

CHAPTER 5

FINANCING FOR PUBLIC TRANSPORTATION

The influence of financing mechanisms on transit decisionmaking is profound and cuts across the two major categories of investigation (institutional context and technical planning work) in this assessment. For this reason, discussions of financing issues appear in several places in the report. This chapter was written to consider the subject in the depth it deserves.

The chapter focuses on the impact of the Federal program for transit support. The amount of funds that has been available, the purposes for which their use has been authorized, and the means by which they have been allocated all have contributed to shaping the transit planning and decisionmaking process on the regional and local level. The availability of aid from the state and the mechanisms for raising local funds also have had important influences and will be discussed.

One of the central issues has involved UMTA's attempts to develop a fair allocation procedure for distributing funds. As of 1974 a portion of the transit program has been allocated by formula, a set amount to each metropolitan area. However, the bulk of the money is "discretionary;" that is, it is distributed to applicants at the discretion of the UMTA administrator.

Fair distribution has been a concern at least since 1970. In order to gain broad support for the new UMTA bill being debated (and later approved) that year, a limitation on the amount that could be spent within any state was proposed at 12 1/2% of the total funds obligated.^{1/} This provision offset concern that the New York metropolitan area or a handful of the largest rail systems would be granted most of the funds.^{2/}

The debate intensified with passage of the 1973 Federal-aid Highway Act. Perhaps the greatest immediate importance of this act was to virtually guarantee strong competition among urban areas for the available funds by substantially increasing the leverage of a local matching dollar. Until this time UMTA had been able to provide all funds for projects that met the rather moderate grant duplication requirements .

1/ It became Section 12 of the 1964 Act. Later legislation permitted an additional 2 1/2% under certain conditions.

2/ Federal Transit Subsidies, the Urban Mass Transportation Assistance Program, George W. Hilton, the American Enterprise Institute for Public Policy Research, June, 1974, p. 8.

During the past two-years, UMTA-has been examining an- approach for allocating its now-scarce funds that would involve establishing criteria to be used in judging the relative merits of grant applications. The recently. published policy for transit investments is the first published product of its investigations .^{1/} Although the policy sets forth conditions that applicants must meet before they will be eligible for Federal assistance, it stops short of proposing criteria for apportioning a limited amount of money to several equally deserving applicants.

The need for stable, predictable funding levels and related issues are discussed in greater detail in later sections of this chapter. The next section describes the general guidelines that were established to guide the metropolitan case assessments; it is followed by a discussion of the metropolitan experience and, finally, by a summary of conclusions and lessons learned.

GENERAL GUIDELINES FOR METROPOLITAN ASSESSMENT

The financing issues affecting the nine case cities were identified with the aid of a number of general guidelines for assessment. These guidelines were based on interpretation of Federal policy as stated in the law, interpretation of common state and local objectives, and an evaluation of the evolution and current status of transit finance. A summary of the Federal financing program is followed by a description of the guidelines.

Federal Transit Financing Programs

The purpose of this section is to summarize the financing mechanisms used to implement the Federal urban mass transportation program. Chapter 2 provides a detailed account of the evolution of the program.

Capital assistance. The first Federal capital aid for transit was provided in the form of capital loans through the Housing Act of 1961. The Urban Mass Transportation Act of 1964 (PL 88-365) authorized the first Federal matching grants for local transit capital improvements. Typically these funds have paid for public takeover of private transit companies, for acquisition of new bus or rail transit rolling stock, and for construction of new transit systems and supporting facilities.

^{1/} UMTA, "Proposed Policy for Major Urban Mass Transportation Investments," op. cit.

Until 1973, the Federal share of capital grants was two-thirds of the total project cost. In 1973, the ratio was changed to 4-1, with the Federal Government providing 80% of the total.

