Case Study on Local Financing Techniques: Atlanta, Georgia

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INTRODUCTION

The primary subject of this discussion is a review of financial and service planning processes in the Atlanta, Georgia, metropolitan region as they apply to transportation, both transit and roadways. The objective is to discover how a financing and service planning package is developed and marketed.

This effort involves two primary tasks—review of the region's planning process and discussion of any packages that may have been developed by the process. While this discussion is concerned with the planning process task, a greater degree of attention and detail is devoted to discussion of financing packages.

The transportation planning process in the Atlanta region has some structural and procedural differences from many similarly positioned communities around the nation, but the core elements of the process are not particularly different, and a detailed treatment is unnecessary. The only true package to be developed in the region is that supporting the 1971 Metropolitan Atlanta Rapid Transit Authority (MARTA) referendum, and, therefore, it will receive the most attention—not because it produced a stunning victory, which it did not. However, it provided the margin of victory and has had long-term benefits not originally anticipated.

THE ATLANTA METROPOLITAN AREA

In a legal sense, the Atlanta metropolitan district is composed of the seven counties (Clayton, Cobb, DeKalb, Douglas, Fulton, Gwinnett, and Rockdale) forming the Atlanta Regional Commission (ARC), the region's Metropolitan Planning Organization (MPO). In an economic development sense, the metropolitan district comprises nine counties and is beginning to embrace parts of additional counties as well. Indeed, the growth of urbanization beyond the boundaries of ARC is one of the emerging problems in transportation planning in the region.

Transportation planning in metropolitan Atlanta does not speak with one voice, at least not in the short run. The central pillars of transportation planning are ARC's long-term plan and the MARTA rail system.

THE ATLANTA REGIONAL COMMISSION

ARC was formed in 1972 by state law, to undertake planning functions within the seven-county Atlanta metropolitan region. This required written agreements with the seven county governments, the city of Atlanta, and 53 municipal governments within the region.

A key agreement is the Triparty Agreement among ARC, MARTA, and the Georgia Department of Transportation (GADOT). This cooperative agreement is of particular importance in that it brings three of the most powerful organizations in the region into regular and structured contact, and led to the development of mutual goodwill and respect. This cooperative spirit also affects the other governments comprising the planning region, and ARC is, on occasion, the only organization on speaking terms with all other organizations in the region.

In terms of transportation planning, there exists a pre-ARC regional plan developed in the 1960s that envisioned a sizable network of new freeways. In the post-MARTA referendum era, virtually all of the new freeways have been deleted from the long-term plan in favor of upgrading the existing freeway system and expanding the MARTA rail system.

Several references have been made to the referendum MARTA rail system and even to a post-MARTA referendum era. These references acknowledge what is probably the single most important event in Atlanta's transportation past, present, and future: the 1971 passage of an addition to the sales tax to fund the construction of a 53-mile rapid rail system. While the details of this event will be reviewed later, what is important for present purposes is an understanding that the referendum system is viewed as an inviolate commitment. The referendum system was an existing commitment when ARC was formed. All long-range transportation planning starts from the referendum rail system and the upgraded freeway system.

The abandonment of most of the new freeways contained in the long-range plan developed before the existence of MARTA and ARC is evidence of the impact of the rail system on long-range planning. While it is true that other factors such as highway construction costs and neighborhood opposition to particular freeway projects have played a role in the abandonment decisions, the existence of the referendum MARTA rail system provided an alternative to freeway construction that made abandonment more reasonable and more palatable.

The long-range Transportation Improvements Plan (TIP) was developed in 1977. This plan endorses the referendum rail system and addresses alternatives for the postreferendum system period. The plan calls for a 101-mile rail system serving five counties and substantial bus service in seven counties. The rail and bus systems presently serve two counties.

The long-range plan also includes various highway projects. Some corridors will experience substantial transit and highway improvements if the long-range plan is realized.

The plan was developed by constructing a series of global scenarios, ranging from all highways with no new transit to all transit with no unprogrammed highways. Highways and transit have been integrated in the planning process and treated as complementary mobility techniques.

