATE TRANSPORTATION COMMITTEE CHAIRS**



Graph 4. Source: Center for Transportation, The Council of State Governments, 1989.

Pie graphs for each individual local policy option measured are shown in Appendix 1.

Although almost all state policy options received favorable responses, some appear to have more support than others. Additional factors discovered in the analysis allow the following solution priority groupings to be developed:

**STATE POLICY OPTION RANKINGS
FIRST TIER SOLUTIONS**

Ranked Number 1: (ADVISORY GROUPS/STATE POLICY OPTION) Steps which would insure involvement of the private sector (operators, the business community, neighborhood groups, and others) in the local planning process for public transit services.

Ranked Number 2.5—Tie: (CARPOOL/STATE POLICY OPTION) State-level promotion of corporate or private carpool/vanpool initiatives.

Ranked Number 2.5—Tie: (AUTHORIZATION LEGISLATION/STATE POLICY OPTION) Authorization legislation for joint public/private financial arrangements for construction of public transit facilities (e.g. special benefit districts, required bonding legislation, etc.).

This particular state policy option has been given added importance by a recent

U.S. Department of Transportation initiative. The new initiative, announced by U.S. Secretary of Transportation Samuel Skinner, gives a higher priority to grant requests which offer non-federal matches at a level which is greater than the statutory 25 per cent floor. AUTHORIZATION LEGISLATION is a primary method to gain greater leverage in the non-federal match.

Ranked Number 4: (BID ROUTES/STATE POLICY OPTION) Devising mechanisms or opportunities for private operators to bid for mass transit routes or services.

Ranked Number 5: (OMBUDSMAN/STATE POLICY OPTION) The establishment of a private sector involvement advocate or unit within the state transit bureaucracy.

STATE POLICY OPTION RANKINGS SECOND TIER SOLUTIONS

Ranked Number 6: (SEPARATING FUNCTIONS/STATE POLICY OPTION) Institutional separation. That is, separating the funding and policy functions from operating transit functions in order to promote competitive contracting and other alternatives such as ridesharing.

Ranked Number 7: (DEREGULATION/STATE POLICY OPTION) Economic, or route deregulation initiatives for buses, vans and taxis.

STATE POLICY OPTION RANKINGS THIRD TIER SOLUTION

Ranked Number 8: (EQUAL TREATMENT/STATE POLICY OPTION) Requiring or allowing equal subsidy treatment for publicly-owned transit system contractors and privately-owned or operated transit carriers.

DISCUSSION OF THE TIERING

The First Tier Solutions are composed of state policy options for which strong support should exist, and for which there appear to be few internal inconsistencies among supporters.

—ADVISORY GROUPS/STATE POLICY OPTION is included as a first tier solution because of its overall number one ranking in the survey.

—AUTHORIZING LEGISLATION/STATE POLICY OPTION and CARPOOL/

STATE POLICY OPTION both rated very favorably. They also demonstrated a strong affinity with the number one ranked local service option of corporate ridesharing and vanpool programs. Therefore, they were both included in the first tier solutions.

Incidentally, legislators in states which had state level CARPOOL/STATE POLICY OPTION programs tended to favor tax increases for either maintenance of the status quo or increased services. Legislators who tended to favor CARPOOL/STATE POLICY OPTION also tended to rate bottom line service indicators for private sector involvement relatively lower.

—BID ROUTES/STATE POLICY OPTION had a strong affinity to CARPOOL/STATE POLICY OPTION, which is also a first tier solution.

—The establishment of an OMBUDSMAN/STATE POLICY OPTION within the state transit bureaucracy is the last option to be included in the first tier solutions. This solution had an overall favorable rating, and had a strong affinity with all other first tier solutions.

The Second Tier Solutions included SEPARATING FUNCTIONS/STATE POLICY OPTION and DEREGULATION/STATE POLICY OPTION. As with all of the other state policy options presented, these two options had favorable ratings. However, both also had negative correlations with OMBUDSMAN/STATE POLICY OPTION, which is included in the first tier. This negative correlation means that the solutions might pull against each other if they were part of a package of policy options presented to a legislative body. Whether that internal inconsistency would be enough to pull apart the legislative package is unknown.

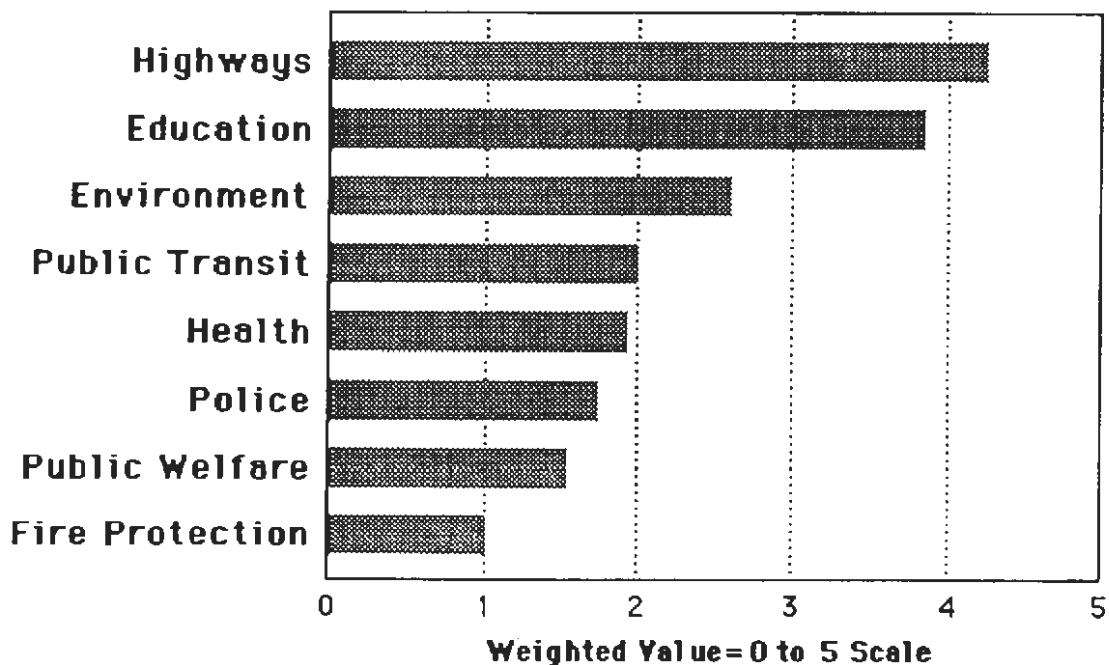
The Third Tier Solution consists of the EQUAL TREATMENT/STATE POLICY OPTION. This option was opposed by a plurality of chairs. A large "no-response" to this particular option leads one to suspect that opposition might be even stronger than suggested. This proposal would be met with controversy and might be difficult to get through a legislative chamber.

PUBLIC TRANSIT'S PLACE IN THE BIG PICTURE

Transportation committee chairs in state legislatures rank public transit approximately in the middle in a priority ranking of other basic public services. Public transit's strength with these leaders relative to highways is not surprising when one calculates that highway use tends to be more broadly based. While non-transportation oriented legislators might not have the same priority set for transportation generally, the "big picture" view should provide an indicator of how transit might fare in the competition for public dollars at state capitols.

