

THE APPLICABILITY OF SPECIAL DISTRICT  
AND PUBLIC AUTHORITY GOVERNMENT  
TO REGIONAL TRANSPORTATION

by

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Submitted in Partial Fulfillment

of the Requirements for the

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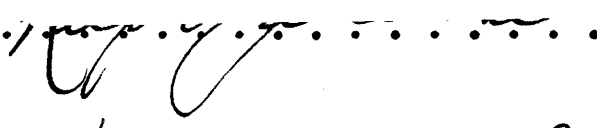
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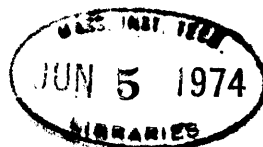


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ABSTRACT

The Applicability of Special District  
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Submitted to the Department of Urban Studies and Planning on May 10, 1974 in partial fulfillment of the requirements for the degree of Bachelor of Science.

Transportation services are a vital function in our metropolitan areas. The creation of the special district has served to establish an effective mechanism for the administration of public commercialized services. Transportation is one of these services that benefit under the administration of such a government corporation. This thesis examines the rationale supporting special district government and then illustrates the impact of public transportation authorities through several case studies.

By examining several urban areas where transportation authorities have been established, it is shown through a set of criteria how the authority has succeeded in bringing the urban area closer to the provision of optimum transportation services. An analysis of past experiences shows what can be done to improve transportation authorities. The analysis also illustrates that Federal transportation policy has been deficient.

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## Chapter I

### Introduction

Special districts are the most diverse and least studied of local governments in the nation.

The average citizen is affected by a form of government which has a large impact upon him. He attends schools, rides transit, uses bridges, obtains his water and sewerage services, and enjoys the parks and waterways of this form of government. He also pays the tolls, taxes, fares, and assessments controlled by this same form of government for the facilities it owns and operates. In many cases, the citizen is not cognizant of the existence of this government, nor does he realize the full extent of the powers this government possesses, a government in which he may not have any representation or control.

This government is known as special districts and public authorities.

The special district is a relatively modern form of government in this country. Consequently, the special district is the least understood among our hierarchy of governments. It was created to fill a void in traditional forms of government. It is still in the process of evolution, as there are few special districts having the same structure, powers, etc.

Concurrent with the special district issue is that of the "metropolitan transportation problem." The transportation

problem has always existed to some extent. Man has always sought ways to transport both himself and his products more efficiently and more economically. Over the course of time, discoveries were made that enabled him to do this more effectively. Subsequently, this affected both his life style and his civilization. He was able to move away from his first means of transport, the sea, to build his villages and cities inland. Further progress in transportation technology allowed him to expand his cities while permitting him to continue his normal daily routine. The two most significant developments in relation to the city have been rail and automotive transport. But with the rapid growth in population and the extreme concentrations of employment, these developments alone could no longer serve man's transportation needs efficiently. In addition, a jurisdictional problem arose in that many present day local governments do not cooperate with one another in solving the transportation problem. Distrust, politics, and home-rule reclusion have served to prevent metropolitan cooperation in transportation. Local units of government in many cases would not recognize that the whole affects the part just as the part affects the whole in transportation related matters. The suburban automobile-dominated culture ignores the public transportation systems that are so vital to the central cities. If the central city should die because of the inefficiency of its public transit, then so would the suburbs. There are few suburban municipalities that are

completely self-sufficient and independent from their respective central cities. In urban America both today and in the future, public transportation is the key.

This thesis examines special districts and their application to a part of the "metropolitan transportation problem." In particular, it will look at a unique and apparently successful way in which special districts have alleviated some of the public transportation problems in major urban areas. The various cases used will attempt to illustrate what can be done to cure some of the transit ills in metropolitan areas by observing the impact on those cities selected. Preceding the case studies is an analysis and history of special district government. Included will be presented some of the advantages and disadvantages of special district government as compared to other traditional forms, a comparison of the differences between the two, together with the factors influencing the creation, proliferation, and the permanence of special districts.

