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Operating Assistance for Public Transportation Systems: A Survey of State-Level Programs

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A survey of several state-level programs of operating assistance for public transportation systems was undertaken early in 1978 by the New York State Department of Transportation as part of its annual evaluation of the impact and effectiveness of its statewide aid program. Only three states did not respond, but they were subsequently determined not to have such programs. This paper describes existing programs in terms of eligible operations, local sponsorship, relationship to Urban Mass Transportation Administration funding programs, ability to use funds for capital purposes, sources of program funds, and the scope of services assisted. Finally, it proposes a more in-depth review of the effectiveness of the programs designed to aid in policy development and implementation at both the state and the federal levels.

In recent years the role of the state in transit planning has expanded. A number of states have become involved in capital and technical assistance to local transit, and some of them now provide operating assistance to a variety of public transit services.

The New York State Department of Transportation (NYSDOT) was particularly interested in investigating other states' operating-assistance programs because of its own commitment in this area. New York's operating-assistance program was initiated in 1974 with the stated object of maintaining both fares and current levels of service.

In state fiscal year 1977/78, \$104.5 million of state funds were made available to transit operators for the provision of commuter rail, rapid rail, fixed-route bus, demand-responsive bus, and commuter ferry services. During 1978-1979 that amount was increased to \$110.6 million. NYSDOT annually evaluates the success of its program in meeting objectives as well as the broader social, transportation, and economic objectives of the state.

Operating and financial information is collected annually from all transit operators receiving state funds; this information is used to estimate future financial needs and to make recommendations for changes in the program to help better achieve its goal. As part of its information-gathering process and to provide comparative information for use in developing its recommendations, NYSDOT decided to investigate transit operating-

assistance programs administered by other states. None of the similar surveys conducted in recent years have focused on operating assistance. The recent growth of this type of program and approval of the Surface Transportation Act of 1978 have increased the importance of this activity.

METHODOLOGY

Copies of the 1977 Annual Report on Public Transportation Operating Assistance Programs in New York State (1) were distributed to appropriate officials in state departments of transportation or highways in the 49 other states in January 1978. Along with the report, these officials were sent a survey form requesting information on the existence of public transit operating-assistance programs in their states and asking a series of questions about the programs.

PREVIOUS RESEARCH ON STATE ASSISTANCE TO LOCAL TRANSIT

In 1975 three studies were conducted on state transit funding, all of which discussed capital and technical assistance as well as operating assistance. Bair and McKelvey (2) conducted a study for the Institute of Urban and Regional Research of the University of Iowa on current state practices in transit funding. They surveyed the 22 states with departments of transportation to identify state assistance to local transit in the areas of capital expenditures, technical studies, operating costs, demonstrations, planning, evaluation, and promotion. Carstens, Mercier, and Kannel (3) of Iowa State University conducted a study of the current status of state-level support for transit. They collected information from each state and looked at all types of financial assistance for local transit in 24 states. The third study of state expenditures for local transit, part of the investigation into 13 small city systems conducted by the Transportation Systems Center (4), also covered both capital and operating programs but focused on small cities, i.e., those with less than 200 000 people.

Of the 22 states that Bair and McKelvey surveyed, 9 used state funds to subsidize operating costs. The most common criterion for allocation of funds was the system's deficit, although system performance was used in several large states. The most common funding sources listed were similar to what the current New York State survey revealed: general revenues, general transportation funds, and gasoline taxes.

Carstens, Mercier, and Kannel found 14 states that provided operating assistance through four types of distribution procedures, purchase-of-service agreements, formula allocations, revenue-generating base of transit jurisdiction, and first-come, first-served allocation. Purchase-of-service agreements may be considered contracts with operators. Formula allocation refers to using a measure such as use, service, population, or population density to determine the amount of funding for which a system or area is eligible. Revenue-generating base of transit jurisdiction refers to those programs that allocate funds according to certain taxes (e.g., sales tax) or fees collected in the transit system's jurisdiction. The last type of distribution procedure (3) is the first-come, first-served allocation, which distributes funds as requests for assistance come in. None of the respondents to the New York State survey indicated using this method, although some states have a discretionary component in their allocation procedure.