Funding levels in the capital assistance program have increased since the initial legislation was passed. From 1965 to 1967, \$375 million was made available. Amendments in 1966, 1968, and 1969 raised the authorizations by \$790 million and extended them through fiscal year 1971. In 1970, Congress amended the Urban Mass Transportation Act again, this time authorizing \$3.1 billion for a long-range capital program. Table 6 shows the total Federal transit support to all transit systems in the nine case areas between 1962 and May, 1975

The Federal-Aid Highway Act of 1973 provided \$3.1 billion in new authority for transit capital grants, along with the option to use \$800 million of highway urban systems money and to exchange allocations for unbuilt urban interstate highway segments for transit projects. In 1974, \$4.825 billion new authority was provided by the National Mass Transportation Assistance Act. In addition, that act authorized \$3.975 billion for a new formula grant program whose allocations could be used both for capital programs and to pay operating costs. The capital grant program is administered on a discretionary basis.

- Technical assistance. The first Federal aid specifically earmarked for transit technical studies, which were defined to include system engineering and design, was authorized by the UMTA amendments of 1966 (PL-562). Since 1961, transit planning had been one of the half-dozen urban planning activities supported under the "Section 701" housing program. The 1966 legislation, however, shifted transit planning to UMTA, and further authorizations for the technical studies have been provided in all subsequent UMTA legislation. Technical studies grants have been administered on a discretionary basis.

Guidelines for Metropolitan Evaluation

In order to guide the assessment, a set of guidelines was formulated. These guidelines reflect Federal, state, and local policy as well as informed professional judgment.^{1/} These guidelines provide a framework for focusing the assessment on key financing issues.

1/ One of the major sources for these guidelines was a set of "Criteria for a Desirable Financing Mechanism," contained in A Study of Urban Mass Transportation Needs and Financing, U.S. DOT, July 1974, p. VI-42.

TABLE 6: FEDERAL ASSISTANCE TO NINE SMSA'S FROM F.Y. 1962 - MAY 31, 1975

Amount (1,000s of Dollars)

	Capital Grants		Capital Loans		Interstate Transfers		Technical Studies		TOTALS	
	Federal Share	Federal & Local Share	Federal Share	Federal & Local Share	Federal Share	Federal & Local Share	Federal Share	Federal & Local Share	TOTAL FEDERAL SHARE	TOTAL FEDERALLY AIDED PROJECTS
Atlanta	239,089	621,360	0	0	0	0	9,066	14,401	248,155	635,761
Boston	322,852	650,620	19,500	19,500	33,040	41,300	4,965	7,108	380,357	718,528
Chicago	351,660	612,237	7,500	7,500	0	0	11,663	16,992	370,823	636,729
Denver	20,737	34,504	0	0	0	0	2,017	3,807	22,754	38,311
Los Angeles	78,530	110,717	0	0	0	0	6,440	9,560	84,970	120,277
San Francisco	469,137	931,279	0	0	0	0	7,839	15,916	476,976	947,195
Seattle	56,700	139,137	0	0	0	0	3,562	6,521	60,262	145,658
Twin Cities	30,647	45,682	0	0	0	0	2,666	6,512	33,313	52,194
Washington, D.C. ^{1/}	79,958	118,525	57,000	58,900	0	0	6,020	10,014	142,978	187,439

^{1/} Does not include capital grants and loans earmarked for the Metro rail system, because these funds have been provided directly by Congress and not by UMTA.

Source: Urban Mass Transportation Administration

A Standard Metropolitan Statistical Area (SMSA) includes a center city (or cities), usually with a population of at least 50,000 plus adjacent counties or other political divisions that are economically and socially integrated with the central area.

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The four guidelines for assessing the financial questions are:

Financing policy should support national, regional, and local goals. Financing mechanisms should allow development of transit systems that advance current Federal policy for preserving existing transit systems and revitalizing them to provide efficient, economic, and convenient transportation; for providing moderate fare service to increase the mobility of transit-dependent persons; and for attracting new riders regardless of their social or economic status or the purpose of travel. At the same time, the financing arrangements should allow equal responsiveness to local and regional goals for influencing and supporting desired development patterns, improving environmental conditions, and other objectives.

Financing mechanisms should provide a stable and predictable source of funds. This stability should extend to sources of funds to pay operating costs as well as capital needs, and to Federal financing policy as well as to means for raising the local matching share.

