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Transit and the California Legislature: A Practitioner's Perspective

STEVEN J. SCHNAIDT

ABSTRACT

Transit services in the state of California are discussed with emphasis on the role of the state legislature. Not unexpectedly, the efforts of the legislature have been significant in financing and developing an institutional framework. Initial efforts centered on providing financing mechanisms and later efforts moved toward accountability and performance measures as transit dollars became more scarce and subject to competition from other governmental programs. Recent activities also have addressed the structure and process of targeting and delivering transit dollars where potentially most effective, encouraging local and private support, and establishing incentives for better management and greater operating efficiency. An array of secondary efforts conceived to enhance public transit in the state are outlined by the transit industry followed by a discussion of efforts to present its case in political arenas in response to financial scarcity and calls for accountability. Despite the activist role of the legislature in transit services inherent limitations exist. The legislature has been a facilitator and architect and can continue to frame certain policies and procedures; still it remains the task of transit operators and managers to actually provide the services, the accountability, and the performance. Failing to do so will set the stage for erosion of political and financial support and increase the prospect of decline and deterioration in the state's transit industry.

When discussion turns to transporting people by public transit, probably the most common locations that come to mind are those in the eastern United

States. This is almost predictable given the long-established and extensive transit systems in existence in the eastern United States. Because of its long history in the region, transit is a service with which the populace grew up, uses and expects, and relies on.

Conversely, when discussion turns to the transportation of people by automobiles, the association is more likely to be with western portions of the United States. The populace in these areas grew up with the private automobile, after long being wedded to their horses (another mode of private transportation), and have extensive--some would argue excessive--freeway and road systems dedicated to serving the automobile's needs. Nevertheless, close examination reveals that considerable transit activities, services, and support are being provided in those western areas, particularly California, that appear to be dominated by the private automobile.

TRANSIT AND THE CALIFORNIA LEGISLATURE

Public transit in California, although not now and probably never to be the dominant transportation mode, has made slow but steady progress from the spartan days when it inherited the transit functions abandoned by private industry.

One of the most significant influences and factors in the progress of transit has been the financial and institutional support provided by the California Legislature. Through a long series of actions, the California Legislature has put in place mechanisms that ensure a relatively predictable base of support for all local transit systems as well as establish those provisions necessary for the effective operation of individual systems. In addition, the legislature has developed and refined an equitable process for providing capital assistance for major projects of regional and statewide interest.

Despite the legislature's many accomplishments in transit development, one should not assume that transit is without significant hurdles nor that the gains and resources realized to date are permanent

and can be taken for granted. There exist several significant sources of legislative and other jeopardy that threaten the past gains and future plans of transit. First, there are relatively few legislative champions of the transit cause. Transit in California is not as popular or attractive as education, health, and many other broad-based state programs. Some legislators have flatly stated that they would prefer to see transit abolished. This relative lack of glamour and affection has been a factor in keeping small the ranks of legislators promoting transit.

A second, persistent jeopardy vis-à-vis the legislature is the continuing competition for funds from other state programs. Funds provided to transit systems have long been eyed, and occasionally raided, by competing programmatic and special interests. This situation is made possible because most transit funds, unlike state highway funds, are not constitutionally dedicated. Transit funds may be redirected to other programs by simple statutory change or by the insertion of language in the state's annual budget. Thus, in the case of state funds allocated to transit, it appears that there are never enough.

As discussed earlier, transit also faces a more general threat in California's long-standing interest in the automobile. Regardless of the reasons for this interest, it presents a serious and continuing problem for the expansion of transit services.

The role of the legislature in making transit a viable concern has been a piecemeal process. Legislative involvement has developed over a long period of time and in increments rather than through a few comprehensive, integrated actions. It is possible to segregate these legislative efforts and developments into three general groupings: (a) fiscal-based, (b) performance- and productivity-oriented, and (c) structural and procedural.

FISCAL MEASURES

The legislature has ensured that transit receives substantial financial support on an annual basis. This is significant and perhaps the legislature's greatest contribution. Transit not only enjoys a fixed percentage of general sales tax revenues in the state, but also receives a formula-based share of gasoline sales tax revenues and also a portion of the revenues generated by the excise (per-gallon) tax on motor vehicle fuels. In some areas of the state, an additional sales tax increment dedicated to transit has either been legislatively mandated or made permissive on a county-by-county basis, subject to local voter approval.