The Urban Mass Transportation Administration (UMTA) study classified operating-assistance programs according to those states that match UMTA grants only and those states that provide aid regardless of federal funding. According to the UMTA study, two states (Indiana and Maryland) provided funds only as a match to UMTA funding. However, by the time the New York State study was done, Maryland had instituted an expanded operating-assistance program to include non-urban areas. Of the states that provided funds regardless of federal funding, 5 used a formula, 6 provided a set percentage of nonfederal share or of the deficit, and 2 provided aid in varying amounts. UMTA's findings on the success of state funds for operating assistance were similar to the responses in the New York survey; most states (10) used general revenues, 5 used highway funds, and 2 used other sources.

RESULTS OF NEW YORK STATE SURVEY

Administration

Programs offering operating assistance to local transit can be described in various ways. Four categories will be described here: operating assistance to transit service for the general public, assistance to specific geographic areas, assistance to specialized transportation services for the elderly and handicapped, and assistance based on locally generated tax revenues. Twenty-one states reported at least one operating-assistance program in these categories available to public transit providers in their areas. Specifically, 50 programs were identified. All of the programs discussed were created by state legislation, which specifies eligibility and allocation of funding as well as other rules or procedures to ensure accountability.

Nearly all of the states that provide operating assistance have at least one program to allocate funds to operators who provide transit service to the general public. Four states have legislation allocating assistance to specific geographical areas, usually through regional transit authorities or districts. This special legislation is generally directed to specific metropolitan

areas that are relatively very large compared to the other urban areas in the state; Chicago, Baltimore, Boston, New York, and Washington, D.C., are specific cases.

Each of these states (Illinois, Maryland, Massachusetts, and New York), however, also has general operating-assistance programs for which other areas of the state are eligible. In cases such as Delaware and Rhode Island, the state is so small that one or two authorities or transit districts serve the entire state.

Eight states have separate programs providing operating assistance to elderly and handicapped services, although a number of others include these groups under their general programs. All of the states that do have separate programs for the elderly and handicapped also have a general operating-assistance program.

Two states (Missouri and Washington) empower local governments to use certain tax revenues to support local transit service. The approach used in these two states should be distinguished from those programs that use tax revenues to support what is nevertheless a state-administered program. In fact, in Missouri the funding comes from the locality itself, not the state; state involvement is limited to legislation authorizing cities larger than 500 people and selected counties to approve a half-cent sales tax for transportation services. The Washington program permits several types of taxes to be levied by municipalities, counties, or "public transportation benefit areas" for the support of public transportation. The essential element in these programs is the great degree of local autonomy.

Allocation of Funds

The amount of annual state funds made available for operating-assistance programs varies greatly, from \$150 000 in Missouri to \$160 million in California. The total amount identified in the survey was for the most recent fiscal year (usually ending June 30, 1977). More than half of these funds are allocated by three states—California, Illinois, and New York—each of which provides over \$100 million in funds annually. The most generally used source of funding for operating assistance is general revenues (18 programs in 12 states). Several states provide funding from a separate transportation fund (8 programs in 3 states). Four states use sales tax and 2 states use gasoline tax as the principal revenue source of support for public transportation. Other sources of funding include turnpike tolls, motor vehicle registration fees, Title XX funding, and a state lottery.

In its tax-based program, Washington obtains funding from a motor vehicle excise tax, household and business tax, utility tax, motor fuel tax exemptions and refunds, as well as sales tax revenues. Many states use more than one source for funds for their public transit operating-assistance programs.

There are a number of ways in which funds for operating assistance are allocated. The four major bases are formula, financial needs, contracts with operators, and as a match to the UMTA Section 5 program.

Specific criteria for allocating funds are often identified by state programs. Four programs use a formula based on use (passengers) and three programs use service (vehicle-kilometers). Three use population, and one uses population density. Two programs for the elderly and handicapped use the population of these groups as the basis for allocation. Five programs use combinations of these criteria, and four fit into the "other" category.

The second set of mechanisms uses financial need as the principal allocation criterion. Most of these allocate funds on the basis of a portion of the deficit, although a few programs allocate on the basis of a portion of the costs. Six programs allocate funds on a discretionary basis or according to a specified legislative allocation, here presumed to represent interpretations of financial need.

The third basis for allocation is by contract with operators. There are nine programs in which these contracts are deficit based, three in which they are service based, and three in which they are both service and deficit based.

