

# Alternative Methods of Financing Mass Transit

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## INTRODUCTION

In the falsely contrived and harmful conflict which has been created by advocate planners from both worlds of private transportation and public transportation, I'm not sure whether I'm here today among friends or enemies. You are the Purdue Road School, which we all know from the popular media to be the bad guys, and I am an urban traffic and transportation engineer so possibly I'm one of the good guys. My career has been devoted to solving urban traffic and transportation problems. I recognize, therefore, the urgent need for adequate public transportation in our cities, and in the areas surrounding our cities. I recognize that some form of public transportation is needed by everyone who does not have access to an automobile, and that some areas, like Manhattan, are best served by public transportation. I also know, as some people apparently do not, that every place is not like Manhattan. As a result, I happen to think that for most trips in most places the automobile is the best means of transportation that has yet been devised, and I don't think anything is going to replace it, unless it is something along the same lines that is even better. I don't believe there is any possibility the public is going to accept a forcible shift from a first class means of transport to a second class means. Therefore, those who wish to stop or cripple the highway program are clearly, to me at least, simply obstructing public preference. It seems very strange to me that the same liberal society that says people ought to be allowed to have drugs, dirty movies, and mayhem, if they want them, say they shouldn't be allowed to use automobiles, regardless.

Don't misunderstand, I spent a number of years as the head of transportation planning for the City of Boston and I was a strong supporter of the MBTA, incidentally, which has one of the highest subsidies per person of any transit system in the country. But, I also was among the last of the professionals to be thrown into exile for supporting the highway system when moratoriumitis hit Boston and

all highway construction stopped, presumably forever. I guess the hat I wear is a somewhat tattered and indeterminate grey color; I guess that's where we'll all end up if we don't stop fighting and get to work. In any event, I'm ready to be friends with most anybody if he'll just agree that we should get on with transportation improvements and let the modes fall where they may.

### HIGHWAY SYSTEM A SUCCESS

For a number of decades we highway types worked hard and diligently on improving our highway system and traffic operations and at the same time we completely ignored public transportation. Our highway and traffic efforts were largely a success, and it is this very success which has come home to roost. If you doubt our success, just try and imagine handling the travel demands of today's urbanized population on the highways of 1950. Incidentally, contrary to popular opinion, Detroit is not the father of all those people and Detroit did not tell them to move off the farms. With or without automobiles they would have been here, anyway. Somebody had to take care of their transportation needs and you did it.

### MASS TRANSIT FAILS AS A PROFIT-MAKING BUSINESS

Unfortunately, during the same period we tried to operate public transportation as a profit-making business, with the result it declined to the point of non-existence in many cases and it certainly was left in no position to meet social obligations to the young, the old, the poor, or whomever. We, the highway types, are now being blamed for that situation. Perhaps we deserve part of the blame; we should have recognized the need and we should have done something about it. Well, it's never too late, so why don't we get off the defensive and on with the job. There is no doubt in my mind that the professional talent now handling our highway and street traffic problems can transfer their knowledge directly into the solution of public transportation problems and there is no one else in large enough numbers to do so.

### MASS TRANSIT GOALS SET BEFORE FINANCE METHOD DETERMINED

Of course it is evident, if we're going to have a transportation system of any kind it must be financed. That is the reason we are discussing alternate methods of financing here today. We must bear in mind, however, that before we will be allowed to finance anything, particularly with public money, we must have a thoroughly detailed

and accurate statement of what we propose to build. I believe the long term success of the highway program has been partially due to the existence of objectives to be achieved and continuous movement toward them. You will recall that long before the days of the Highway Trust Fund and the interstate system, the primary and secondary highway systems had been specified and well defined for many years. The interstate system was about as specific as you can possibly get in describing a nationwide program. Unfortunately, except for public relations efforts, drum beating, and other sorts of noises, there has been very little definitive description of the public transportation needs of this country.