The major pieces in the fiscal structure are discussed in the sections that follow:

Transportation Development Act (TDA)

Approved in 1971 (effective 1972), the TDA was part of a legislative package that extended the state sales tax to gasoline purchases, reduced the state percentage share of the sales tax, and allowed for an increase in the local government share of the sales tax for transit (equivalent to the state's reduction).

One-Fourth Percent Sales Tax

The TDA provisions resulted in the dedication of the state's then 5 percent sales tax as follows: (a) 3-3/4 percent to the state, (b) 1 percent to cities

and counties, and (c) 1/4 percent to local mass transit. In rural counties with no unmet transit needs, the 1/4 percent funds were authorized for streets and highways. Extension of the sales tax to gasoline sales in 1972 was equivalent to an additional 1/4 percent sales tax on all taxable sales. Thus, the legislature's expansion of the sales tax base kept total state sales tax revenues at their existing level, protecting existing programs, while creating a dedicated funding source for local transit.

The 1/4 percent sales tax has become a critical funding source for local transit operations. It is currently estimated that this revenue source will raise approximately \$425 million in 1983 and grow to approximately \$479 million in 1984. Despite the dedication of this funding source to transit, it is a somewhat unstable mechanism because of its dependence on general taxable sales levels and the relative health of California's economy. A recent example of this variability is that TDA revenues for 1982 originally were estimated at a total of \$408 million, but proved to be closer to \$395 million as a result of depressed retail sales during the latest economic recession. Notwithstanding the volatility of this revenue mechanism, however, the 1/4 percent sales tax is again generating increased revenues and soon will be producing more than \$500 million annually for local transit. Moreover, it most surely will be a growing source of revenue for transit in coming years.

Spillover Formula

The TDA also included a second transit funding mechanism through the so-called spillover formula. The formula provided that if revenues from the new 3-3/4 percent sales tax rate on all taxable sales, including gasoline, produced more revenue than that from the old 1 percent rate on all taxable sales, excluding gasoline, then the difference (spillover) would accrue to the transportation planning and research account (later renamed the transportation planning and development account). Viewed another way, this provision stipulated that when sales of gasoline increased faster than sales of other taxable items, then the additional sales tax revenue from gasoline would be spent for transit activities rather than for general state activities.

The revenue potential of the spillover mechanism was not fully realized for several years, however, because of the interaction of the TDA and separate legislation which increased the state's sales tax by 1 percent. The two bills were signed in such a sequence that the spillover formula, based on the prior sales tax structure, generated less revenue than its potential under the pending higher sales tax rate. The general consensus on these signatory actions was that they were deliberate and designed to maximize the benefit to the state's General Fund rather than transit development. Thus, for several years the spillover mechanism produced only modest amounts of additional transit funds.

Senate Bill 620

In 1979 the spillover formula finally was adjusted to reflect the total 6 percent sales tax rate. This and related changes were effected through Senate Bill (SB) 620, part of the legislature's effort to allocate burgeoning gasoline sales tax revenues generated by skyrocketing gasoline prices.

SB 620 provided that \$110 million annually in spillover revenues, adjusted for increases in popu-

lation and consumer prices, would be deposited in the transportation planning and development (TP&D) account for transit activities. This spillover "cap" was included to minimize the fiscal impact on the state's general fund. This mechanism assured that both the general fund and the TP&D account would share the revenue increases.

Once deposited, the spillover funds were available for expenditure for state mass transportation responsibilities, local public transportation assistance, and a statewide public mass transit guideway program. The bill also appropriated funds for intermodal transportation facilities, intercity bus services, commuter and intercity passenger rail services, rail capital improvements, and other one-time transit expenditures.

State Transit Assistance (STA)

The funds in SB 620 for local public transportation assistance formed the basis of the new state transit assistance (STA) program. After deductions for specific transit and state department of transportation activities specified in the legislation, one-half the total TP&D account revenues went to the STA program. STA funds were appropriated to local transportation planning agencies and commissions on a per capita (50 percent) basis and an urbanized population (50 percent) basis. Transit systems and cities or counties were eligible for these funds only if they were receiving the maximum TDA revenues permitted by law. This requirement was intended to maximize the commitment of available local transit funds so that the state's assistance would increase overall funding rather than becoming merely a substitute funding source. Further, the legislature declared its intent that the STA funds be used to enhance existing transit services before meeting other transit needs.