A comprehensive analysis of the subject is not the intention here. Such an analysis is beyond the capabilities of any one author, especially within the short period of time and the constrained resources available for this thesis. Rather, I hope that transit special districts will be further studied with this thesis contributing to the total body of knowledge on the subject. In addition, this thesis does not attempt to suggest exact guidelines and recommendations, but only presents the observations derived from my study of tran-

sit special districts, and should only demonstrate the need for greater study of transportation authorities and for related policy development.

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## Chapter II

### Special Districts and Public Authorities

The structure of American government is no longer a simple democracy in the general sense of the word. This is a fact that most Americans will acknowledge. The point can be taken a step further in that neither is it a simple republic. Within the past two centuries, the basic structure of government in the United States has retained its significance. Yet, the nation has increased its size from a federation of thirteen original states to the present fifty states and territories. But it is the cumulative influence of the Federal and state governments that have led to the creation of several subordinate levels of government. As more and more local governments have been created, and as various powers and functions have been delegated to them for the various rationale and purposes set forth, local government has become a puzzle to many simply due to the vast numbers of them. The California Institute for Local Self-government reports that there are 81,000 units of local government in this country.<sup>1</sup> However, this is an improvement upon the 116,000 units of government reported in 1960.<sup>2</sup>

The difference between these two figures is the result of a change in the number of one particular level of government: special districts. Bollens, a noted authority on special districts, found that 79,000 out of 116,000 governmental units in the United States are special districts.<sup>3</sup> Special districts

outnumber other forms of government in 35 states.<sup>4</sup> In California, there are five times as many special districts as there are cities.<sup>5</sup> Statistics indicate that thirteen out of every twenty governments in this country are special districts, eleven in the school category and two in the non-school category.<sup>6</sup>

One may ask why is there a proliferation of special district governments? Why aren't the traditional forms suitable, posing a need for a supplementary level. The answer lies in the reality that general purpose governments (e.g. state, county, municipality) do not adequately provide specific services. This is further compounded by the fact that some services require some form of areawide coordination which local governments cannot achieve.

Besides special districts there are several other solutions to the handling of metropolitan problems. Among some of these are the familiar urban county, city-county consolidation, joint service agreements, regional councils, annexation, and metropolitan federation. The issue with these is that they vary inversely with respect to their effectiveness and acceptability. The Advisory Council on Intergovernmental Relations supports the metropolitan federation as the most effective, but they also proceed to say that it is also the most difficult to implement. (See Appendix.) Experience has indicated that just the opposite is true for informal cooperation between

units of local government. On the scale of regional service delivery approaches, the special district is the middle-of-the-road, which indicates why it has been so overwhelmingly preferred among the various other solutions.

Problems with the traditional government approach

The increase in the number of special districts may be "symptomatic of weaknesses in other governments."<sup>7</sup> This notion has been the primary catalyst for the creation of special districts. In many ways, local general purpose governments are not suitable or cannot sufficiently supply particular services which are public in nature. The aspects in which local governments are unsuitable include:

--Area: often the desired service district does not coincide with any existing local government. The territory of the local government may be larger or smaller than the desired service boundary. In many of these cases, there are many political subdivisions hindering any regional provision of services. These individual decisionmaking units act in an exclusionary manner, attending only to its own needs. However appropriate for its own local jurisdiction, "the cumulative effect of judgements made in isolation or on a limited cooperative basis is sometimes detrimental to the well-being of the metropolitan area as a whole."<sup>8</sup> Another author, de Torres, indicates the need for services on a metropolitan rather than on the

present local scale.

During the past 30 years, the wave of urbanization has added well over 65 million inhabitants to America's cities -- most of them in the suburbs. In 1940, there were close to 73 million inhabitants in 140 "metropolitan areas," that is, urban areas with a population over 50,000. These urban dwellers represented 48% of the entire American population. By 1970, the metropolitan population had risen to over 136 million, or 67% of the U.S. population; it was domiciled in 233 metropolitan areas and accounted for 76% of the nation's income.