This perception defines a reality in which public transit must operate, and creates a recognition that, in order to give maximum transit service, transit advocates may decide that they must look beyond public dollars provided by the state.

**FUNDING PRIORITY RANKINGS
BY STATE TRANSPORTATION COMMITTEE CHAIRS**



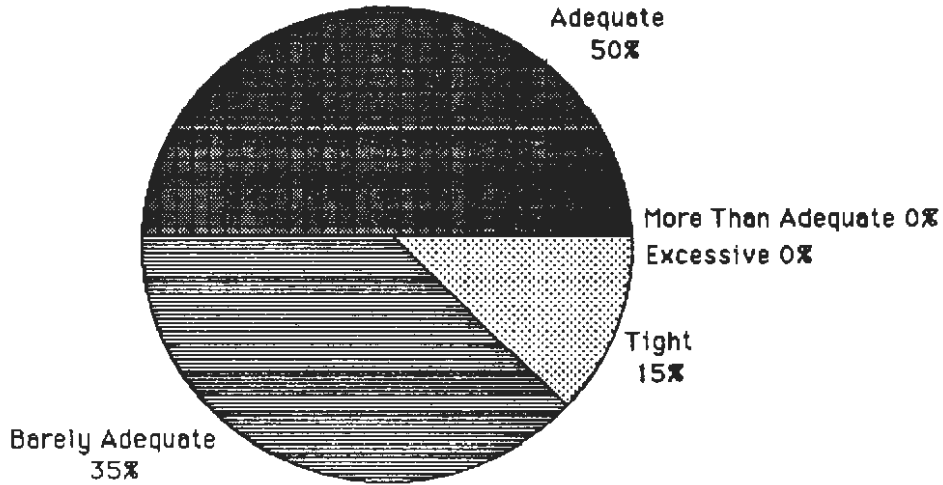
Graph 5. Source: Center for Transportation, The Council of State Governments, 1989.

**OVERALL ADEQUACY OF FUNDING
FOR GOVERNMENT SERVICES**

Public transit's position in budget competition is directly pertinent to how the transportation chairs view the overall adequacy of state funding for all programs. "Adequate" and "barely adequate" garnered the most responses. It can be assumed that survey respondents come from a broad ideological spectrum. Thus, it is surprising that none of the respondents termed funding as "more than adequate" or "excessive."

Graph 6 presents the results of the question - "How would you rate the overall adequacy of funding in your state for state and local public service programs, including fire, police, education, public transit, etc.?"

**OVERALL ADEQUACY OF STATE FUNDING
VIEWS OF STATE TRANSPORTATION COMMITTEE CHAIRS**



Graph 6. Source: Center for Transportation, The Council of State Governments, 1989.

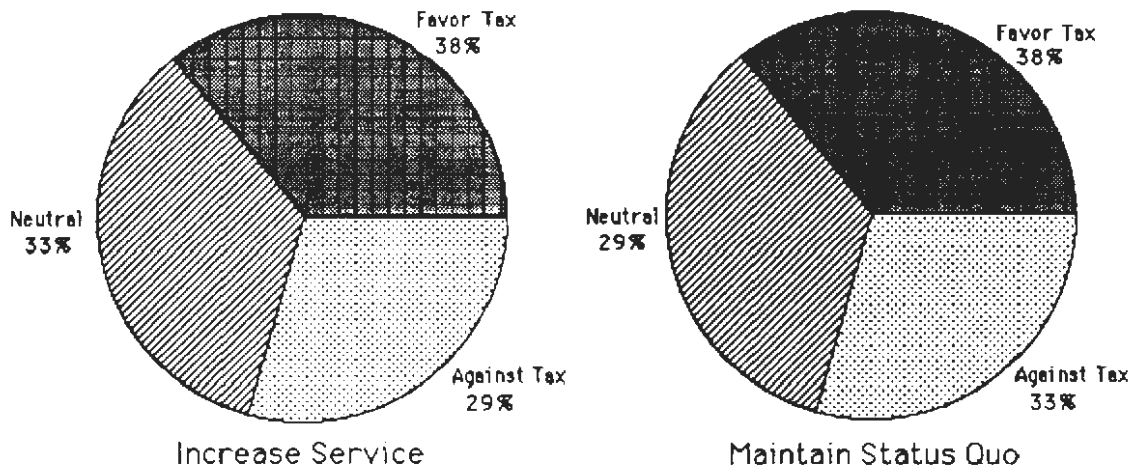
IF TAXES MUST BE RAISED

For a variety of reasons, the national per vehicle per mile cost for services has escalated at a rate greater than inflation. The transportation committee chairs were asked whether they would favor increasing taxes to:

- 1) cover rising transit costs (INCREASE TAXES/COSTS); or
- 2) improve or increase services (INCREASE TAXES/SERVICE).

Both tax increase options showed more support than opposition. However, by a very slight margin, increasing taxes to improve or increase services had the most support, as is illustrated below.

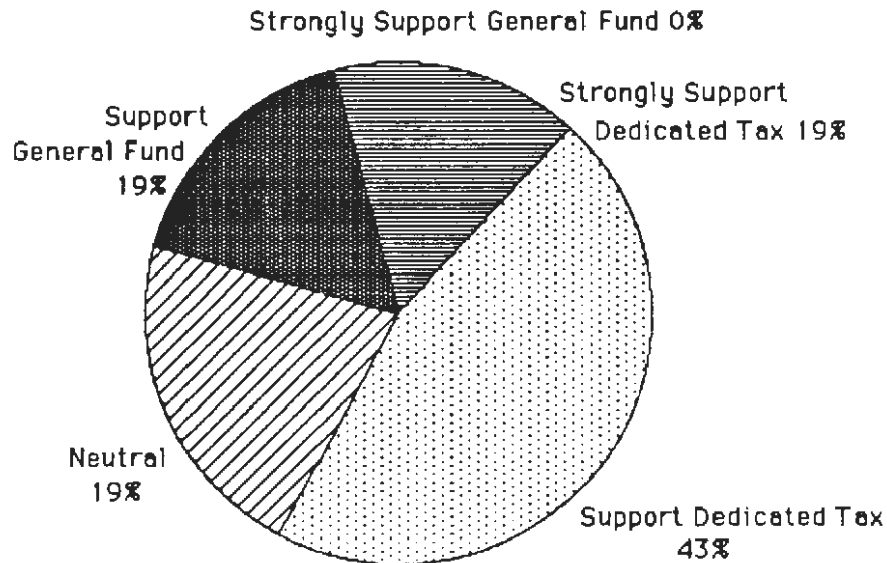
**PREFERENCES FOR TAX SUPPORT
BY STATE TRANSPORTATION COMMITTEE CHAIRS**



Graph 7. Source: Center for Transportation, The Council of State Governments, 1989.

Chairs were also asked their preference for a general fund tax levy or some form of dedicated tax, assuming that a tax was raised to support public transit. Overwhelming support was shown for dedicated taxes.