Transit Capital Improvements

Also significant in SB 620 was the establishment of a transit guideway and capital improvements program. Funds not otherwise committed in the bill (approximately \$68 million out of the bill's \$364 million) were made available for guideway construction, purchase of rolling stock, bus rehabilitation, grade separation construction, and acquisition of abandoned railroad rights-of-way. To receive a portion of these guideway funds, local agencies were required to provide a 5 percent funding match. This match requirement provided some measure, though admittedly small, of financial commitment by local agencies and was intended to encourage the submission of viable project applications rather than open-ended requests for state monies. In addition, projects were to be judged in view of their statewide significance and potential for maximization of other available state and federal guideway funds.

Thus, SB 620 ushered in a greatly expanded commitment to transit services, operations, and facilities. But unlike TDA revenue-funded activities which were controlled locally, the myriad of SB 620 programs were designed for control by the state, especially through the legislature. Retention of this control guaranteed at least some measure of leverage in promoting the effective commitment of the new resources to transit services and capital projects favored by the state.

Proposition 5

Although not exclusively a legislative act, a con-

stitutional amendment known as Proposition 5 was placed on the statewide ballot by the legislature to determine whether a portion of state gasoline excise taxes could be used for transit guideway construction. This amendment was approved by state voters in 1974. As provided by Proposition 5, this alternate use was allowed only in those counties also approving a subsequent local referendum on the question. Currently, 9 of the state's 58 counties have approved the guideway use of gasoline tax revenues. These counties are the most urbanized in the state and contain the vast majority of the population.

Subsequent legislation specified that up to 25 percent of a county's gasoline tax funds from Proposition 5 could be used for transit guideways. Intended as a cap on the guideway option, the 25 percent figure instead encouraged the set-aside of highway funds which often remained unspent and which inflation eroded in value. The legislature repealed the 25 percent reference in 1982, leaving the guideway use figure to be determined through budgetary action on specific project proposals.

Senate Bill 1335 and Assembly Bill 2551

Enacted in 1982, Senate Bill (SB) 1335 and its companion measure, Assembly Bill (AB) 2551, extended indefinitely the 3-year STA program that was about to expire. The new legislation also revised the split of TP&D account revenues, increasing the local share at the expense of the state's share.

By 1982-1983 TP&D account revenues had grown to the point where the STA program's 50 percent share would have funded the program at approximately \$75 million. SB 1335, however, reconstituted the 50 percent STA (local)/50 percent state revenue split as a 60 percent STA/40 percent state split. Therefore, the STA appropriation grew to \$90 million, an increase of \$15 million or 20 percent. Similarly, the 1983-1984 appropriation was increased to \$103 million, or \$17 million more than would have been provided under the old 50-50 formula.

In revising the STA formula, the intent of the legislature was to redirect resources from some of the state's marginal mass transit activities to local agencies for the preservation of their existing transit operations. At that time local agencies faced significant funding reductions because of federal proposals to eliminate transit operating assistance. Legislative proponents of the state formula change believed that, dollar-for-dollar, more people could be moved by transit through local services than could be moved through the state's own transit activities.

State Budget

Any discussion of the legislature's fiscal support of transit must also reference the annual state budget. For several of the established transit programs (e.g., transit capital and rail operations), the additional action of an annual budget appropriation is required to actually free funds for expenditure. In other instances, the budget has been used to amend a transit appropriation previously established in separate legislation (STA, for example). The budget, technically a 1-year statute, can be and has been used to temporarily modify an expenditure provision but cannot be used to permanently rewrite substantive law.

Currently, the state budget process determines the actual expenditure authorization for transit capital projects (funded by both TP&D account and state highway account), passenger rail operating

subsidies, intermodal transfer facilities, transit research, ridesharing programs, and other related transit activities.

