Case Study on Local Financing Techniques: Buffalo, New York

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Buffalo, the major city in the two-county area of Erie and Niagara, is facing significant changes in its economy. Major manufacturing industries are phasing down or out. Nonetheless, the area is committed to its continued existence.

Constituent members of the metropolitan planning organization (MPO) include the transit operator for the urban district, the Niagara Frontier Transportation Authority (NFTA), the State Department of Transportation, the two cities of Niagara Falls and Buffalo, and Erie and Niagara counties—one of which is heavily urban and the other distinctly rural. The seventh member is the planning board for the region, the comprehensive planning body that is responsible for housing, water, sewer planning, and other similar activities. Because the MPO has seven constituent members with voting privileges, decision making takes a bit longer than in other structures.

The downtown section has a transit mall and a light-rail project that bisect the district and form a major focus for urban redevelopment. The light-rail system began operating in the fare-free zone this past October; the first revenue service portion will begin operations in April 1985, and the complete 6-mile system will be in operation by April 1986.

ESTABLISHING PRIORITIES

One of the issues involves developing the downtown, and transit is a major aspect. Questions include whether to redevelop a major parking area and the impact of this parking area on transit. Another aspect is the equity of transit versus highway priorities. When highway construction on a beltway was begun, Buffalo was a region that was forecasted to have a population of 2 million. Best estimates today are slightly over 1 million, even in the year 2000. Pieces and elements of the expressway system have never been finished, and those in the more rural areas are more interested in highways than in transit. This cannot be ignored if a transit financial plan taps the public as a whole.

In 1976 the Niagara Frontier Transportation Committee (NFTC) voted to advance the light-rail project and Niagara County voted not to advance the project. The committee had always operated on a consensus basis, which meant there had to be unanimous decisions on all issues. Differences of opinion had to be resolved before they came to the policy board. There was one issue that was not resolved in this manner. Niagara County's constituency felt they were going to have to pay for major shares of a project—in terms of both capital cost and operating cost—but have no benefit of the system. The chairman of the policy committee at that time assured the county it would not pay capital costs; that capital costs for transit were historically paid by federal funds and state matching shares, not local funds. A transit financial study was then made to protect Niagara County's concerns and also to reflect Erie County's fair share once this project was in place and operating. The resulting 5-year transit operating assistance plan was geared to about 1986, the point at which the light-rail system would be open and operating. Its major issues were

- Shall transit be expanded?
- Should there be more service, or the same service with lower fares or equal fares?
- If there is a shortfall of aid from federal and state sources, what level of local government should be anticipated to support the transit system?
- What funding source should be considered for that type of financial need?

The study was projected toward a heavy public input process.

FINANCING ISSUES

There had been only one fare increase in Buffalo in about 7 years, during a time of inflation in the late 1970s. It was obvious that revenue was not keeping up with continuing costs. Since the transportation authority took over the private system in 1974, local aid was at the lowest level of revenue. It came from the two counties and was a mandated contribution through the state. The state takes an active role in transit operating assistance in New York State. It must take into consideration the large metropolis of New York City and at the same time be realistic enough to secure legislative votes for a statewide package that shows consideration for the upstate regions. The state transportation law, enacted in 1974, requires the state to provide operating assistance to the urban districts in an amount proportional to their service characteristics; counties in that service district are to provide matching amounts. The county amount remained fixed through the years, and the state kept increasing its share over and beyond the original intent of the matching program.

In 1982, without the light rail on line, the system cost $32 million to operate. Operating aid was $17 million—$8.9 million in federal funds, $6.2 million in state funds, and $1.8 million from the two counties. The latest figures for 1983 showed that the cost of the system was slightly up at $33 million; ridership was down slightly due to economic conditions in the region, and the operating aid was $18 million. Federal aid was down slightly, and the state share—made up of direct state funding and a gross receipts tax on oil—was up quite a bit.

During the course of the study, the Reagan administration began to suggest the drastic reduction of federal aid for operating purposes. A worst-case scenario of no federal aid, escalating costs, and the impact of inflation was presented to the public, who was then asked: What do you really want to buy in terms of transit, and how is it to be financed?

URBAN SYSTEM VERSUS RURAL SYSTEM

Niagara County and Erie County are quite different. Niagara County is rural and has a bare-bone system—the line is either operating or it is not. They had three choices for 1986: more service, the same service, or reduced service with various fare options.

The policy committee endorsed a series of actions. The key action was the acceptance of the equity issue by the urban and the rural counties. It was proposed and accepted that the revenues would be credited to the boarding passengers in each county for the particular mode that was operating in that county, and that the cost would be attributable to the vehicle miles of service of that particular mode in that particular county. If Niagara County had no rail mode, they would not be liable for any of the expenses associated with it. Erie County and Niagara County accepted the provision that if additional aid did come to the region at some future point, either from federal or state sources, it would not be allocated to Niagara County.

CONCLUSION

An innovative approach in this study was the use of a professional consultant to conduct attitude surveys of the public in the two counties in order to identify feelings toward transit and the most logical solutions. It was determined that transit ranked 7 out of 9 in public services the public at large felt should be supported by public funds. It was a consensus that fare increases were not deemed unreasonable and the public did not expect fares to be held down over several years. However, there was great reluctance to use any portion of a sales tax as a source for financial aid. Their priorities were fare increases, service cutbacks, and federal and state aid. Local aid was not one of the options.