GENERAL FUND VERSUS DEDICATED TAX PREFERENCES BY STATE TRANSPORTATION COMMITTEE CHAIRS



Graph 8. Source: Center for Transportation, The Council of State Governments, 1989.

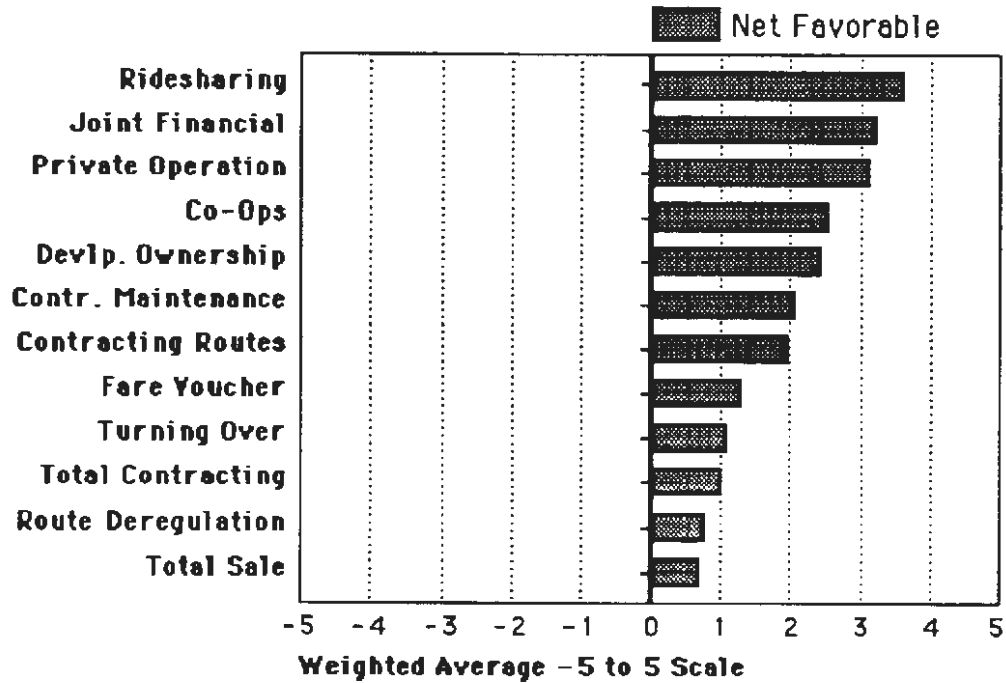
PRIVATE SECTOR INVOLVEMENT AT THE LOCAL LEVEL

State legislators often respond to state policy initiatives based on their perception of the local impact. There is a natural tendency to "pass the buck" on blame for unsuccessful programs, and legislators seek to avoid this kind of criticism from local officials. Thus, even though state legislators do not directly legislate most local private sector involvement strategies, their views on those strategies may ultimately color their action on state legislation.

For this reason, state legislators were questioned concerning local private sector involvement options. Specifically, they were asked which of the following they felt were appropriate roles and strategies for private sector involvement in public transit.

Pie Graphs for each individual local policy option measured are shown in Appendix 2.

**RANKED LOCAL PRIVATE SECTOR INVOLVEMENT OPTIONS
PREFERENCES BY STATE TRANSPORTATION COMMITTEE CHAIRS**



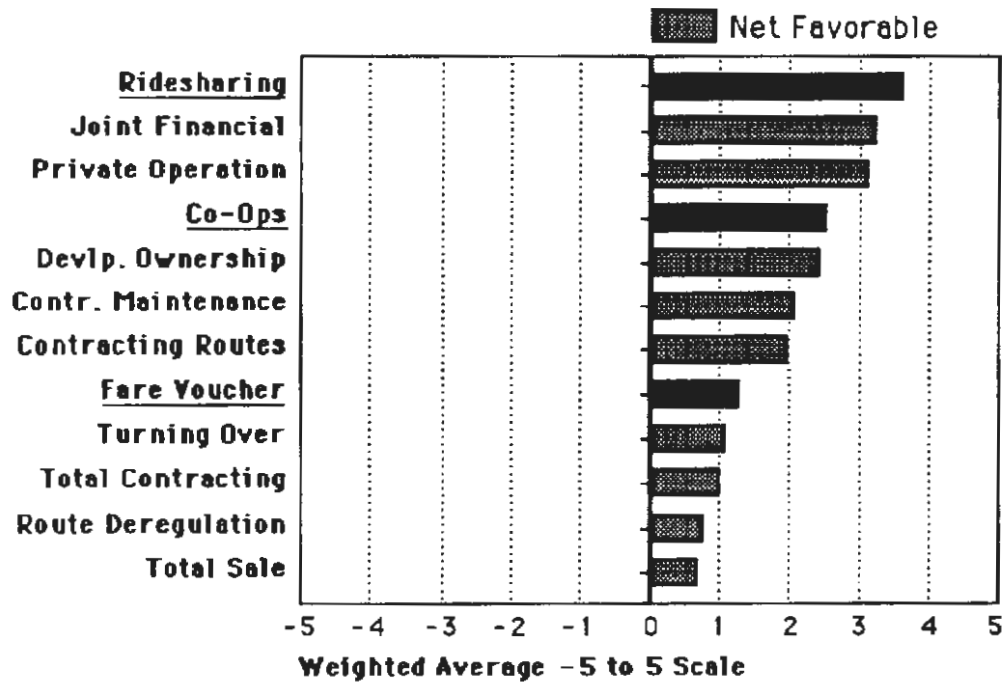
Graph 9. Source: Center for Transportation, The Council of State Governments, 1989.

DEFINING AFFINITY GROUPS ON LOCAL POLICY OPTIONS

Policy proposals for private sector involvement tend to fall into "packages" or "affinity groups" in the minds of transportation committee chairs. These "affinity groups" may be useful in the development of private sector involvement policies. The use of affinity groups for planning can help minimize internal inconsistencies which might cause friction either in policy development or in policy implementation.

Four interest "affinity groups" were developed from a review of positive and negative correlations. An "affinity group" represents a grouping of policy options in which there are no internal contradictions in support (negative correlations), and in which one or more factors tend to tie the policy options together (positive correlations). Any particular policy option can be a member of any and all "affinity groups," as long as the above rules are hewn to.

**GROUP 1. SMALL SYSTEMS APPROACH AFFINITY GROUP
PREFERENCES BY STATE TRANSPORTATION COMMITTEE CHAIRS**



Graph 10. Source: Center for Transportation, The Council of State Governments, 1989.

Group 1 - The Small Systems Approach Affinity Group - This group represents local policy options which tend to work best with small systems. Among these are:

—RIDESHARING/LOCAL POLICY OPTION, Corporate ridesharing and vanpool programs (RANKED NUMBER 1).

—CO-OPS/LOCAL POLICY OPTION, Non-profit commuter bus cooperatives (RANKED NUMBER 4).