Financing mechanisms should encourage a balance between short-term and long-range planning and an unbiased choice of mode technology. The financing approach should not force rigid commitment to a fixed long-range plan but should allow attention to near-term improvements and an incremental approach to development. They should provide equal access to support for operating needs and low-capital improvements as for conventional capital-intensive systems. They should encourage development of local short-haul, community-level transit service as well as line-haul systems. The financing mechanisms should avoid stimulating competition among grant applicants.

Financing mechanisms should avoid creating unnecessary administrative delays. Policies for administering transit funds should be developed that streamline the grant application review process and minimize the need for bureaucrats to make technological decisions.

METROPOLITAN EXPERIENCE

This section summarizes the impact of the procedures that were available to finance transit programs in the nine case metropolitan areas. The information is subdivided into categories corresponding to the guidelines used in assessing the metropolitan experience and described in the preceding section.

Ability to support National, Regional, and Local Goals

National goals. The policies and arrangements for distributing Federal transit funds have had (or possess the potential to have) different degrees of success in meeting national objectives for preserving and revitalizing existing transit systems, minimizing fares to benefit the transit-dependent, and attracting new riders. However, the absence of operational criteria for measuring "success" makes judgment about these matters difficult.

The objective of revitalizing existing systems to provide more efficient, economical, and convenient service and the objective of attracting additional riders are generally recognized in planning reports at the Federal (and local) levels. However, there are no guidelines for how to evaluate alternative plans or technologies at the local level, or how to allocate funds at the Federal level in ways that will meet those objectives.

Although the Federal transit program has recognized the mobility problems of disadvantaged groups for a number of years, keeping moderate fares for the benefit of lower-income groups did not become an explicit legislative goal until 1974. The National Mass Transportation Assistance Act provides (for the first time) Federal operating assistance, which will help localities subsidize low fares, and it requires localities to set fares for elderly and handicapped at one-half of regular levels during nonpeak hours. ^{1/} Until this time funds had been available for capital investment only, and every effort (including raising fares) had to be made to maximize farebox revenues. This situation tended to put lower-income groups at a disadvantage. ^{2/}

However, the new act does not guarantee maximum relief. Under the new funding program about three-fourths of the funding is still committed to capital investment, and there are no explicit criteria or incentives for keeping fares at a moderate level. Continuing inflation, particularly in labor

1 / Section 103(a) of the National Mass Transportation Assistance Act of 1974 (P.L. 93-503), which was added to the UMTA Act of 1966 as Section 5m.

2/ During the period 1949 to 1970, transit fares rose at a rate that was 3% per year faster than the consumer price index, according to A Study of Urban Mass Transportation Needs and Financing, op. cit., p. I-9. Hilton (op. Cit., pp. 55 56 and III) present several arguments and some evidence for how the UMTA program has tended to inflate costs of transit services.

costs, can be expected to cause renewed pressures for increases in transit fares unless policies on fare increases are restrained to a greater extent than at present.

Local and regional goals. Financing mechanisms for both Federal and local shares significantly limit the ability of local governments to use transit as a means for achieving land use and development objectives. UMTA's main contribution in this regard has been to channel transit system planning funds through the regional planning agencies. This step indeed has led to "coordination" on the local level between transit system planning and regional comprehensive planning. But this kind of coordination has not been adequate to assure that development will occur where planners want it to occur, in the vicinity of transit stations or corridors.

One of the main causes of this problem is the type of funding mechanism used to raise the local share. Typically, the local share is provided by bond issues or specially earmarked taxes, for which public approval must be gained in a referendum. In order to show the voters what they are being asked to buy, the plan put before them usually is well defined in terms of routes, grade, and station location. Costs are estimated on the basis of the specific system plan, allowing for inflation and contingencies. However, due in part to the desire to keep costs as low as possible -- and maximize the chance for voter approval -- the estimates do not provide for many of the costly activities that are necessary to take full advantage of development opportunities, if they exist.

For example, one of the major lessons of the BART experiment, and one that has not been emphasized in most of the reviews of the history of BART, is that the long-term large-scale bond issue financing of a highly specific rail transit system tended to create strong incentives for the implementing agency to miss opportunities for coordinated development planning because of the necessity to adhere to a predetermined tight budget and time schedule.