Fiscal Resources Summary

In summary, the combination of fiscal provisions contained in the TDA, SB 620, SB 1335/AB 2551, Proposition 5, and the annual state budget will provide approximately \$715 million in transit funds in 1983-1984. Although this total is large, it reflects only those resources that the legislature was directly involved in providing. It does not include additional hundreds of millions of dollars available through legislatively authorized or mandated local transit sales taxes. When the local transit sales tax revenues are included, the available transit resources total approximately \$1.25 billion annually.

PERFORMANCE AND PRODUCTIVITY MEASURES

Although the legislature has been active in establishing a financial base for transit, it also has demanded some accountability for the manner in which transit funds are spent. A number of requirements have been established over the years to encourage the effective use of transit dollars and the provision of efficient transit services. The emphasis on productivity and performance, however, has been more noticeable recently as transit funds, and all public dollars, have become more scarce.

Farebox Ratios

The most visible productivity standard established by the legislature exists in the form of farebox-revenue-to-operating-cost ratios. The legislature has placed in law minimum farebox recovery ratios for a variety of transit services. Although these ratios have not and will not eliminate the heavy public subsidization of transit, they tend to act as governors on operating costs.

The Transportation Development Act has long required minimum farebox ratios or local support, although these requirements have undergone numerous revisions and have had major exceptions added. Originally, the TDA limited many transit systems' (those operating before 1975) use of TDA revenues to no more than 50 percent of their systems' costs (after deducting federal funds). The other 50 percent was required to come from the farebox and other sources of local support.

In 1979 SB 620 amended the 50 percent requirement to make it one alternative criterion for the pre-1975 systems. Alongside it--really in place of it--were established several minimum farebox recovery ratios, including a 20 percent ratio for systems in urbanized areas. If an urban operator actually had a higher ratio in 1978-1979, however, then the minimum ratio was fixed at the higher percentage. Operators serving nonurbanized areas were bound to a 10 percent recovery ratio whereas transit services for the elderly and the handicapped were given a 10 percent ratio or their actual ratio at the time, whichever was higher.

For state-subsidized intercity rail services, the legislature imposed a farebox ratio of 55 percent beginning in the fourth year and continuing in subsequent years of any such services. For commuter rail, a 40 percent ratio is specified for the same time frame.

The legislature also has created penalties for operators that fail to meet minimum ratios. Failure

by a transit operator to meet the specified ratio activates a higher ratio requirement. This higher ratio requires the operator to make up for the previous year's shortfall, albeit under somewhat generous and indefinite terms.

Taken together, the various ratios for different operators, regions, and services today present a jumble of conditions and requirements rather than one simple set of standards. Although it is easy to see that the legislature has set these minimum ratios, it is difficult to generalize about them given their number and conditions of application. And although the establishment of these standards is a favorable development, it is difficult to conclude that all are strictly enforced or consistently applied. For example, notwithstanding the general farebox ratios (20 percent) and the farebox ratios for the elderly and the handicapped (10 percent), some operators in the San Francisco Bay Area must meet a 33 percent standard. Geographically contiguous services may have different ratio requirements as a result of their inauguration date or ratio realized in 1978-1979. Community transit services for the elderly and the handicapped actually may adhere to one of a number of ratios, including those established by local transportation planning agencies. Again, rail service farebox ratios may be waived for up to 3 years. Therefore, although these standards have been established, they have proven to be relatively permeable and flexible and, in certain cases, elective.

Performance Audits

A relatively recent addition to transit performance criteria is the triennial performance audit. The legislature required that, beginning in 1980 and every 3 years thereafter, operator and transportation planning agency performance evaluations must be submitted that review the efficiency, effectiveness, and economy of operation of the operator or transportation planning agency being audited. In the case of operators, audits must include verification of (a) operating cost per passenger, (b) cost per vehicle service hour, (c) passengers per vehicle service hour, (d) passengers per vehicle service mile, and (e) vehicle service hours per employee. Failure to provide the audit renders an operating agency ineligible for an allocation of funds under the TDA.

Despite the specific audit provisions and the requirement that the reports be available for review, performance audits have not yet had a significant impact. This is primarily because various operator's services are not judged relative to one another nor is a single entity responsible for reviewing the audits and making performance comparisons. Also, the relatively lengthy cycle of the performance audit has not yet produced a significant enough collection of data, nor data that is fresh enough, for conclusive analyses.