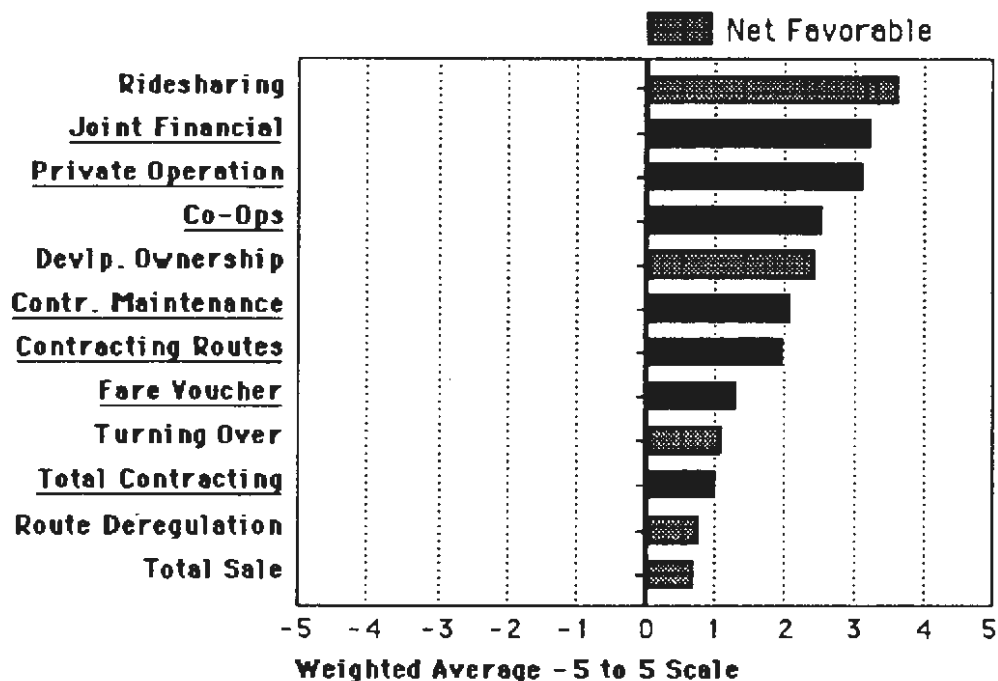
—FARE VOUCHER/LOCAL POLICY OPTION, Fare Voucher system for human delivery service, which allows the recipient to choose the preferred form of transit (RANKED NUMBER 8).

An example of how a relationship exists between local policy options and state options may be found in the relationship of RIDESHARING/LOCAL POLICY OPTION as a local policy option to several of the state policy options. Positive correlations with RIDESHARING/LOCAL POLICY OPTION included:

- Authorization legislation for joint public/private financial arrangements for construction of public transit facilities (e.g. special benefit districts, required bonding legislation, etc.) (AUTHORIZATION LEGISLATION/STATE POLICY OPTION, First Tier Solution).

- State level promotion of corporate or private carpool/vanpool initiative (CARPOOL/STATE POLICY OPTION, First Tier Solution).
- Devising mechanisms or opportunities for private operators to bid for mass transit routes or services (BID ROUTES/STATE POLICY OPTION, First Tier Solution).
- Institutional Separation--That is, separating the funding and policy functions from the operating transit functions in order to promote competitive contracting and other alternatives such as ridesharing (SEPARATING FUNCTIONS/STATE POLICY OPTION, Second Tier Solution).
- Requiring or allowing equal subsidy treatment for publicly owned transit systems contractors and privately owned or operated transit carriers (EQUAL TREATMENT/STATE POLICY OPTION, Third Tier Solution).

**GROUP 2. PUBLIC/PRIVATE COORDINATION AFFINITY GROUP
PREFERENCES BY STATE TRANSPORTATION COMMITTEE CHAIRS**



Graph 11. Source: Center for Transportation, The Council of State Governments, 1989.

Group 2 - Public/Private Coordination Affinity Group - This group represents policy options which support joint public/private financial participation for the construction, operation and maintenance of publicly owned transit facilities.

A recent U.S. Department of Transportation initiative has increased the importance of this particular affinity group. The new initiative, announced by U.S. Secretary of Transportation Samuel Skinner, gives a higher priority to grant requests which offer non-federal matches at a level which is greater than the existing statu-

tory floor. Because joint financial efforts are central to this particular affinity group, options in this group may be seen as mechanisms to elevate the percentage of the non-federal match in accordance with the new policy. Options in this group are:

—JOINT FINANCIAL/LOCAL POLICY OPTION, Joint public/private financial participation for the construction of publicly owned transit facilities (e.g. people movers, rail systems, joint terminal/office complexes) (RANKED NUMBER 2).

—PRIVATE OPERATION/LOCAL POLICY OPTION, Private operation of some public transit facilities, such as train and subway stations (RANKED NUMBER 3).

—CO-OPS/LOCAL POLICY OPTION, Non-profit commuter bus cooperatives (RANKED NUMBER 4).

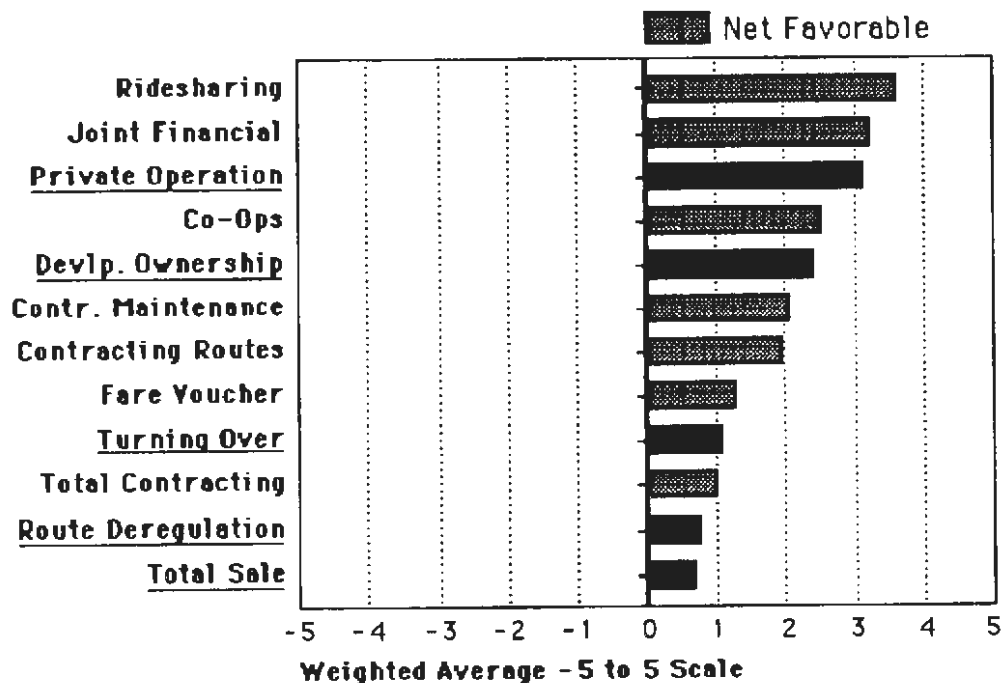
--CONTRACTING MAINTENANCE/LOCAL POLICY OPTION, Contracting out of maintenance for a publicly owned transit system (RANKED NUMBER 6).