Thus, the plans approved in referenda typically do not provide for assembly of land in vicinity of stations; design work other than for stations and transit facilities; or development of detailed land use plans for sites around stations. Neither do they deal with formation of development mechanisms for sites (such as special districts, other development finance mechanisms, quasi-public development corporations), the need to work with communities to evaluate and select from among different design configurations, or the desirability of negotiating with local governments to work out arrangements for development of associated community facilities.

Needless to say, the plans also fail to take into account the time delays that would be required to undertake these activities. Because the need for such activities is not generally recognized until after funding is fixed, the transit agency and its consultants tend to find themselves pressured into a crash program to design and build in an inflexible manner with minimal coordination with local government and potential developers.

Another cause of the inadequate coordination between transit and land use planning is the lack of statutory authority that might allow either transit agencies or metropolitan planning agencies to control where development should or should not occur. This issue, which is less directly related to financing mechanisms, is also discussed in earlier chapters.

Stable and Predictable Sources of Funding

An effective transit program level requires a steady and predictable flow of funds for planning, capital development and operating purposes. However, the experience since World War II in the transit field indicates that funds have frequently not been available when or in the amounts needed. Inadequacies in both the Federal program and the financing mechanisms available at the local level have contributed to this problem.

Federal funding policy. A number of transit agencies in the case metropolitan areas have been faced with changing UMTA policies and uncertain levels of funding. Without some degree of certainty about the amount of funds and when they will be available, localities have a difficult time planning transit systems, gaining local public financial support for them, and realistically staging their development.

The charge is commonly made in conversations that UMTA went around the country promoting the planning of big systems

and promising that they would be funded without providing any realistic appraisal of what the long-term fair share for **any** metropolitan area might be. Regardless of the merits of this charge, in recent years UMTA has backed off from previous support in several areas and called for more studies, prior to committing support for construction.

The complaint that UMTA has been causing unnecessary re-study is reinforced by a fear on the part of some local officials that UMTA has developed an overly negative and unjustified attitude toward rail rapid transit. This fear has been based in part on the fact that UMTA has backed **away** from commitments to new fixed guideway systems in Los Angeles, Denver and elsewhere, and because of the tone of many reports, speeches, and private conversations, particularly during 1974.

Although UMTA may have had legitimate grounds for this kind of action in certain **cases** ^{1/} **some** major local transit officials feel that UMTA's shift has been too great and may be damaging to public transportation as a whole. They urge UMTA to implement the new planning requirements embodying the shift in policy in such **a way** that they do not delay local support.

Seattle. Several persons interviewed in the Seattle area felt that the lack of any specific level of Federal commitment to assist in financing the proposed rail plan was a significant reason for lack of support in the bond issues that failed in 1968 and 1970.

1/ It is not surprising to many that UMTA has had a shift in its thinking regarding rail transit. The attitude toward rail transit that existed in UMTA and within the transportation planning community as a whole a few years ago was overwhelmingly positive. Since then, inflation in the costs of systems under development has been dramatic. The costs of some proposed new systems have been so great that they have threatened to swamp UMTA's budget. Several studies completed over the last few years also have influenced UMTA's policy. Some studies have tended to call into question the cost-effectiveness of conventional rail rapid transit (as compared with other medium capacity transit systems) under a wide variety of conditions commonly encountered in major urban corridors where such systems have been planned. Other studies have shown that some rail system investments tend to result in a negative income redistribution -- i.e. that upper-middle income suburbanites tend to receive more net benefit than others from some of these projects.

Los Angeles. The fact that UMTA administrator Frank Herringer had made statements in Los Angeles questioning the justification for the extensive rail system plan is cited as a factor undermining support at the polls in 1974. Similarly, uncertainty over Federal support was a factor in the 1968 plan's defeat. Prior to the last vote, UMTA made it clear publicly that it would not commit itself to fund the full system. This announcement probably helped encourage other critics of the 1974 plan and sent SCRTD back to the drawing board.