State operating-assistance funds are allocated as a match to the UMTA Section 5 program in 10 states. In states where no local match is required, the federal and state shares are generally split equally. In those areas where the state operating-assistance program serves as a match to Section 5 and a local match is required, the federal, state, and local share breakdown is usually 50, 25, and 25 percent, respectively.

About half (24) of the programs identified require some sort of local match for the state operating-assistance allocation. An equal match is usually required, but it may range from 10 to 70 percent. Some states express the required local match in terms of a percentage of cost or deficit. For example, in Michigan the required match represents up to 33 percent of costs. In New Jersey, at least 25 percent of the costs may be required of the county participating in the program. In Montana the local match in the program for urban and urbanized areas is up to 50 percent of the operating deficit, and in Ohio the local match is up to 25 percent of the deficit. In Iowa the local match is determined on a discretionary basis. There is also some actual or implied discretion on the part of the state in those programs in which a minimum or maximum match is indicated.

In nearly all cases the match is provided by the local government. In five states the match may also be provided by the operator, but in no case is a match required of the operator and not of the local government.

A number of states have programs that require no local match. They are generally special programs for the elderly and handicapped, a program specified for one metropolitan area, a rural program, or a program for modes other than local bus service. The states that require no local match at all are generally small (Connecticut, Delaware, Rhode Island).

A related issue is the matching of section 5 funds at the nonfederal level. In most states more than one source of matching funds is used. The most common source of matching funds is local government contributions or taxes. In 6 states regional financing mechanisms were used, and in 4 others operator contributions were cited as sources of matching funds. In 15 states the state operating-assistance programs provided the nonfederal matching funds.

In those states where the state program is not used as a match, the reason is generally that the state-provided operating assistance is targeted toward areas, modes, and services ineligible for section 5 funding. In the cases of Missouri and Washington, the state-authorized local tax revenues provide the section 5 match.

Eligibility Criteria

Twenty states with transit operating-assistance programs provide aid to urban areas (more than 50 000 people). Oregon provides assistance only to small urban areas. Indiana and Ohio provide funding only to

urban areas, as does Rhode Island (the entire state is considered urbanized).

Fifteen states also provide assistance to rural areas; in 6 of these states separate programs have been established for small urban or rural areas. The 9 others assist nonurbanized areas as part of their general operating-assistance programs.

Similar variations are also evident in the determination of which modes are eligible for assistance. All of the states with operating-aid programs offer assistance to local and commuter bus service. Twelve offer assistance to commuter rail, 10 to rapid transit, and 7 to passenger ferries; the smaller number of states offering assistance to these modes generally reflects the number of states in which these services are available.

The two modes that are variably eligible for funding are intercity bus and shared-ride taxi. Thirteen programs in 12 states provide assistance to intercity buses; 7 programs in 6 states provide assistance to shared-ride taxis. Most of these are programs intended for rural areas.

All of the states with programs are supporting services available to the general public. Most also support separate services for the elderly and handicapped, and seven provide assistance for separate services to young and low-income people. Five programs that were established specifically to assist specialized services were identified. However, in most cases specialized services received assistance through the same program that provides assistance to services for the general public.

Although all of the states surveyed give assistance to public operators, there is a wide variety among the states regarding the eligibility of private operators for state assistance. Only 2 states with programs give no assistance to private operators. On the other hand, 8 states give direct assistance to private operators, and 14 give assistance through local or state sponsorship.

A number of states with multiple programs provide assistance to private operators in some programs but not in others. For example, Maryland provides direct assistance to private commuter rail operators but requires a local sponsor for private operators in the programs that assist local and commuter bus service. Massachusetts gives direct assistance to two regional authorities but requires the other regional transit authorities to contract with private operators. Michigan provides assistance to both public and private local bus service through local sponsors; direct assistance is given to intercity rail services and passenger ferry operators. Two states (Missouri and Wisconsin) have separate operating-aid programs for private, nonprofit operators providing service to the elderly and handicapped.

Use of Funds for Capital

Twelve states indicated that they had programs in which funds could be used for capital as well as for operating expenses. In some cases it was revealed that the program was actually intended for any transit purpose; this is true for the tax-based programs in Missouri and Washington and for the rural assistance program in Montana. In other cases operating assistance may be used on a discretionary basis depending on local need or via a budget amendment. Indiana permits the use of operating assistance for capital when part of the UMTA section 5 allocation to an urban area is going to be used for a capital project. Massachusetts operating-assistance funds are used to pay a portion of the debt service for the transit authorities in the state. In Iowa

Table 1. Summary of state-level assistance to public transportation systems in 1977.