Local Support

Transit productivity also has been sought through requirements for local support. Sources of this local support may include local matching funds for state capital funds, farebox revenues and local general fund contributions, property taxes and bridge tolls, or other creative local efforts. More recently, monies raised locally through the private sector also have been promoted. Regardless of the type of local funds, the existing premise is that some local contribution is necessary as a show of local interest and commitment as an incentive to improved performance and to limit the state's costs.

In 1982 the legislature approved SB 1335 and AB 2551, which required a 10 percent local match for transit capital projects funded from the state's share of TP&D account revenues. Through the same legislation the distribution formula for the local share of TP&D account revenues (STA funds) also was revised. Rather than continue to provide the local TP&D account funds strictly on a population basis, the legislature specified that 30 percent of the local 60 percent share, or 18 percent of total TP&D account revenues, be divided based on local support and fare revenues. For example, if an operator's fare revenues and other local support amounted to 10 percent of the statewide total for these revenue categories, then that operator would receive 10 percent of the 30 percent funds being distributed on the local support basis. One result of adding the local support factor was to create an inter-operator and inter-regional competition for the STA funds while generally encouraging increased local support.

The legislature's basic reason for introducing the local support mechanism was to inject some measure of private market forces into the public transit service sector. Operators who increased fares to match or exceed increased operating costs or who provided services supported (financially) locally were to be rewarded with increased shares of the state's transit funds. This policy change was a significant break from the old, but more politically favorable, population-based method of disbursing state transit funds.

Other Efforts

In discussing legislated productivity measures, several labor and private sector provisions should be mentioned briefly. First, the legislature has stipulated that TP&D account revenues provided to local agencies shall not be available to any operator that is precluded by contract from employing part-time drivers or contracting with common carriers. The legislature's purpose in establishing these conditions was to enhance the operators' ability to meet peak-hour service demands without having to hire additional full-time drivers (who then might sit idle during off-peak periods).

For transit capital improvements, the legislature and the governor recently approved legislation authorizing the creation of benefit assessment districts for areas around the proposed Metro Rail project in Los Angeles. Under this legislation the Southern California Rapid Transit District (SCRTD) would be permitted to levy assessments on real property within the districts that would benefit. These assessments would be used for the financing of capital facilities within the districts and for matching federal funds. Not unexpectedly, the premise underlying this effort is that those private commercial entities that will reap financial rewards from their proximity to transit stations should assist in financing those stations. San Francisco has attempted to implement its own transit development fees but has encountered significant political obstacles and opposition from commercial interests.

Private sector and local agency contributions also have been made components and criteria of the California Transportation Commission's evaluation and approval of applications for state transit capital funds. The legislature, which created the independent commission, also charged it with responsibility for allocating state transportation funds. The commission, in turn, has adopted an allocation policy that requires local financial support for transit guideways and capital projects from both private and public sources as a condition for re-

ceipt of state discretionary capital funds. Specifically, the policy mandates the enactment of a local sales tax from which revenues are available to transit or the demonstration of some other local revenue base capable of maintaining existing and planned transit services. In addition an adequate private sector financing program must be implemented. Meeting these two conditions permits competition for the discretionary funds but does not ensure their receipt.

Performance and Productivity Summary

Highlighted in the foregoing sections are several of the efforts by the legislature to encourage more productive transit services and to make them less dependent on annual state subventions. Although several significant milestones have been achieved, efforts to date remain embryonic. These performance-oriented actions reflect more the start of a new way of doing business and shift in orientation than the culmination of a sweeping reform effort or broad programmatic initiatives. Nevertheless, the move to put transit on a more business-like basis is a significant policy initiative. Recognition by transit of this attention to performance and productivity can only make it more sensitive to its operating environment which in turn will increase its chances for survival and continued growth.

PROCEDURAL FRAMEWORK

The legislature's establishment of transit funding sources and performance and productivity measures has been accompanied by the development of a procedural framework to channel and regulate the former. Acting as the fiscal and policy overseer, the legislature has chosen to delegate considerable responsibility for management of individual program details and project selection. A brief description of this framework and its key components may be helpful in understanding the interaction of provisions discussed in the first two sections of this paper.