Denver. In Denver, local officials believed that UMTA was supportive of PRT and a large capital-intensive system in general. This provided confidence to go to the voters in September 1973 and win approval of financing for both a short-range bus improvement program and a long-range fixed-guideway system. Subsequently, confidence was set back by UMTA's unwillingness to consider supporting the plan until more analysis of alternatives had been completed.

Washington, D.C. In the Washington, D.C., area, there has been much confusion over the Federal responsibilities regarding the financing of cost increases in the approved 98-mile rail system. The resolution depends on the outcome of a political process that bears no real relationship to any measure of the area's needs or its fair share of a national program.

Boston. In Boston, UMTA has called for study of additional alternatives in the southwest corridor and for additional impact analyses in the northwest corridor, while local and state officials feel they have built the required support for these projects and have satisfied all Federal requirements under a reasonable interpretation of the law and regulations. They argue that both of these and perhaps other projects have received sufficient study under previous planning studies funded by UMTA, and that therefore the projects should move forward to implementation without further delay.

Atlanta. Atlanta has reported a similar experience. Local planners feel inordinate delays have been caused by procedures in the environmental impact statement process. Furthermore, UMTA has committed itself to finance only the initial 13 miles of the rail system under current financing authority, although Atlanta and Georgia state officials insist that former DOT Secretary John Volpe had pledged full Federal aid for the entire system.

Local share. Another major attribute of the funding stability issue involves the availability of local matching funds. Some metropolitan areas have been required to obtain the approval of 60% of the electorate on bond issues in order to provide large-scale funding for new rail systems. These include

Seattle (1968 and 1970), Los Angeles (1968), and San Francisco (1962). The last-named case may be the only example where a metropolitan-level vote with this much support (61%) has been obtained. (This vote occurred under the most favorable circumstances in many important respects.)

Stability of funds required to plan and program effectively has been best achieved when the localities do not have to rely primarily on local taxing powers and particularly on the property tax. One means for avoiding these requirements is to provide greater levels of state support. The examples of state financing mechanisms cited below vary widely as to the proportion of transit costs covered:

California. In California, part of the state sales tax on gasoline is being used for transit development purposes in several urban areas under one of the most important pieces of state legislation in the transit field in recent years.

In addition, the state has given San Francisco's BART the authority to use bridge toll facility funds for the BART transbay tube. The area still has had to rely primarily on **local taxes**, however, for the vast majority of BART's construction. Additional examples of diversion of bridge tolls to transit are Philadelphia (PATCO) and New York (PATH), where interstate compact agreements established port authorities for this purpose.

Maryland. In Maryland, state gas taxes and other fees are earmarked for a general purpose transportation fund, which is being used to finance part of the Maryland portion of the Washington, D.C., system as well as the entire local matching share of the Phase I Baltimore rail system.

Massachusetts. In Massachusetts, both debt service and, more recently, general operating deficits have been subsidized by the state's general fund. However, the operating deficits subsidy is currently on an annual basis, which detracts from the funding stability objective.

Minnesota. In Minnesota, the state legislature has been asked by the governor to enact a two-year, \$9 million appropriation for transit operating subsidies statewide in which a total of \$6 million over the two-year period would be used by the Twin Cities Metropolitan Transit Commission. In addition the governor has proposed a \$100 million bond issue to be backed by state general revenue bonds for initial construction of the selected fixed-guideway system. Evidence for the legislature's acknowledgment of the need for direct state assistance in the Twin Cities area is provided by its direct involvement in the ongoing transit alternatives study and the serious consideration it is giving to the governor's proposals.

Discussion. In general only state and Federal governments have the power to levy taxes that meet several of the criteria necessary for sound transit financing. Localities tend to have authority over only such revenue sources as property taxes, sales taxes, and various licensing fees. These sources are often inadequate for major transit development purposes for a variety of reasons including their regressive character; lack of public acceptance; prior commitment of the tax to its limit for other purposes; and the limited amounts that can be obtained from the sources in question.