#### THE NATIONAL TRANSPORTATION REPORT OF 1972 —NEEDS

The National Transportation Report of 1972, which was compiled by departments of transportation or highways of the various states and the Federal Department of Transportation, was the first real effort in that regard. That report showed highway needs of about 570 billion dollars for the twenty years from 1970-1990, and urban public transportation needs of about 63 billion dollars for the same time period. That is an annual rate of about 28 billion for highways and three billion for public transportation, which is so much larger than anything actually available in either category at present that no one expects it is going to happen. Interestingly, the spread of the annual values, about nine to one, is greater than the spread at the federal level today. The same report, recognizing the enormity of these perceived needs, examined capital improvement programs based on alternative financing plans. The alternative which was based on previous trends and assumed the existence of a general transportation fund showed 14 billion annually for highways and two billion annually for urban public transportation up until 1990, a rate of seven to one. It would accomplish somewhat less than half of the perceived needs.

#### NATURE OF MASS TRANSPORTATION PROGRAM UNKNOWN

What is not yet clear to the general public, and perhaps to Congress and ourselves who ought to know, is the proper nature of an urban public transportation program. The details of highway location, design, and use are quite clear, but we read great amounts of Sunday supplement material concerning new public transportation systems with astounding breakthroughs, and other events that are going to take place "manana," but we see little or no evidence of it actually hap-

pening. There is BART in San Francisco which is brand new and modern, and after all is simply the most modern commuter railroad now existing in the United States. There are a lot of new buses around, which is quite to the good but hardly earthshaking. There are some successful express bus lane operations, which is most promising, but if you look in your history books you will find they were invented by highway engineers in the early fifties before the public was ready to accept them. There is the new people-mover in Morgantown, West Virginia, which is a special purpose installation and which appears to have cost substantially more than its sponsors originally anticipated, and so it goes. There are things happening, but there is no program.

## FINDING MEANS TO FINANCE PUBLIC TRANSPORTATION

My first conclusion therefore is that step number one in finding means of financing public transportation is to establish a rational program for public transportation. We must set goals and objectives. We must understand the difference between providing service immediately and achieving the system of tomorrow. We must come to agreement on the level and amount of subsidy the public is to be asked to provide and the level and amount of service they can expect to receive. In the process of this we must give some indication of who is to benefit from the system, and from that we can partially answer the question of who is to pay. I believe the only way this can be accomplished is for Congress to instruct the Federal Department of Transportation to produce the necessary documentation through a series of federally structured studies of the needs and potentialities. There should be no question of whose money is being used by whom to study what and for which reason.

### *Beneficiaries of Mass Transit*

Assuming all this is done, I rather suspect we will find a group of direct beneficiaries of public transportation who are the same individuals in our society who generally need assistance of various kinds from society at large: the young, the old, the handicapped, and the poor. Additionally, there will be select properties and activities which are affected by public transportation in such a way that the property owners receive a major benefit in accessibility. There will also be a group of affluent citizens who will benefit. They are the commuters who travel from home in the suburbs via public conveyance to the benefited properties in the central districts. It seems to me that a financing method could be derived which reflects these various benefits.

### *Welfare Aspects and Federal Income Tax Money*

The general welfare aspects, to be paid by society in general, can most easily and appropriately be derived from the income tax, i.e., the main income source of the federal government, and distributed to local areas on a formula basis reflecting the distribution of general welfare beneficiaries. Thus, appropriations directly from the federal treasury into federal aid for public transportation would be justified.

### *Businesses Served Pay Through Property Tax*

Locally, the owners and occupants of commercial and industrial property, whom we expect to find as beneficiaries at the receiving end of public transportation service, should be expected to pay a substantial portion of the local share. This, it seems to me, would be through the property tax on non-residential uses.

### *Suburbanites Pay Higher Fares During Rush Hours*

The affluent segment of society which also benefits through the use of public transportation facilities should be expected to pay their own way. This is not discriminatory, incidentally, it just faces the reality that if they don't pay there isn't anyone else available. It is obviously not possible for us to arrive at a condition where everybody is subsidized. The simplest and most direct method of requiring the latter group to pay is by charging substantially higher fares for travel during peak hours. This is now being done in some places, but the majority still follow the outmoded system of charging less for repeated rides which results in a lower charge for peak hour travel.

