nancial problems were exacerbated as well. The Interstate highway program was adjusted to improve housing relocation allowances and to accommodate similar ameliorating strategies. In many cases, however, the design standards were applied too rigidly, which made it difficult to fit elements of the system into metropolitan communities. The prospects for ultimate completion of the system have suffered as a result.

Study on Transit Revenue Sources: Part 1

Ralph E. Rechel, Institute of Public Administration, Washington, D.C.

The Institute of Public Administration and Gladstone Associates are jointly engaged in a project that will produce a manual or handbook for the Urban Mass Transportation Administration (UMTA) on local government financing for public transportation. The book will cover both existing methods that have been applied in public transportation and innovative methods, most of which have not. Almost all of the new methods that are included have been used somewhere for some other public financing purpose.

Although the handbook is confined to sources of nonfare financing for public transportation, public taxation of the practical sort involved here is a field that is not very well suited to handbook treatment. The end results of the political processes required to produce support for transit are too unpredictable.

The final document is to be an exposition of all practical local financing methods, innovative and proven, along with suggestions as to how they could be combined into packages with federal and state funds for financing an entire system. It will focus less on financing large-scale investments than on operating assistance.

The upsurge in national subsidy requirements is unmistakable, and it appears that federal assistance will have to continue on a 50-50 basis, at least in the near future. As work on the study progressed, it appeared that the major emphasis should be on developing relatively stable cash flows from any feasible source rather than on the specific-use objectives of the cash flow. There is no great financial difference between flowing funds through to debt service for financing a public investment and flowing them through to operating assistance. Some difference may exist from the legislative standpoint, and this publication should provide a variety of arguments for the legislative process.

The handbook will have at least six major sections. The introduction will discuss types of financing problems and set forth, in a summary fashion, the framework of legislative and organizational actions and traditions within which specific financing steps will be considered. The types of problems include existing operating deficits, equipment replacement on existing systems, moderate-cost new investments (that is, new components, additional capacity, or even a new subsystem), large-cost new investments (fixed-guideway, grade-separated systems), and the operation of special clientele services, particularly those for the elderly and handicapped. This section will call attention to the fact that the school-bus business is a special-clientele service that has been around a long time and is basically a much bigger business than transit.

The next section, on public organization for transit financing, will discuss the relative importance of specific organizational structures and, to some extent, different local institutional settings for transit financing. The advantages and disadvantages of five major structural categories will be discussed.

The first is private ownership with public subsidy in moderate amounts to cover operating deficits or capital investments. This, of course, is the declining alternative, but there are still some examples. The second is direct public ownership by a city or county government, so that transit is in effect operated as a line department of the local government. There are a number of examples of this and, as long as there is no major demand for multijurisdictional services, it is a perfectly valid form of organization.

The single-purpose, multijurisdictional authority that does not have separate sources of financing, which is by far the most common structure at the moment, was designed essentially to bridge the jurisdictional gap. The single-purpose, multijurisdictional authority that has some separate sources of financing, which could be considered either autonomous or semiautonomous, is a fourth type. These authorities usually have various kinds of borrowing power. Most of their borrowing does not require a separate referendum but does require legislative concurrence. In many cases in which these authorities are established by states, state legislative approval would be necessary.

The last category is the multipurpose, multijurisdictional agency that is largely self-financing. The most famous examples, of course, are port authorities that have toll crossings that provide the major cash flow. There are places in which the same thing can be done with surplus revenues from airports and seaports.

The next section of the report will deal with key local policies, and the first part of the discussion will be on transit fares—not from the standpoint of their structure and level, which are being dealt with in a number of other UMTA reports, but from the standpoint that setting overall fare policy is the first step in determining what the deficit is and how much of a subsidy is required. After the deficit has been determined, the remainder of the budget must be accounted for either by financial assistance from outside the transit authority or, if that is inadequate, by going back to management to get decisions on cost reductions. That means that management action both to reduce costs at given service levels and, more usually, to reduce service have to be considered by the operating authority. These choices will not be detailed in this section, but they are offered as a range of policy alternatives that can be worked through in a systematic fashion. The major cost reduction alternatives will be outlined.