The Federal-aid highway program has always been considered a prime example of a successful program from a standpoint of stability of funding. The earmarking of fuel and other taxes to a trust fund at the Federal level over a long period is a major part of this success of course, but the long-term commitment of gasoline taxes, licensing fees, and other highway user taxes to the program at the state level is also a major part of its effectiveness. The success of the highway program leads one to the conclusion that funding stability would be enhanced if more states could be persuaded to provide a tax base for support of transit in urban areas.

Long-Range, Regional Planning Versus Short-Term, Local Responsiveness

Whereas long range planning is essential to achieving a rational and effective transportation system, some aspects of the current Federal funding mechanism may have encouraged too early a commitment to a fixed plan. In many metropolitan areas uncertainty about levels of UMTA funding, and the need to secure local funding through regional referenda on bond issues have forced transit authorities to commit themselves to long-range plans for overly extensive regional systems. Part of this tendency has to do with the necessity of providing the same technology and service to all the voters in the region and part of it has to do with trying to make sure that the locality gets its "fair share" of Federal funds. UMTA's discretionary grant approval process may foster this kind of competition.

Overly extensive plans. As has been noted, bond issue finance mechanisms in metropolitan areas have tended to force a rigid commitment of the transit development agency to a fixed long-range plan. In general, any metropolitan-level vote tends to overextend the commitment to a long-term plan.

San Francisco. In the case of San Francisco, commitments to extend the BART system in several directions beyond the limits of the system authorized in the 1962 election were made during the campaign and are still having a substantial effect on the planning-process.

Seattle, Los Angeles. In these and other metropolitan areas, political considerations and the need to get a victory at the polls resulted in transit plans that had greater track mileage than would probably be justified by any rational investment criteria. (The most recent vote in Los Angeles, however, may not have forced a commitment to such a very rigidly fixed system as most previous referenda, partly because it was not a bond issue.)

Often the problem is that referenda must occur on a county-wide basis. If the county boundaries form a rational relationship with possible configurations of a regional transit system, then a local option as to joining or staying out of participation in a bond issue may be a sound basis for adoption of a long-range plan. This can be argued in the San Francisco region in the case of the decision by Marin and San Mateo counties to stay out of the original BART bond referendum; and also in the case of the decision by Cobb and Gwinnett counties in the Atlanta area not to participate in MARTA. -

The Los Angeles example can be used to illustrate a fairly typical process that occurs in putting together a financing plan for a referendum. Although it is hard to pin down precise causes, it appears that a logrolling effort led SCRTD to opt for a very extensive system. The real support for the system was in the City of Los Angeles; and the fact that it was extended farther out into the county caused its defeat. The role that the County Board of Supervisors and municipal officials in the rest of the county played is not entirely clear, but it can be surmised that they negotiated for a more extensive system. The process became a vicious circle in which the more SCRTD had to extend the system into suburban areas to get the officials' support, the more it had to depend on potentially nonsupportive voters.

Distortion in the choice of technology. The mere lack of widespread knowledge and understanding regarding the variety of different transit technologies available and the ways in which each can best be used within a given metropolitan area also has tended to encourage commitment to a single regional rail technology and hence a fixed long-term plan. / When a nation grows very unsophisticated in a field as a result of long neglect, a danger arises that such long-term single-minded

1/ The awareness of the variety of options that exist has been aided by preferential bus experiments, the development of light rail transit and personal rapid transit systems, and by innovative mixing of different technologies in Toronto and in many European cities. (See Vukan Vuchic, "Rail Transit: Characteristics, Innovations and Trends," paper presented at 1975 Transportation Research Board Annual Meeting in Washington, D.C.)

planning will become the norm in an all-out effort to catch up and get ahead (not unlike the commitment to the interstate highway system after more than a decade of neglect of the highway system) .

There can be little doubt that the availability of Federal funds for capital improvements only has created a bias in local decisionmaking in favor of heavy rail rapid transit systems or other fully grade-separated fixed-guideway systems. The availability of secure, long-term funding for highways has created a similar bias toward highways over transit, although the funding flexibility provisions in the 1973 Federal-aid Highway Act may help right the balance.