--Finances and functions: one of the most constraining obstacles faced by general purpose governments is finance. Many local governments have chartered or state imposed tax/debt limitations. The governmental unit is legally restricted from surpassing this limitation. This financial problem has the effect of limiting areawide capital improvements and service functional expansions. Another problem in this area is that the larger units of government (such as the state) cannot justify a tax to meet the needs of a particular region. Functional expansion is also inhibited by similar legal restrictions. Service extensions on the county level often encounter opposition from municipal governments in addition to the negative attitude of the county itself in attempting to provide additional services. Municipal opposition is based on the well-founded premise that in some cases, the municipality is already providing the desired service to its own residents, and any provision of this service by the county would require its residents to pay twice.

--Administration and attitude: a general purpose government may not want to assume additional functions or simply may be

incapable of assuming additional responsibilities. The reluctance to perform additional or expanded services is often a result of intergovernmental antagonisms, the political desire to keep tax rates low, or a desire to terminate the service altogether. The administrative structure of a general unit may not have matured sufficiently to handle additional capacity. Charges of inefficiency, mismanagement, and corrupt political behavior are frequently raised in instances of a service that demands professionalized performance.

--The desire for independence: generally the desire for independence is a means of eliminating political decisionmaking from the provision of a specific service. It also signifies that a particular interest group feels that the function can be better observed and controlled when kept small and simple.<sup>10</sup> This does not occur when a function is integrated among the many services provided by a general-purpose government. Another rationale for independence is that the function will not have to compete with others for a share of the budget as in a general-purpose government.

--Expediency and area condition: another deficiency in general government is the lack of speed with which it satisfies a need. Local governments often dally on issues requiring a quick solution. Functional additions, expansions, and improvements are a time consuming process in general-purpose governments. This is demonstrated in the failure of many transit and school systems under municipal control.

The history of special districts and public authorities

The first authorities existed in England before the founding of the United States. The authority form of government prospered in sixteenth century England and began to attract the interest of Parliament during the seventeenth and eighteenth centuries. The first authorities in this country were the mining districts in Colorado and California during the gold rushes. These were formed because there was no other authority available to the settlers and miners to arbitrate claims and disputes. The first special district to be known by the label "authority" was the Port of London, organized in 1909. The name "authority" was christened by a newspaper editor "as a reaction against the many 'authorities' granted to it by Parliament."<sup>1</sup> In this country, many of the canals and turnpikes of the early nineteenth century were built by government sponsored corporations. However, the motivation for these government corporations was on community development rather than on commercial success which is the prime motivation for modern authorities. Yet they were similar in that they were generally controlled by boards of directors and financed their capital facilities by issuing revenue bonds. Having characteristics similar to modern authorities, these early corporations may be considered their ancestors.

The first authority in this country that operated in a manner similar to those in existence today was the Port of New Orleans, organized in 1896. The first American authority

to use the name "authority" was the Port of New York Authority organized in 1921. It was the financial success of this particular institution that encouraged the formation of others.

The formation of public authorities and special districts accelerated during the 1930's. In an effort to bring the country out of the Depression, the Federal Government granted funds to states for public works. Because the funding was on a matching fifty-fifty local share basis, states and municipalities created authorities for the purpose of raising the matching share. This they were compelled to do since many state and local governments had reached their debt limitations along with the difficulty of obtaining credit, served to impose a severe restraint on their financial capacity. The public authorities could borrow outside of the constitutional debt limitation by making use of revenue bonds. At this time, the states of Pennsylvania, Alabama, and South Dakota passed enabling legislation to allow municipalities to create authorities and special districts.

In soil conservation alone, twenty-two states between 1935 and 1937 adopted the federally suggested enabling acts out of which came hundreds of new districts.... It was federal expediency that fathered a multitude of them [special districts] through grant programs conditioned<sub>2</sub> on their being administered by special districts.