The ARC has been unsuccessful in encouraging the non-MARTA service counties to explore transit alternatives to their growing congestion problem. This encouragement has taken the form of funding for transit feasibility studies as well as the reserving of a share of the region's UMTA

Section 5 monies for each of these counties. The same concept is being used with the region's Section 9 funds, but these funds can be reserved for only 1 year before reallocation to MARTA.

The ARC planning process establishes a framework within which the local planning for roadways occurs. Regional roadway plans are contained in the 8-year regional TIP. When a project is placed in TIP, its costs must be consistent with the available projected funding. With regular cost projection updates, this policy has been able to keep project costs to within approximately 10 percent of the available funds. Local governments find this structured program, balancing projects with funds, to be beneficial. It is a policy adopted by the ARC Board, and the Board is composed of the member governments. A recent update of the TIP revealed potential difficulties in this policy.

Local activities revolve around this rather standard TIP process. Local governments set priorities for projects, with rankings based on local policy and politics. These project listings by priority are used locally or sent to other appropriate organizations, such as ARC or GADOT. Improvements involving federal-aid highway funding are sent to GADOT for a final decision.

Most local street and road projects do not require regional or GADOT attention. However, ARC does have a special review process for major projects considered to have regional impacts. For such a project, governmental units comprising ARC must review and approve the project. Any extensions to the MARTA rail system or major freeway initiatives would fall within this review process. Otherwise, local governments have the usual freedom to plan and execute local projects with local impacts funded from local resources.

One local initiative in this respect is the recently developed Fulton County cost-sharing program with private developers for off-highway improvements. Under this program, developers are required to contribute to an escrow account a pro rata share of the costs of specific off-highway improvements, based on estimated traffic generation, and the improvements are paid for with funds from this account.

ARC has a Board-adopted policy of maintaining a balance between projects in the TIP and the availability of funds. Regular updates for the 2-year annual element of the regional TIP have served to maintain this balance on an ongoing basis. These updates are now indicating that funding will not be sufficient to support all the roadway projects contained in the current plan. Therefore, ARC is recommending that proposed projects be trimmed back and new funding sources developed. ARC will attempt to develop the revisions in the projects and the new funding sources. This situation bears watching, as it may produce the first packaging of roadway projects with a particular funding mechanism in metropolitan Atlanta. The 1971 MARTA referendum package has been the only project so presented to date.

A joining of roadway improvements with a financing mechanism would constitute a major and important change for metropolitan Atlanta. There is no unified financial plan for roadway improvements beyond the projections for individual projects contained in the TIP. Financial planning occurs at each level of funding at the present time. This is a factor in the realization of projects involving multiple organizations, even when there is coordination at the planning stage. A few examples of such difficulties will be noted during the discussion of MARTA activities.

THE MARTA PACKAGE

The 1971 MARTA referendum is an excellent example of packaging and marketing a financial and service plan as a joint proposal. Even though the referendum passed by a narrow margin, the system enjoys broad-based, strong community support. In the main, this support rests upon two factors:

- Packaging of the original proposal
- Effective delivery of items in the package

The MARTA system was originally placed before the voters in 1968 and suffered a major defeat. Subsequent investigation and analysis indicated several reasons for that defeat, including

- The use of the property tax as the funding mechanism
- Poor or no communications with major segments of the community; the Black community in particular
- A proposal that focused on long-term benefits but paid little attention to immediate transportation needs
- The absence of firm federal funding commitment
- The perception that the proposal was being rammed down the public's throat

In short, MARTA supporters moved too quickly and without proper attention to developing a consensus of support among the various communities of interest in the Atlanta region.

The period between 1968 and 1971 was spent addressing these errors. The funding source was a major concern, as it was a primary factor in the defeat of the 1968 referendum.

Several alternative sources of funding were examined during the inter-referenda period. The primary sources considered were

- The property tax
- A gasoline tax
- A cigarette tax
- Benefit assessment districts surrounding stations and rail lines
- An income tax
- A commuter income tax
- A sales tax
- Combinations of those listed

Even though the income tax option received considerable attention, serious consideration narrowed to the property and sales taxes. The other options were eliminated from consideration because they either did not generate sufficient revenues or did not have political support.