Very few examples exist of serious efforts to search for ways in which transit systems with lower capital costs (e.g. light rail transit, conventional bus or trolley or partially grade-separated bus systems) might suffice when transit planning agencies believed that funding might be obtainable for the more costly option. In addition, transit planners have tended to prefer capital-intensive rapid rail to commuter rail, which involves primarily operating expenses, partly because of the unavailability of operating assistance.

The main reason lower-cost options were ignored in the past was a belief (without much supporting factual evidence) that the more capital-intensive systems have lower operating costs per passenger. This assumption generally has held true for comparisons of conventional bus and rail transit systems, when each system had roughly comparable and fairly high load factors, because rail systems need fewer operators per passenger. However, when passenger volumes are moderate, and under certain other conditions, bus systems can have lower operating costs. In a similar vein, newer technology systems have been expected to reduce operating costs due to automation, but the need for higher maintenance costs and higher salaried staff are likely to offset or even exceed these reductions under a wide range of circumstances.

The tendency of the program to bias the choice of technology can be expected to change significantly in the near future with (1) the availability of about a quarter of the Federal UMTA funds for operating subsidies, (2) growing awareness that less capital-intensive transit systems can have lower operating costs per passenger under a wide variety of conditions, and (3) growing awareness that operating subsidy requirements are probably going to become more of a limiting factor than capital costs in determining how much transit service a metropolitan area can, and wants to, support.

Local versus regional needs. One of the related concerns that has begun to develop, particularly in the San Francisco and Los Angeles areas, is that the focus on metropolitanwide transit issues tends to work toward the disadvantage of local or community transit service. The Federal program has strongly emphasized regional-level planning in recent years, and this, in tandem with the bias toward capital intensive systems, has resulted in focusing attention on the trunk system serving major long-haul commuter movements. Only in Minneapolis-St. Paul and perhaps one other metropolitan area (Cleveland) has there been a major effort as part of an areawide transit study to develop plans for satisfying local, short-haul, community-level transit service oriented to the transit-dependent population. ^{1/}

There seems to be increasing awareness of the pitfalls of premature commitment to extensive long-term plans and a trend toward an emphasis on short-range programming. UMTA is now encouraging an "incremental" approach in its proposed transit investment policy. The incremental philosophy was strongly articulated and adopted in the Boston Transportation Planning Review in 1970, which itself was influenced by reaction to excessively rigid long-term planning. Los Angeles took steps to shift to a more incremental approach after the 1974 election loss.

By no means are all welcoming the change of focus. Many major transit authorities are still growing in power and independence and are oriented primarily to long-term regional planning. There has been a fairly common tendency for regional transit operators in large, all-bus system areas to downplay short-term improvements in favor of more appealing long-range fixed-guideway system planning. ^{2/}

Thus, even as the program changes under the 1974 law, and as new UMTA guidelines requiring analysis of alternative types of systems are implemented, there is still the danger that this analysis will continue to focus on regional, long-haul, trunk-line transit service. This is true partly because it is the primary type of transit service for which there are theoretically large potential diversions from automobiles, and finally because it is the type of service for which there is a potential choice of transit technology.

1/ Alan M. Voorhees & Associates, Inc., Ten-Year Transit Development Program, Five-County Transit Study, Cleveland Metropolitan Area, August, 1974; and System Design Concepts, Inc., Community-Oriented Transit Services for the Transit-Dependent Population, Cleveland Metropolitan Area, February, 1974.

~/ Boston Transportation Planning Review Study Design, Prepared by System Design Concepts, Inc. for Boston Transportation Planning Review Steering Committee and Governor Francis Sargeant, 1970.

Competition for grant applications. The national program's discretionary grant approval process has had the effect of encouraging many metropolitan areas to compete with each other in preparing and submitting plans for larger rail systems in order to obtain "their share" of the funds. This competition tends to build a metropolitan commitment to a very expensive and fixed long-term plan. The 1973 increase in the Federal share from two-thirds to 80% increased the incentive for this type of competition.

Not surprisingly, competition for UMTA grants has grown as the size of the program increased, as the first rounds of major planning studies were completed and metropolitan areas began trying to implement plans. Consequently, the political pressures on UMTA have grown at a time when most people in the field, including UMTA staff, are increasingly convinced that grant decisions should respond to rational criteria based on relative metropolitan needs.