State	No. of Programs	Funding Level (\$000)	Areas Eligible ^a	Modes Eligible ^b	Services Eligible		Capital Purpose Eligibility
					Sector	Type	
California	1	160 000	All	All	Public and private	General and specific	All
Connecticut	1	21 156	U/SU	LB, CR, F	Public and private	General	None
Delaware	3	1 332	All	LB	Public	General and specific	Some
Illinois	3	141 535	U/SU	LB, CR, RT	Public and private	General	Some
Indiana	3	6 500	U/SU	LB, CR, RT	Public and private	General	All
Iowa	1	2 000	All	All but RT	Public and private	General and specific	All
Maryland	4	14 686	All	LB, CR, RT	Public and private	General and specific	Some
Massachusetts	3	92 644	All	All but SRT	Private	General and specific	All
Michigan	4	22 998	All	LB, IB, CR, F	Public and private	General and specific	None
Minnesota	3	14 850	All	LB, SRT, V	Public and private	General and specific	Some
Missouri	2	450	All	All	Public and private	General and specific	Some
Montana	2	150	All	All	Public and private	General and specific	Some
Nebraska	1	1 540	All	All	Public and private	General and specific	None
New Jersey	3	60 427	All	LB, IB, CR	Public and private	General and specific	None
New York	1	104 500	All	All but SRT	Public and private	General and specific	None
Ohio	1	10 400	U	LB, RT	Public and private	General and specific	All
Oregon	1	198	SU	LB, IB	Public and private	General and specific	None
Pennsylvania	2	88 900	All	All but F, SRT	Public and private	General	None
Rhode Island	3	2 724	U	LB, IB	Public and private	General and specific	None
Washington	5	39 045	All	LB	Public	General and specific	All
Wisconsin	3	5 400	All	LB, SRT	Public and private	General and specific	Some

^aAll = urbanized and small urban and rural; U = urbanized; SU = small urban.

^bLB = local and commuter bus; CR = commuter rail, F = passenger ferry; RT = rapid transit; IB = intercity bus; SRT = shared-ride taxi; V = vans; All = all of the above-mentioned modes.

an operator can use up to \$3000 of operating assistance for capital with no match required and can use up to 13.3 percent of its allocation to match federal capital assistance.

Special Programs

Elderly and Handicapped

There are two types of services for which states have developed special operating-aid programs: services for the elderly and handicapped and rural transit services. The surveys revealed that different states use a variety of programs to address these needs.

The following states have developed special programs to assist the elderly and handicapped: Delaware, Illinois, Missouri, New Jersey, Pennsylvania, Rhode Island, and Wisconsin. The programs in Illinois, New Jersey, Pennsylvania, and Rhode Island are used to subsidize reduced fares for the elderly and handicapped. Pennsylvania finances free transit for the elderly from the state-run lottery.

The other three states actually provide assistance for specialized transportation services for these population groups. The program in Delaware consists of a statewide authority that offers transit services to the elderly and handicapped. The program in Missouri is available to nonprofit operators only and is funded from the general fund and from Title XX of the Social Security Act. One of the criteria for allocation of funds in Missouri is the number of persons eligible for Title XX funding.

In Wisconsin the state provides assistance both to counties and to private nonprofit corporations for providing specialized services. The program providing funds for counties also uses the elderly and handicapped population as its basis for allocation.

In addition to those states providing assistance to the elderly and handicapped through specialized programs, nine states indicated that separate services for these population groups were assisted through a more general operating-assistance program.

Rural Areas

Maryland, Montana, Oregon, and Wisconsin had separate

programs of operating assistance for rural areas.

The state of Oregon gives operating assistance only to small urban areas (5000-50 000 people). The other states give money to both urban and nonurban areas under separate programs. In addition, 12 other states provide assistance to nonurban and/or rural areas as part of their general operating-assistance programs.

Many programs that do not specifically recognize the availability of UMTA section 5 funding are in fact intended only for modes and services ineligible for federal operating assistance. Three states have separate programs for rural and nonurban areas, and seven states have separate programs for transportation services for the elderly and handicapped. Michigan also has separate operating-assistance programs for intercity bus and rail passenger services.