In the choice between the property and sales taxes, the dividing lines of support emerged with the city of Atlanta favoring the property tax and the counties favoring the sales tax. MARTA had no preference.

The debate over the funding mechanism continued until the mayor of Atlanta agreed to support the sales tax, if the other parties would agree to free transportation. This statement led to the political consensus to support a sales tax, coupled with a low fare structure, the exact nature of which was to be developed later.

The fare structure that emerged was a 10-year policy with a 7-year commitment to a 15-cent fare with free transfers (the existing fare was 40 cents with 5-cent transfers).

The MARTA supporters went to the state legislature and community meetings with a combination package of a sales tax of 1/2 percent and a 7-year 15-cent fare. While legislative hearings were being held, the sales-tax rate and the role of the state government underwent major changes. During the community meeting process, MARTA policy became better defined and was committed to paper, with respect to a number of issues of importance to various communities of interest.

The original sales-tax rate considered was 1/2 percent, but during the legislative hearings, the rate was moved to 3/4 percent as cost numbers and fare-subsidy numbers became more detailed.

The state of Georgia continued to be the funding source for the proposed MARTA system over and above the sales-tax revenues. Governor Jimmy Carter was advised that the

collection of a 3/4 percent sales tax would present the state with major administrative difficulties, and Governor Carter proposed that the rate be moved to a full 1 percent, and the state would no longer contribute to the costs of MARTA. MARTA supporters were willing to accept this suggestion.

To secure the support of the fiscal conservatives in the state legislature, a number of compromises were made. A major concern of these legislators was the level of the fare subsidy. An agreement was reached that the sales-tax rate would drop to 1/2 percent at the end of 10 years, and the system would then be required to recover 50 percent of its operating expenses from the farebox. The 10-year time frame was selected because the construction plan called for completion of the heavy construction phase within 10 years. The 10-year fare policy reflects this provision of the legislation. Since the passage of the referendum, MARTA legislation has been amended to extend the full 1 percent rate until June 30, 2012, and to impose the existing low farebox recovery requirement of 35 percent of the previous year's operating cost.

The core part of MARTA's package was formulated through a process of political consensus that was being built by local governments and political entities through compromise in the state legislature. When this legislation was passed by the Georgia State Legislature in 1971, the process of community building began in earnest.

A major component of the MARTA package was a series of formal policy statements adopted by the MARTA Board of Directors. A key policy statement was the 10-year fare policy that committed MARTA to 7 years of 15-cent fares followed by 3 years of annual 5-cent fare increases. After 10 years, the fare would be set at the level necessary to meet the farebox recovery requirement contained in the enabling legislation.

The financial package contained a 1 percent sales tax for 10 years, declining to 1/2 percent thereafter, and a 10-year low-fare policy. The service component of the package began with a 53-mile rapid rail system and certain specified improvements to the bus system.

Several aspects of the service component grew out of numerous community meetings and were incorporated in formal commitments by the MARTA Board. Such items as bus shelters, air-conditioned buses, and service levels were prominent aspects of bus system improvements contained in the service component package.

Another important aspect might be termed the community responsibility component. The Black community came to MARTA with a set of concerns that, if satisfied, would ensure their support. MARTA responded with a series of Board-adopted formal policy statements. This approach to learning community concerns and developing formal policy commitments that could be addressed within the abilities of the system was followed in a wide range of community matters. Prominent among these policy statements are those that address

- Fair treatment for persons displaced by MARTA rail construction
- Equal employment practices
- Minority business enterprise procurement policies
- Equal service levels to all segments of the community

The package that went before the voters included a clearly stated financing mechanism, a written commitment to low fares, a service package statement for bus and rail services, and a series of positive policy commitments on matters of particular interest to various communities in the Atlanta region. Together these items presented a rather strong package, but the vote was close. The result should not, however, detract from the long-term value of this well-developed package.

The MARTA system presently enjoys extensive popular support. This situation rests, in large measure, on two primary factors.