—CONTRACTING ROUTES/LOCAL POLICY OPTION, Contracting out of selected bus routes to a private firm or firms (RANKED NUMBER 7).

—FARE VOUCHER/LOCAL POLICY OPTION, Fare Voucher system for human service, which allows the recipient to choose the preferred form of transit(RANKED NUMBER 8).

—TOTAL CONTRACTING/LOCAL POLICY OPTION, Total contracting out of all public transit services to a private firm or firms (RANKED NUMBER 10).

**GROUP 3. RAIL TRANSIT INTEREST AFFINITY GROUP
PREFERENCES BY STATE TRANSPORTATION COMMITTEE CHAIRS**



Graph 12. Source: Center for Transportation, The Council of State Governments, 1989.

Group 3 - The Rail Transit Interest Affinity Group - This group represents the local policy options which tend to center around a favorable perspective on the "appropriateness" of the "private development and ownership of rail transit and people mover capital facilities"—DEVELOPMENT OWNERSHIP/LOCAL POLICY OPTION. While all options presented in this grouping are not clearly rail-based, they are in some way connected with the single common thread of DEVELOPMENT OWNERSHIP/LOCAL POLICY OPTION. These options are:

—PRIVATE OPERATION/LOCAL POLICY OPTION, Private operation of some public transit facilities, such as train and subway stations (RANKED NUMBER 3).

—DEVELOPMENT OWNERSHIP/LOCAL POLICY OPTION, Private development and ownership of rail transit and people mover capital system (RANKED NUMBER 5).

—CONTRACTING MAINTENANCE/LOCAL POLICY OPTION, Contracting out of maintenance for a publicly owned transit system (RANKED NUMBER 6).

—TURNING OVER/LOCAL POLICY OPTION, Turning over portions of service to the private sector (Example: route elimination or week-end or evening service, with the expectation that it will be picked up by more cost-effective means of transit)(RANKED NUMBER 9).

—TOTAL CONTRACTING/LOCAL POLICY OPTION, Total contracting out of all public transit services to a private firm or firms (RANKED NUMBER 10).

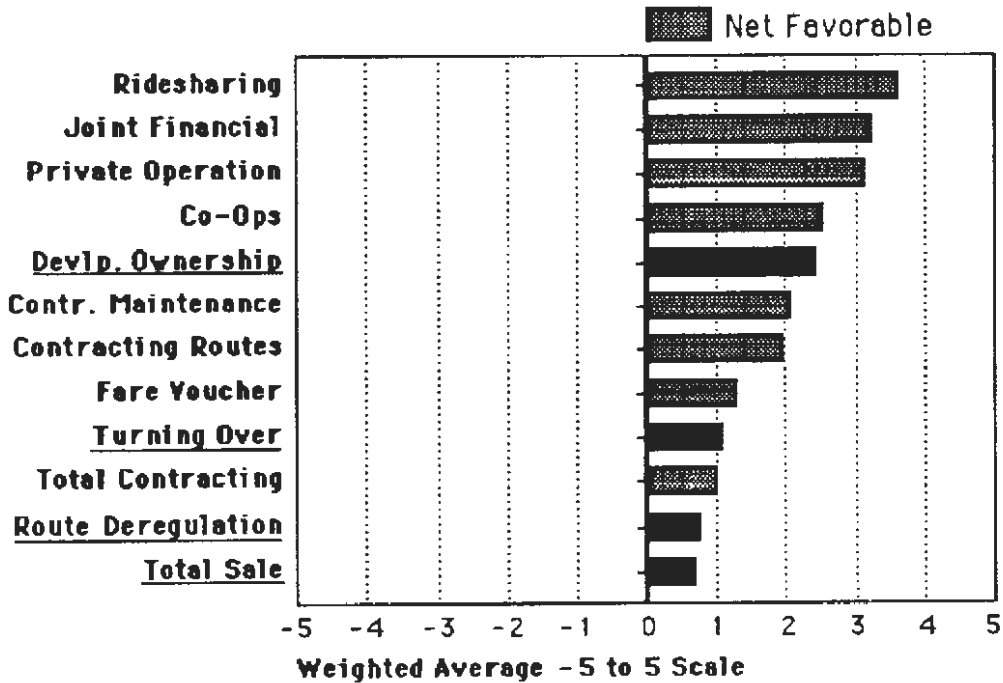
—TOTAL SALE/LOCAL POLICY OPTION, Total sale of a publicly owned transit system to the private sector (RANKED NUMBER 11.5--TIE).

—ROUTE DEREGULATION/LOCAL POLICY OPTION, Route deregulation to allow competition between publicly owned transit systems and private providers, including taxis, vans or taxis (RANKED NUMBER 11.5--TIE).

Group 4 - The Laissez-Faire Affinity Group - This group represents local policy options which, taken as a whole, would maximize private involvement in public transit. It tends to be the most polarizing. As a group, it showed a high number of positive correlations with the "service indicators" discussed later in the text. These high correlations suggest that advocates of laissez faire approaches have strong positive opinions concerning the bottom-line approach to these solutions.

A potential for conflict exists between those who prefer the laissez faire affinity group and those see some laissez faire alternatives as undesirable. Although the statistical evidence is not adequate to make an absolute statement to this effect, it can be said that those who support various tax increase alternatives as ways to maintain or increase service levels are more likely to regard some of the laissez faire thought group alternatives negatively. A significant exception to this "threat view" is DEVELOPMENT OWNERSHIP/LOCAL POLICY OPTION.

**GROUP 4. LAISSEZ FAIRE AFFINITY GROUP
PREFERENCES BY STATE TRANSPORTATION COMMITTEE CHAIRS**



Graph 13. Source: Center for Transportation, The Council of State Governments, 1989.

Options which "stick together" in the analysis of the survey which are laissez faire include:

—DEVELOPMENT OWNERSHIP/LOCAL POLICY OPTION, Private development and ownership of rail transit and people mover capital system (RANKED NUMBER 5). DEVELOPMENT OWNERSHIP had positive correlations with the "service indicators" of BUDGET SAVINGS, RELIABILITY, QUALITY OF SERVICE, SAFETY, and CONVENIENCE. DEVELOPMENT OWNERSHIP/LOCAL POLICY OPTION was viewed favorably by those who would increase taxes to increase services.

—CONTRACTING MAINTENANCE/LOCAL POLICY OPTION, Contracting out of maintenance for a publicly owned transit system (RANKED NUMBER 6). CONTRACTING MAINTENANCE had no correlations with the "service indicators."

—TURNING OVER/LOCAL POLICY OPTION, Turning over portions of service to the private sector (Example: route, week-end, or evening service elimination, with the expectation that it will be picked up by more cost-effective means of transit (RANKED NUMBER 9). TURNING OVER had positive correlations with the "service indicators" of RELIABILITY, QUALITY OF SERVICE and CONVENIENCE.