Structure

The legislature has not acted alone in nurturing the development of transit. Instead, it has created state and local agencies that help allocate available state funding, choose capital projects, review operator budgets, and keep a watchful eye on system operations and management. At the state level, the California Transportation Commission makes the decisions as to which transit capital projects receive the state funds appropriated by the legislature. The commission also is responsible for evaluating project applications for the various funding categories with the assistance of the California Department of Transportation. The commission has further responsibility for annually estimating the amount of state and federal funds available for these projects. Thus, the commission evaluates individual projects, selects those to be funded, and matches total costs to estimated available revenues.

At the regional and local levels the legislature has provided for transportation planning agencies and transportation commissions. These agencies oversee performance audits; help allocate STA and other transportation tax funds in their respective areas; perform operator budget analyses; and help coordinate transit services, fares, and operations among different operators. Their focus is much more the normal, daily transit operations and regional ser-

VICES than the state commission focus, which is more attentive to statewide priorities and project trade-offs.

Processes

As discussed earlier, considerable financial support for transit flows through well-established allocation procedures and formulas, including the TDA revenues and STA funds. Still, it is the legislature that annually determines, through the state budget, the total amount of transit capital funds to be appropriated, although it does not determine individual project expenditures. This is the same process as that used for highway project appropriations in which the legislature appropriates lump sum capital funds but does not budget individual projects. This process is designed to avoid legislative logrolling or pork-barrelling.

Under normal or stable economic conditions, the appropriation of transit capital funds is followed by a legislatively mandated allocation process administered by the transportation commission. This process was created through SB 1331 in 1982, which also repealed a host of individual county-oriented capital allocation requirements, including statutory allocations, fund revenues, and debts to the state for prior advances. Under this legislation the commission must subvene one-half of each year's transit capital funds to the state's nine guideway (Proposition 5) counties. This is done on a population basis subject to submission of a viable local financial plan and commission approval. The other one-half of the capital funds is considered discretionary and is allocated by the commission to projects of the greatest statewide interest and benefit and on the basis of local and private support for candidate projects.

Even when the legislature finds it necessary to amend, reduce, or temporarily suspend the allocation procedures and formulas, as was done in 1982-1983 and 1983-1984, this does not alter the basic arrangement (*vis-à-vis* state-controlled activities) that has been developed: the legislature establishes the basic policy guidelines and formulas and appropriates lump sum amounts in various program categories; statutorily created agencies, both state and local, administer the programs and allocate resources on a project-specific basis as required by the formulas or evaluation criteria.

PITFALLS AND POSSIBILITIES

Let the reader draw the premature--and erroneous--conclusion that the California Legislature has guaranteed transit a secure future, it is necessary here to acknowledge major obstacles that must be overcome if transit is to flourish in the state. If it is true that success is fleeting, then it is probably also true that California transit's current good health could prove transitory unless carefully attended.

Environment

As noted in the first section of this paper, transit faces an often hostile environment, even within the legislature which has cultivated it. It has also been an environment of scarcity and one that will continue to exhibit scarcity and instability for some time to come.

The state's recent economic drought not only shrank transit's sales tax revenues while also

crimping the state's overall revenue stream, but also encouraged efforts by other program constituencies and governmental entities to raid or divert each other's revenues. Transit has been a frequent target of these restructuring efforts. For example, to help cover 2 years of \$1 to \$2 billion deficits in the state's general fund, the legislature reduced STA program appropriations of \$90 million and \$103 million by \$20 million and \$15 million in 1982-1983 and 1983-1984, respectively. Although these reductions constituted a substantial percentage of the program's resources, they are small compared to the \$28 million (27 percent) reduction originally proposed by the governor and the \$60 million (58 percent) slash recommended by the legislature's own fiscal analyst in the 1983-1984 budget. In each case, the reductions were aimed at freeing revenues for the general fund and the education, health, and other major programs supported by that fund.

Another example of the raiding efforts occurred during the writing of this paper. An unsuccessful attempt was made to approve legislation that would have provided a fuel tax exemption to producers of gasohol at the expense of transit revenues. Approval of the measure would have reduced TP&D account revenues by \$20 to \$30 million annually. The 1984-1985 governor's budget, unfortunately, again proposes a gasohol tax credit at the expense of transit revenues.