First, the referendum package contained some benefit for most segments of the community and, second, MARTA has delivered what it promised. As one observer stated: "They had a public trust placed in them and they delivered on that trust." As another commented: "There are very few people who cannot see some direct benefit from the MARTA system." It seems apparent that a well-designed package of financing and service has benefits far beyond its initial usage.

For the purposes at issue here, MARTA is a clear success story, built by hard work, imaginative thinking, and extensive interaction with the communities of interest to be affected, and rested on a solid package that addressed multiple issues of concern and interest. No matter how commendable these pillars of success may be, the most critical element in the long-term success of the referendum package has been delivery on the public trust.

TRANSIT-HIGHWAY COORDINATION

Transit planning and its coordination with highway planning occurs primarily within the framework of ARC, and especially under the Triparty Agreement among ARC-MARTA-GADOT. The basic responsibility and most of the activity for transit planning rests with MARTA. The ARC long-range plan coordinates transit with MARTA, highways with GADOT, streets and roads with local governments, and each with the others. ARC also participates in various short-range planning and coordination activities with MARTA rail and local governments, as well as with the GADOT. Results of these effort have been mixed.

To illustrate two aspects of the planning process involving the transit-roadway interface, two examples are worth consideration. Both are either failures or successes, depending on which part of the process, from planning to implementing, is being considered.

During the preliminary engineering of the MARTA rail system, a series of studies called Transit Station Development Studies (TSDS) was undertaken. These studies contained highly detailed land use and traffic pattern analyses and addressed such questions as what a local government wants from the station and what MARTA can do to satisfy their aspirations. One of the benefits of these studies is that the MARTA rail system is planned rather than engineered.

Out of these studies came the decision to merge two North Line stations into a single station and make major improvements to the intersection involved. The intersection improvements made the station merger desirable. All concerned parties agreed, and the agreement became part of MARTA's rail system design and the region's TIP. The station is 98 percent complete and no construction has begun on the intersection improvements because of difficulties in obtaining rights-of-way. As one planner put it: "Is that coordination or isn't it?" He had no ready answer. The plans were coordinated, but the result is not yet coordinated.

Another illustration that is a result of these studies is the decision to construct a ramp from an existing MARTA rail station parking lot directly to the adjacent Interstate highway. All parties have agreed, and the ramp is in the regional TIP. However, no one thinks they should have to pay for it. The planning was coordinated, but no ramp exists yet.

These two examples point out a problem in the regional planning structure for metropolitan Atlanta. There is a central planning agency, ARC, and a structured planning process for the region. Plans tend to be constructed with a regional perspective, and transportation alternatives tend to be coordinated.

This planning agency is not a meaningful dispenser of funds, and there is no coordinated financial planning for the region's transportation system. The planning process has no direct and meaningful structural linkages to the funding process. While the planning may be regional in scope, the

funding is predominantly local in scope. Further complicating the transit-highway coordination process is the total lack of interaction between transit and highways on funding matters, with the occasional exception of a particular project.

This structural separation of transportation planning and financing renders any effective packaging of service and financing for multimodal transportation projects virtually impossible.

CONCLUSION

There are positive and negative lessons to be learned from the Atlanta experiences, as this review of transportation planning, financing, and coordination in the Atlanta metropolitan region indicates. The regional planning process placed special emphasis on the 1971 MARTA referendum package, which was approved, and points out that the formulation of a coherent package of financing and service has short-term benefits when selling the transportation service, but, more important, can build a community support base that may produce significant positive long-term effects. Certainly, this was the case for the MARTA package.

In addition, the review has shown that coordinated multimodal transportation service planning has definite long-term benefits, in that each mode may draw upon the strengths of the other and growth may be more structured and orderly. When service planning is structurally divorced from financing authority, the positive impacts of joint-service planning are lessened and, in some cases, negated. One approach to this particular problem is a regional planning entity with financial authority of some type, but this may not be politically acceptable in all situations. In that case, goodwill and jointly developed service goals must be relied on to provide incentives to follow the service planning with a timely flow of financial resources.