—TOTAL CONTRACTING/LOCAL POLICY OPTION, Total contracting out of

all public transit services to a private firm or firms (RANKED NUMBER 10). TOTAL CONTRACTING had positive correlations with the "service indicators" of BUDGET SAVINGS, QUALITY OF SERVICE and SAFETY.

—ROUTE DEREGULATION/LOCAL POLICY OPTION, Route deregulation to allow competition between publicly owned transit systems and private providers, including taxis, vans or buses (RANKED NUMBER 11.5--TIE). ROUTE DEREGULATION had positive correlations with the "service indicators" of SERVICE FREQUENCY, RELIABILITY, QUALITY OF SERVICE, SAFETY and CONVENIENCE.

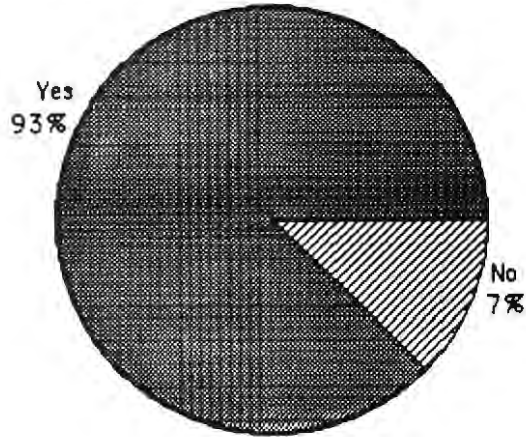
—TOTAL SALE/LOCAL POLICY OPTION, Total sale of a publicly owned transit system to the private sector (RANKED NUMBER 11.5_--TIE). TOTAL SALE had positive correlations with the "service indicators of BUDGET SAVINGS, SERVICE FREQUENCY, RELIABILITY, QUALITY OF SERVICE, SAFETY and CONVENIENCE. It had a negative correlation with those who would support either tax alternative.

APPENDIX 1.

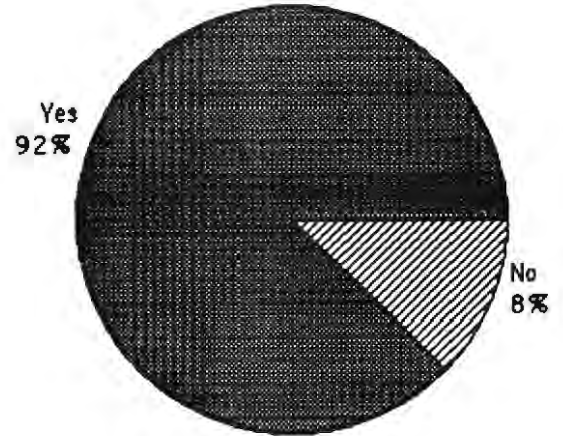
STATE POLICY OPTIONS*

Referenced on page 11.

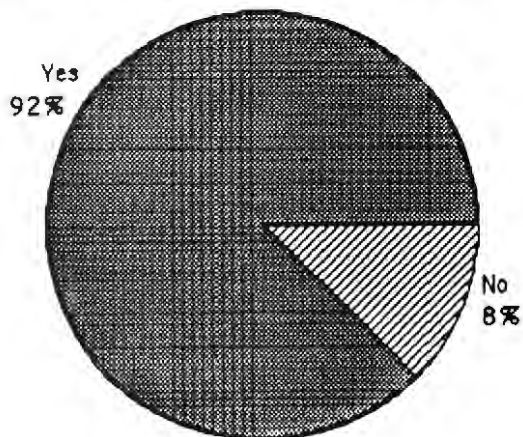
1A- ADVISORY GROUPS



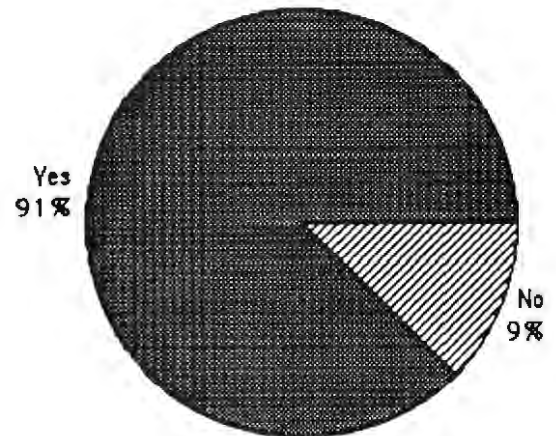
1B- CARPOOLING



1C- AUTHORIZATION LEGISLATION



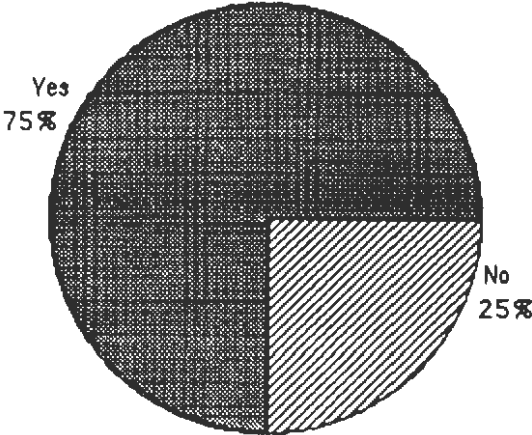
1D- BID ROUTES



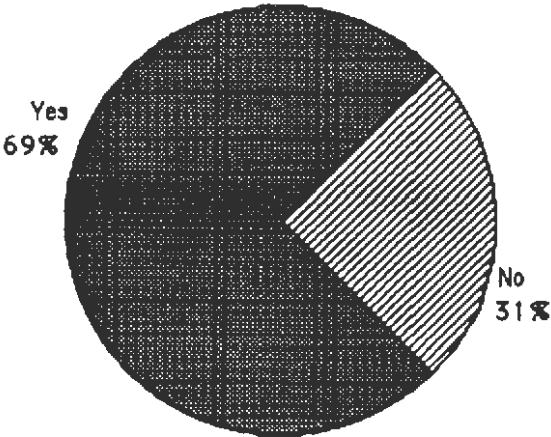
*Graphs based on total responses to the question.