Challenges

Despite an environment of scarcity, transit overall has recently fared better than many education, energy, coastal preservation, health, and other programs in that its losses have been relatively less severe. Because damage to transit from recent fiscal woes and attempted raids has been tempered or deflected, however, does not mean transit is an especially cherished public program. Rather, it reflects the vigorous defense played by key legislators and transit advocates during the budget battles. Transit has, for the time being, weathered the storm. But it is not enough merely to depend on a small number of transit defenders in the legislature to keep transit a viable public service. The recent battles have again highlighted the need for transit supporters to take the initiative, improve services, and build transit-supportive constituencies.

Constituency Building

Beginning with the Reagan Administration's proposals to eliminate federal operating support and continuing through the state's economic storms, the transit sector has become painfully aware that in the long run it is less well suited to succeed in legislative circles than many competing programmatic interests. These other interests are well-organized, articulate their needs to the legislature, and react vociferously when their well-being is threatened; these are conditions and actions that have been lacking among transit interests until recently.

One of the major challenges facing transit in California is educating the public in general and the legislature in particular on the value of transit services and the consequences of not having these services. Similarly, the public must be made aware of the potential benefits of improved public transit. Transit also needs to improve its organizational capabilities and to speak with one voice whenever possible. No individual operator can hope to succeed in the political arena without the strong

support of its brethren, consistent policies and positions, and also some measure of public backing.

Achievement

If education, organization, and coordination are musts, then too is the need for operators to provide efficient, dependable service. Efforts at education and persuasion must be accompanied by performance and productivity in the provision of services. If transit advocates cannot bolster their requests with a public record of improvement and accomplishment, the available resources will be redirected elsewhere where it is perceived the public is being better served.

The legislature can, and has, established some minimum performance requirements. But the uniqueness of the dozens of service providers severely restricts the ability to legislatively decree fair and workable standards or common achievement levels. Productivity cannot be legislated, although it can be encouraged and rewarded. Likewise, performance must come from the service providers; it cannot come from the legislature.

SUMMARY

Transit is alive and growing in California, even with the prevailing affection for the private automobile. Actually, transit is poised on the brink of a modal renaissance with nearly every major urban

area of the state about to launch, complete, or extend some type of rail transit system. Once fully in place, these fixed systems can serve as the trunks of expanded multimodal services. For this scenario to work, however, operators need to tend and maintain the systems now operating in addition to finding the resources to operate the larger integrated systems.

As discussed in this paper, transit has been provided many significant tools to do its job. The legislature has provided significant financing, allocation processes, and basic performance criteria. Still, much of the legislature remains a skeptical provider or disinterested overseer willing to pull back from its commitments should transit fail its public responsibilities.

Certainly the legislature could do more for transit. However, the fundamental situation of finite resources and infinite wants and needs weighs heavily on any efforts toward further legislative endowment. The legislature has been a facilitator and architect and can continue to frame certain policies and procedures; still it is the task of transit operators and managers to actually provide the services, accountability, and performance. The legislature has created the opportunity for success; it is the transit industry that must achieve that success.

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Maximizing the Use of Private Credit Markets for Transit Investments

JEFFREY A. PARKER

ABSTRACT

The opportunities created by the 1982 Surface Transportation Assistance Act are examined to increase the role of private capital markets in financing transit investments. These opportunities include: the potential for more extensive grant anticipation financing using the Section 9 block grant as a credit source, the potential impact of contract authority flowing from Highway Trust Fund dollars on financing options available to grantees under the Section 3 discretionary program, and the potential impact of federal funding under the 1982 Surface Transportation Assistance Act on the terms and availability of credit for the non-federal portions of transit capital budgets. The impact of these opportunities on future applications of existing financing tools to

transit capital projects is examined. Existing credit instruments, such as dedicated tax revenue bonds, transit revenue bonds, service contract bonds, general obligation debt, toll revenue bonds, and grant anticipation notes are described and examples are cited. The conclusions reached indicate that the 1982 Surface Transportation Assistance Act will permit opportunities for longer-term grant anticipation financing and should favorably influence the terms and availability of credit for the non-federal portions of transit capital budgets. Realization of these opportunities can be expected to reduce overall project costs by allowing construction schedules to be optimized and interest costs to be lowered.

Grantees under the 1982 Surface Transportation Assistance Act (STAA) have new opportunities to blend