SUMMARY AND CONCLUSION

Trends in Programs

The review of previous studies on state assistance programs shows that there has been steady growth in the number of states that have operating-assistance programs. In 1975 only 19 state programs were identified; this study identified 48 such programs. The states that have recently instituted programs have tended to be midwestern states of relatively smaller populations and fewer metropolitan areas than the larger, heavily urbanized states of the Northeast. Increased interest of states in providing assistance to rural areas and to elderly and handicapped services is also evident. The inclusion of small urban and rural areas in the list of eligible recipients for federal operating aid in the Surface Transportation Act should heighten activity in this area even more.

Table 1 summarizes some basic information concerning the 21 states identified as having operating-assistance programs for public transit systems. While the information is not provided on a program-by-program basis, it does allow one to identify, in a particular state, those areas, services, and modes eligible for state-level operating assistance.

In Table 1, the number of programs refers to those indicated on the survey form as being state administered, and funding refers to the total of all state funds allocated

to the programs listed on the survey form and generally represents allocations for that state's fiscal year ended in 1977. Eligible areas represent those for whom state funds would be made available under one or more of the programs reported. Public or private eligibility indicates the ownership and operation of services eligible for assistance under one or more of the programs cited but does not infer anything about matching ratios or required sponsorship. Similarly, only services available to the general public are eligible in the cases cited, but both specialized and general services are eligible for assistance under one or more programs in the states shown. Capital purpose indicates whether funds from all, some, or none of the operating-aid programs identified could be used for capital purposes but does not infer anything about conditions that may affect that availability.

General Conclusions

Some general conclusions that can be drawn from the survey results are

1. Most states with public-transit operating-aid programs are located in the northeastern section of the country, that is, the most densely populated states and the ones with the most extensive transportation systems;
2. The states with the largest populations (California, Illinois, New York, Massachusetts, and Pennsylvania) are also those with the largest state financial commitments to operating-assistance programs;
3. Those same states are also the principal locations of other-than-bus public transportation facilities (commuter rail, rapid transit, and light rail); and
4. The number of different programs offering operating aid to public transit systems largely reflects the variety of different modes eligible for funding in the state; this suggests the existence of modally oriented rather than comprehensive assistance programs.

A major influence on state operating-assistance programs has been the evolution of federal policy on operating assistance for transit systems. Clearly, much of the assistance provided has served as a portion of the nonfederal match for the UMTA section 5 program. The influence of section 5 is also evident in those programs that provide funds for services ineligible for section 5 funding—transit systems in nonurban areas and intercity bus operators—at the time of the survey.

Several states have responded to federal policies on special efforts for the elderly and handicapped by instituting operating-assistance programs for specialized services or reduced-fare programs for these population groups. An increase in the number of states assisting rural, small urban, and intercity operations can be expected because they have recently been included in the eligible categories for federal operating assistance.

Although this study and others have provided descriptive information on capital and operating-

assistance programs in various states, little is known about the relative success of these programs. Comparisons of the strategies pursued by the states of Washington and Missouri in their tax-based programs with the more common practice of allocating funds from general revenues to local areas based on legislatively determined distribution schemes would be particularly relevant for future policy development at both the state and the federal level.

It would be difficult to find conclusive evidence on which type of program is better, but some measurements of relative impacts on services, ridership, financial viability, and so forth could provide legislative and other decision makers with useful background. A number of states have collected and/or published operating data similar to those collected for the annual report on public transportation operating-assistance programs in New York State. Comparisons of these data, as well as an understanding of the varying local conditions among states and operators, offer the potential for assessing a wide variety of program alternatives that could meet local, state, and federal objectives selected as appropriate for public transportation.

Methods for evaluating and monitoring transit operations appear to vary widely among states. States seem to be very interested in performing this role, however, because nearly all respondents indicated some involvement in monitoring operating-assistance recipients.

How information is collected and used, and the extent to which the allocation of funds is influenced by the evaluation process, would be of interest to transportation planners and decision makers.

The institution of a consistent method and format for data collection through section 15 of the Urban Mass Transportation Act is only one phase in the development of evaluation techniques. Additional research could provide information on how those data could be used and how the system could be improved.

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