Discussion. The need to strike a balance between long-term regional scale, capital-intensive systems and shorter-term, less costly improvements, perhaps for subregional areas, is clear. For there is danger in both extremes. Long-range planning should continue to shape transit development, but more attention should be devoted to near-term improvements, integration with local transportation and land development planning, staging of development, and the maintaining of flexibility for future decisions, including potential technological developments.

In achieving this objective, it will be necessary to avoid shifting policy too much in the direction of short-term responsiveness to local needs or the result will be that either (a) nothing gets accomplished, or (b) that limited resources are squandered on ineffective improvements spread all over the map. Some rational planning criteria must guide programming of improvements to a greater extent than they have in the past in the expanded UMTA program or either of these extremes is likely to prevail in any given metropolitan area, depending on the local political, institutional, and financial circumstances.

In the end, new financing arrangements have a great potential to achieve the proper balance as well as diminish competition for Federal funds. Movement in the direction of stability of funding under some type of allocation formula would tend to avoid some of the problems that have tipped the scales to favor long-range plans.

Administrative Delays

The staff of almost all of the transit planning and operating agencies surveyed complain about the amount of time that it takes UMTA to approve grants contracts or amendments.

Technological judgments. As the funding is now structured, the amount of funds allocated to a metropolitan area is heavily dependent on the choice of technology for trunk line systems, and UMTA staff have been placed in the position of making the judgments as to which type of technology is "best". This requirements may have the effect of forcing UMTA to require, and to overemphasize, narrowly defined cost-effectiveness analysis as the basis for allocations for funds. UMTA staff thus is put in the position of making technological assessments in every major corridor of every metropolitan area.

The problem of program administration seems to have several aspects:

- UMTA is too centralized; field officials don't have enough authorization to act; many decisions take too long because they have to go back to Washington, D.C.
- The staff is small relative to the size of the program; the paperwork often exceeds the capacity of the staff to handle it. If UMTA is to assess relatively minor local transportation planning matters, as it seeks to do under current administrative procedures for the discretionary grant program, the staffing level is inadequate.
- The program is still basically managed on project-by-project basis rather than on a continuing program basis, although UMTA has moved in the latter direction. This approach necessitates close attention to relatively minor program decisions and thus increases the work load for the UMTA staff.
- Complaints are made that UMTA follows an equally rigorous administrative process to grant requests (e.g. routine bus purchases and small planning studies) as it does for applications for major new systems.

Denver. Within a matter of days after the Denver Regional Transportation District (RTD) was officially established, a capital grant application was submitted by RTD to UMTA for an early action bus program (purchase of 93 buses) . Almost one year later UMTA finally approved the request without any public explanation of the reasons for the long delay. In another instances, RTD requested an UMTA technical study grant in April 1974, intending to begin the project in July 1974. Staff claim that as of spring 1975, Denver had received no word from UMTA about the request made almost one year earlier. On one occasion, an RTD inquiry to the UMTA Washington office concerning this request reportedly resulted in identifying a problem with the request that was solved within a matter of minutes over the telephone.

Emergency needs. The UMTA program generally is perceived as having been successful in responding to the emergency needs of communities to save failing private systems. ^{1/} However, one cause of unnecessary delay in responding to emergency needs in some small metropolitan areas is that requirements for areawide planning written into the law are oriented to larger metropolitan areas. An amendment could be enacted to make it possible for UMTA to waive these requirements in emergency circumstances. There is no important reason to delay aid to a small metropolitan area that has a failing private operator in situations where no previous need has existed to develop areawide transit plans and programs.

In summary, UMTA's discretionary grant program and the procedures under which it has been administered, have combined to hamper the transit planning process in a number of ways. Mechanisms typically used to provide the local share also have tended to distort decisionmaking.

1/ Hilton noted, as has been mentioned, that 49 cities had systems preserved between 1965 and 1973. Hilton notes that unfortunately UMTA has no estimate of the amount of funds used for these public takeovers (Hilton,@. cit., p. 53).