Increasing Transit Revenues

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The other approach to controlling deficits is to try to increase transit revenues, either by making operations more profitable or by finding new external funding sources. There is an implicit assumption that transit cannot really expect to get much more federal help than it is already receiving. In part, if there is a redistribution of aid toward the larger cities, some of the smaller systems would get even less money than they currently receive. The strategy seems to be to keep the existing flow of federal funding alive while finding new ways to tap local and state resources for the support of transit.

Raising fare contributions seems an obvious way to increase transit revenues, but raising fares, like raising taxes, is a matter for public policy and a course that politicians do not relish taking. One fare option might be to peg fares to inflation in order to stabilize whatever portion of the transit bill the fare box is currently paying. The Metropolitan Transportation Commission in California has established guidelines for such a mechanism.

It was suggested that this strategy, like that of keeping labor costs in line with inflation, is so much subject to political whim that it could not be effective in practice. However, this may no longer be the case in all areas—times are changing—and fare escalation may now be a worthwhile goal to pursue. Should the federal government impose some sort of guideline governing what proportion of the costs of operations fares should carry? The very existence of the section 5 operating assistance contributed, in some cases, to a decision to lower fares.

A powerful argument against federal fare guidelines is that local traditions, local perceptions, and local conditions must be taken into account in making fare-level decisions. The fares charged must be oriented toward getting the local support that transit needs; at least, that must be considered in seeking the answer. Fare levels are not always a matter of straight economics, and these decisions are difficult enough at the state or regional level; the federal level is even farther removed from local choice.

On the question of tax sources that might be used for transit purposes, the panel provided a little bit of bad news and quite a bit of good news. The bad news is that a study of revenue sources funded by the Urban Mass Transportation Administration concluded that value capture, which had appeared to be a promising revenue-raising device, is basically nonoperational. The study found some other innovative forms of finance that did appear to have some promise, however. One such device is limited—very limited—application of tax-increment and special assessment funding. The application is by-and-large limited to fixed investments, and there are not too many of those on the horizon; even if such an opportunity presents itself, the probable payoff would be only from 5 to 15 percent.

The good news is that many transit authorities have already found innovative ways to finance themselves. Some areas have been able to tap the sales tax for transit purposes. One of the most attractive attributes of this resource is that it goes up with inflation; it not only helps plug the deficit gap today, but it continues to grow as costs increase. Local governments meet some formidable obstacles when they try to raise support for public transportation, but they have had remarkable success in passing sales tax measures. The acceptability of this tax makes it a particularly bright possibility as a source of transit revenues.

Acceptability and payoff are only two of the many variables that enter into the decision-making process that governments go through with respect to revenue sources. This process must be uniquely suited to the politics of each community. If there is a common requirement, it is that the process must be adequate; short cuts cause grief in the long run.

Chicago and California, for example, imposed a retail sales tax on gasoline to finance transit. In Los Angeles, the view seems to be that they will expand service as far as they can as long as somebody else is raising the money. When the federal government came up with section 5 money, fares were kept low; when the state raised the money through the transit authority, as much marginal service as costs would justify was insti-
tuted, but from the viewpoint of fares versus revenue some of this service was questionable.

Columbus is also interested in improving service, but more cautiously. Certain performance indicators made Columbus look like a successful operation, but these were rather misleading. The operation looked good from the point of view of efficiency, but it was sadly deficient from the point of view of service. The transit-revenue issue is about to be put before the community, which will soon have a chance to express its opinion of transit service.

Community reactions differ in each place. There is rather substantial, if recent, commitment to transit in Cleveland, Chicago, Baltimore, Atlanta, and San Francisco, but Columbus and Los Angeles have more cautious attitudes. Why do we get such different results in each community? It is probably because the conditioning has been different in each.

It is improbable that a nationwide deficit that is increasing at a rate of 15 percent/year is going to be financed; if it is not financed, it cannot occur. It is not going to happen, because the political process is not going to let it happen. Transit has already made big gains in several major cities. Now the name of the game in most of these cities is to make the best of the revenue base that has been secured, not to go out and get more.

Where does the professional fit into this process? Decisions must consider what will work and what has merit. It is a contest between the political and the professional elites. One problem concerning professionals is, Which professional? The supply is overwhelming. The second, and more serious, problem is that all analysis is based on value judgments, and these cannot be resolved professionally. A conflict in values can be resolved properly only by the appropriate political bodies.

So the political process ultimately holds the answer. The role of the professional is to frame the alternatives, advocate the solutions, and rely on the political process to sort out what the social benefits are.