## THE HIGHWAY TRUST FUND AND PUBLIC TRANSPORTATION

### *Antihighway Elements*

Until this point you will note I have made no reference to the highway trust fund and the current efforts to obtain public transportation appropriations from it. I have not alluded to it because I believe it is a false issue agitated by anti-highway elements who are more interested in crippling the highway program than they are in transportation improvements of any kind. All too frequently they manage to hide behind those truly interested in obtaining public transportation funding by frightening them into believing they won't otherwise get it. If you find this hard to believe, I can tell you I recently heard a congressman declare publicly he was pleased when the compromise Highway Bill of 1972 died on the floor of the House (in fact, he helped kill it)

because, and I quote, "We don't want just any dollars, we want highway trust fund dollars."

#### *Highway Trust Fund Money Diversions*

On the other hand, I believe that those of us who recognize the need for adequate highway funding, and who recognize there is not enough money available now to satisfy all the needs, have been wrong in allowing ourselves to be drawn into this particular controversy and acting as though someone was trying to steal "our" money. The word "diversion" has been completely diverted from the meaning it had in the early 1930's when the idea was to stop diversion of transportation tax revenues into welfare, education, and other related programs, and now we talk as though diversion is any use of gasoline, diesel, and excise tax money for any transportation purpose other than highways. The absurd lengths to which this has drawn us is evident in the fact that we say it is okay to use it for public transportation equipped with rubber tires but not otherwise, as though having rubber tires conferred some sort of sainthood on public transportation vehicles. Fortunately, no one has tried to extend the user tax theory to the extent of pretending that express buses will generate enough diesel fuel tax to pay for the express bus lanes, but in the heat of battle, someone might try it. The truth of the matter is that our concern over the trust fund is, or should be, our concern over the adequacy of funds available for transportation purposes. We all know that robbing Peter to pay Paul doesn't work.

#### *Highway Trust Fund Due to Expire*

However, why don't we recall the creation of the highway trust fund and its purposes. As I understand it, it was to assure a stable flow of annual funding to allow for rational planning of the various highway programs, particularly the interstate system, and it was to assure funding by relating it to specific fuel taxes and excise taxes which were to be deposited in fund, thus making it easy from a pragmatic political viewpoint for Congress to continue the even flow. Not once, however, did we ask Congress for, nor did Congress promise us, any specific level of funding. As a matter of fact, the increase in federal fund tax has always been scheduled to expire on a specific date tied to the completion of the interstate system. We should also remember that the 90-10 formula for the interstate was a special arrangement because it was a mandated system of high design standards very costly to provide, and many of the states could never (or thought they could never) bear the cost on any other basis.

## RETURN TO IDEA OF STATE RESPONSIBILITY FOR TRANSPORTATION

There is another way of doing things. It derives essentially from the belief that the provision of transportation, public and private, is mainly an obligation of the states and their local communities, and we should begin a return in that direction. To accomplish this, I believe Congress should make clear an intent to keep the trust fund intact at this time, maintain maximum financing of the interstate system, and get it done with. At the same time it should not proliferate new or expanded programs, it should reexamine the upcoming 70-30 split based on a theory of maximum state responsibility, and it should make clear its intent to allow the added federal taxes to expire when the interstate is completed. During this same time period it should continue the current mass transportation program in UMTA, but focus on the prior suggestion of rationalizing the program through adequate study, express its commitment to the program on the basis of general welfare, and devise an adequate apportionment program to replace the existing first come, first served, grab bag (sometimes translated as "how much muscle has your senator got") which now exists.

### *States Increase Gas Tax After Federal Cut*

Under this plan, the states should look forward to increasing their fuel tax by as much as, and preferably more than, the intended federal cut. Each could do whatever was required to meet its needs. Most important, each state could decide whether or not, and to what extent, its funds should be transportation funds, rather than exclusively highway ones. The states could then use the federal funds, combined with local contributions, to finance capital and operating costs of service level public transportation.

### *State Predominance in Funding and Operation*

Expanded programs using state and local funds, plus increased commuter income, could exist in those places that need them. The return to state predominance in funding would take care of the currently unmanageable costs of operation and maintenance. The federal government's role would still be large enough to lead the way in advanced technology, standardization, and overall policy without being the end all be all it has of late.

## CLOSURE

What I have suggested is mainly a call for a return to common sense. As such, I hope it is not too radical for this country to consider.