APPENDIX 1, Continued

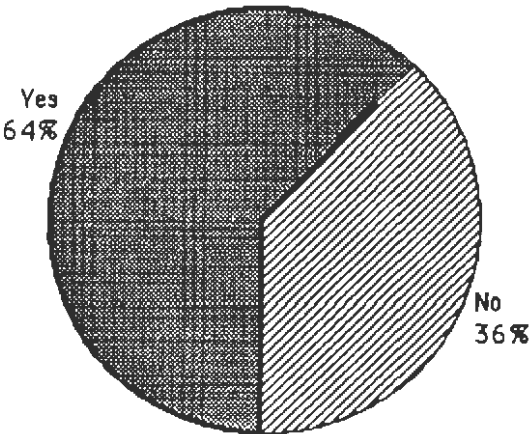
1E- OMBUDSMAN



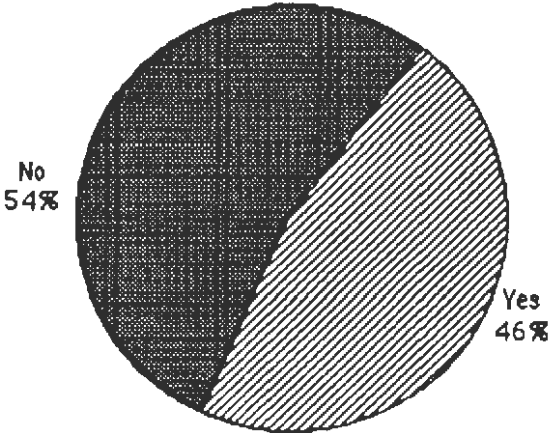
1F- SEPARATING FUNCTIONS



1G- ROUTE DEREGULATION



1H- EQUAL TREATMENT

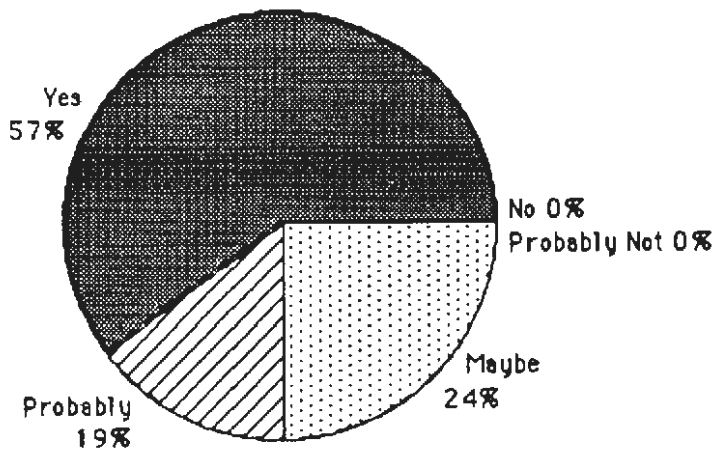


APPENDIX 2.

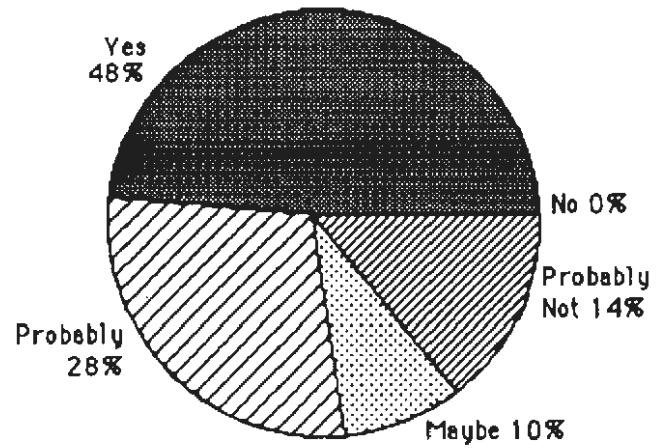
LOCAL POLICY OPTIONS*

Referenced on page 16.

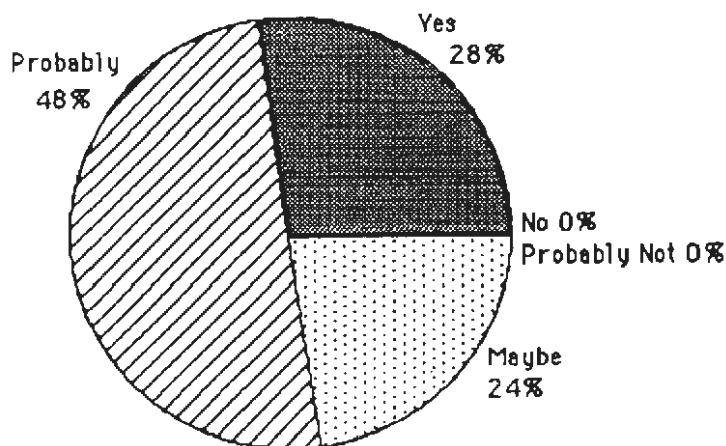
2A- RIDESHARING



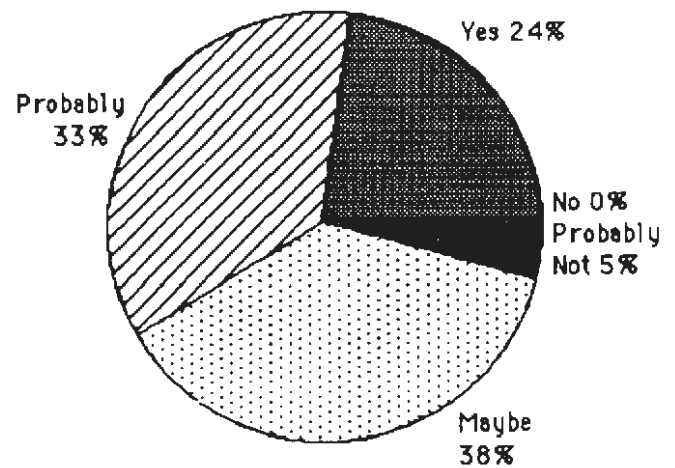
2B- JOINT FINANCIAL



2C- PRIVATE OPERATION



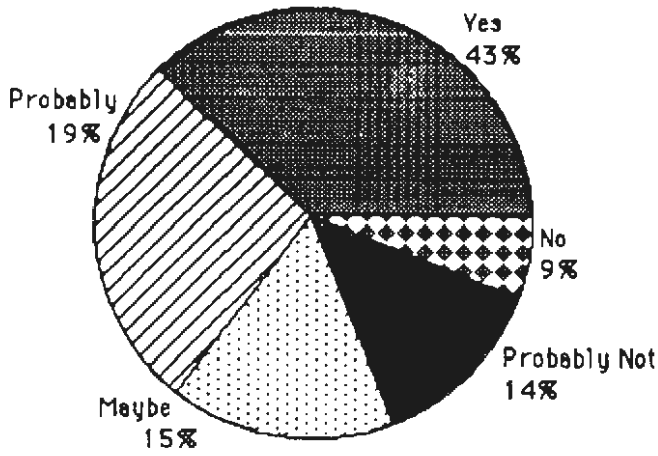
2D- CO-OPS



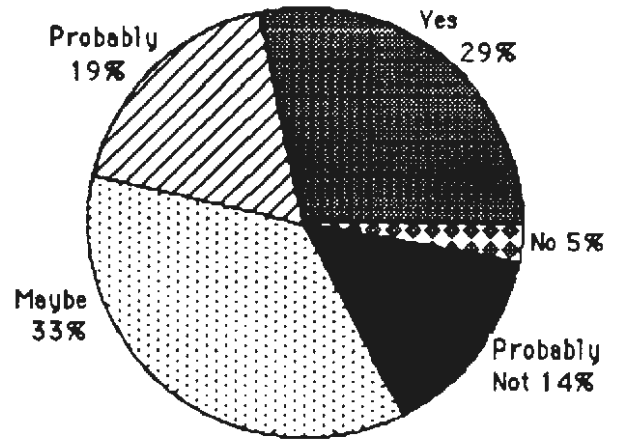
*Graphs based on total responses to the question.