The next section of the report will be on nonfare

sources of funds. This will consist of a general catalogue or list of local government fund sources other than transit operations, including advertising and terminal concessions. The first category will cover cash flows from direct benefits received by the providers of the cash flow, including value capture and special benefit districts. Most of these ideas are innovative as they apply to transit or have had very limited application. The second category will cover cash flows from indirect benefits or from transportation-related operations—taxes or charges of all kinds on highway users and possibly on activities that directly benefit from transit services, such as major entertainment centers. This category includes fuel taxes, automotive excise taxes, license and registration taxes, tolls, and increased parking charges.

The rest of this section will contain extended discussions of each of the several groups of general taxes and charges. It will consider general fund financing as well as the full array of local government taxes for the purpose of linkage (the transit need is discussed as a reason for action, but there is no specific legal requirement that the money be spent for transit and nothing else) or dedication (the tax flows straight through to transit and cannot be used for anything else). These taxes will be evaluated in a matrix of their advantages and disadvantages for fund flows to public transportation. The tax groups include real property taxes (other than the special district assessment), retail sales taxes, payroll or wage taxes, public utility taxes or charges, and excise taxes.

By using the sources at hand, about 150 local actions in transit finance between 1970 and 1975 were surveyed. More than half simply transferred money out of general funds, which has the advantage that it entails the fewest commitments for specific financing and allows the greatest flexibility for local legislative bodies. The real property tax is by far the most popular of the earmarked or dedicated taxes; it accounts for 50 to 55 percent of the cases. The sales tax accounted for 8 to 10 percent, and all the other taxes were relatively minor; more use was made of the gasoline tax than any other.

The next section will briefly review state transit subsidy programs. These are in a constant state of increase and evolution. Most of the large urbanized states now have programs for both capital and operating assistance to transit. These have a very wide variety of ground rules that, when added to the federal ground rules, cause serious administrative problems at the local level. There will also be a summary of federal transit assistance programs and some comments on the administration of section 5, which will be useful at the local government level.

The next section will discuss financing for special-service clientele, focusing on the elderly and handicapped. This financing involves a complex of funds from other federal programs (primarily in the U.S. Departments of Health, Education, and Welfare and Housing and Urban Development, as well as some from the Department of Labor). It also involves funds from state and local agencies, both public and private. A major policy issue has involved whether these services to the elderly and handicapped, which often have numerous providers, each with its own financing, should be integrated with similar services in the existing transit operation. There are a couple of demonstration projects under way in this area, and it is hoped that the handbook will include some feedback from them.

The final section will examine prototype institutions and review the possibilities for setting up plans and packages with major emphasis on operating assistance at the local level. From the standpoint of local officials, the base from which they start—besides the revenues from the transit operation itself—is (a) their section 5 federal money and (b) whatever funds they receive on a regular basis from state assistance programs. In some cases, there is relatively little left to be done by local authorities; in others, because the states are doing nothing, the local authority has a big job.

The handbook may have an additional section that will review all of the arguments for and against operating subsidies for transit and will comment on the administration of subsidies. The book will probably not address the question of how best to divide up the cost of the regional system among the cities and counties that receive the service, which is an area of fierce controversy, but it will concentrate on how to raise the money to fund the deficit.

Study on Transit Revenue Sources: Part 2

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During the past decade, officials at all levels of government have been increasingly faced with difficult decisions about financing transit. At the same time, there has been relatively little analysis to assist policy makers in this regard. This report sets forth some initial results of a study sponsored by the Urban Mass Transportation Administration (UMTA) that was designed to help fill this gap by assisting local decision makers in identifying the full range of transit financing techniques, more systematically assessing the pros and cons of each local case, and choosing among alternative courses of action. This brief review cannot, of course, cover all of the details and supporting analysis.

PURPOSE AND SCOPE

The specific objectives of this report are to review innovative financing techniques, many of which entail joint development and the related notion of value caputre, and to evaluate their financing potential, institutional feasibility, and apparent promise for widespread application in the transit field. Typically, the innovative techniques covered here have been little used to pay for transit in this country, although they have been applied to finance other capital improvements. ("innovative financing techniques" as used in this report involves an introduction of financing techniques from one field to another,