APPENDIX 2, continued.

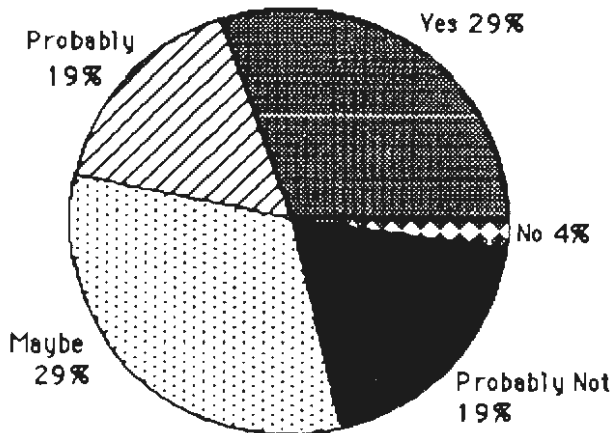
2E- DEVELOPMENT OWNERSHIP



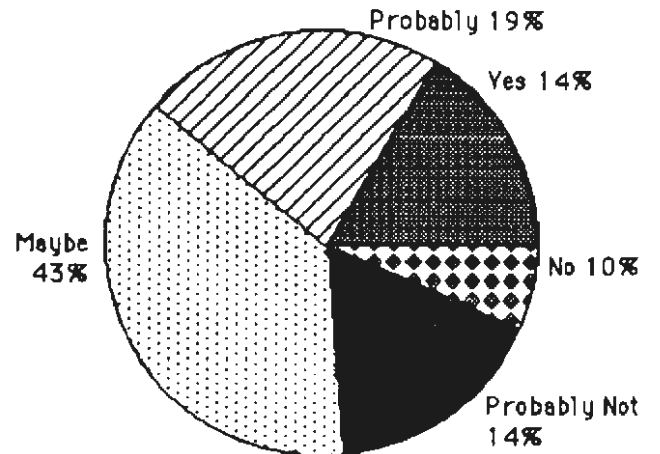
2E- CONTRACTING MAINTENANCE



2F- CONTRACTING ROUTES

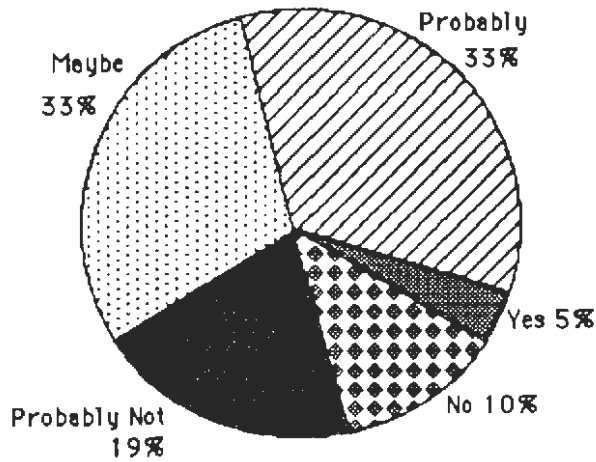


2H- FARE VOUCHER

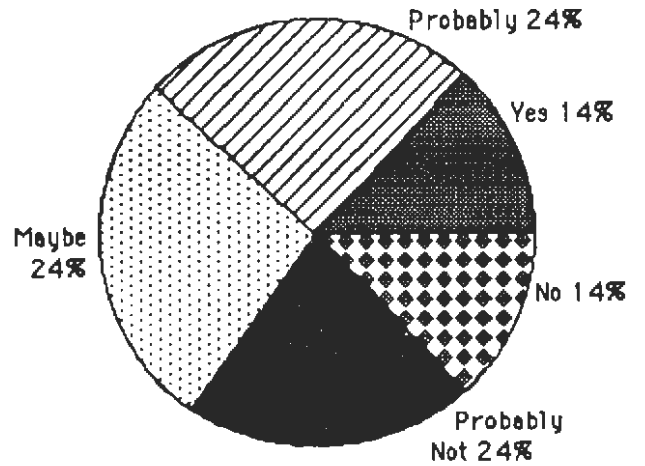


APPENDIX 2, continued.

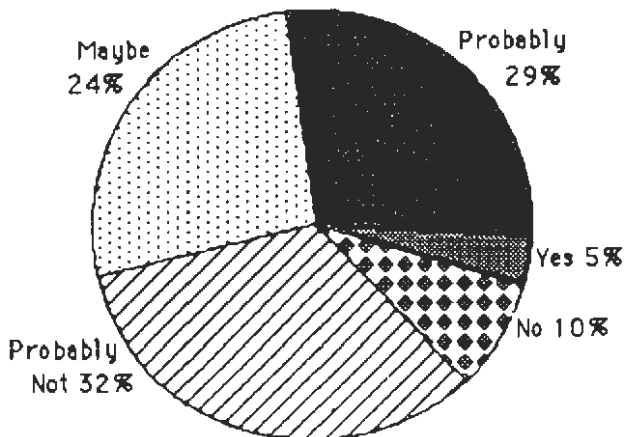
2I- TURNING OVER



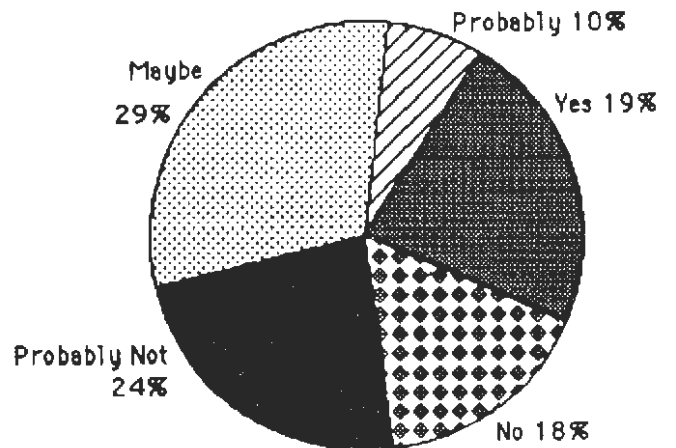
2J- TOTAL CONTRACTING



2K- ROUTE DEREGULATION



2L- TOTAL SALE



APPENDIX 3.

ABOUT THE SURVEY

The survey of state transportation committee chairs was conducted in February, March and April, 1988. Results of the survey were compiled and ranked, and a complete PEARSON CORRELATION COEFFICIENT ANALYSIS was conducted. This analysis provides the base for the commentary.

Statistical significance was ascribed to those correlations having a probability of error of 0.05 or less. This translates to a 95% probability of accuracy, based on the sample size.

The survey document was mailed to all transportation committee chairs in state legislatures. After the survey was mailed, post cards were sent to remind recipients about the survey, and requested response; these were followed up by telephone calls to all recipients. Twenty-one responses from committee chairs were received. This is an adequate sample size for the statistical analysis described here.

Copies of the survey are available upon request from the Center for Transportation, The Council of State Governments.

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