Following the initial enabling legislation, 600 soil conservation districts were formed between 1936 and 1942. By July 1, 1964, there were 2,928 soil conservation districts.<sup>13</sup>

The widespread use of revenue-bond financing, coupled with the term, "authority," ... is attributable, in great measure, to the inability of the conventional governments to finance the services when their income was cut drastically during the Depression by the

the failure in tax collections on real estate, on<sup>14</sup> which most of the local governments had come to depend.

The advantages and disadvantages of special districts

Thus far, the terms "special districts," "public authorities," and "authorities," have been used interchangeably. There have been several definitions for each of these terms:

Special districts constitute a specific class of separate governmental units which possess substantial fiscal and administrative independence and are not merely parts of other governments. Organizations that are adjuncts to governmental units are identified as dependent districts or authorities.<sup>5</sup>

Authorities more frequently engage exclusively in revenue producing enterprises financed solely by revenue bonds and service charges and rates,<sup>16</sup> with or without support from governmental grants.

The Pennsylvania Municipality Authorities Act of 1945 defines an authority as "'a body corporate and politic' authorized to 'acquire, construct, improve, maintain and operate projects, and to borrow money and issue bonds therefor.'"<sup>17</sup> For the purposes of this thesis, the standard definition of a special district and public authority coincide. Robert G. Smith lists the characteristics of an authority or special district that is used in this paper when he says that authorities should:<sup>18</sup>

- function outside the regular structure of government
- finance and construct and usually operate revenue-producing enterprises
- have relative administrative autonomy
- be authorized to issue its own revenue bonds

--and, not constitute debt with regular government debt limits through the issuance of bonds

In Smith's standard definition of an authority he includes two additional characteristics which will not be employed here:

--an authority is required to meet obligations of revenue bonds from its own resources (i.e. user charges)

--and, authorities lack the power to levy taxes, but charge fees to pay operational expenses.

The rationale for not including these two characteristics is simply that they do not apply to all authorities and special districts. Some, though not all, authorities do have the power to levy taxes to cover both operating expenses and bond obligations. Therefore, the differences between authorities and special districts for the intentions to be illustrated in this thesis are insignificant; while at the same time, it must be noted that there are small connotative distinctions in the nomenclature.

The applicability of authorities as a solution to a recognized urgent need has led to their overall acceptance. In general, the many advantages offered by a public authority is the prime determinant for their continued formation. One of the most important of these is that public authorities allow action on a specific problem without going through the time consuming, representative government process. The special district is preferred over other forms of metropolitan districts (annexation, city-county consolidation, federation) because it

is often easier to modify existing laws to permit the creation of the special district.<sup>19</sup> In many cases, a popular vote or state legislation for establishing special districts present far more liberal legal requirements than the techniques necessary to establish other forms of metropolitan government.<sup>20</sup>

The revenue bond method allows public authorities to draw capital from its own resources. Besides avoiding debt limitations through the use of revenue bonds, the public authority does not have to compete for a share of the budget of a general-purpose government. This ability to finance itself along with its non-political approach enables the authority to attract high calibre personnel. This and the dependence on project income leads to increased efficiency and professionalism. The special district also gives to public ownership the elasticity, continuity, and efficiency of private commercial management. Another advantage lies in the fact that the authority is not dependent on local tax sources; it does not have a fixed geographic jurisdiction. The possibility of direct assessment of the costs for services to the users gives the authority "an areawide potential for meeting specific functional needs."<sup>21</sup> This "fluid boundary concept" allows the authority to extend its jurisdiction to encompass both the area that needs service, and the service's total sphere of influence. The authority also does not have responsibility for other functions. This advantage of having a concentrated interest results in a more businesslike operation.

George G. Sause of the Pennsylvania Bureau of Municipal Affairs outlines several characteristics appropriate for authority operation.<sup>22</sup>

1. Public service is required and profit motivated enterprises are undesirable.
2. The service is self-supporting.
3. Commercial type decisions are necessary.
4. The service is of a type that is easily understood by the ordinary citizen.
5. The nature of the service causes authority personnel to have frequent contacts with the general public.

Most public authorities and special districts have these attributes. The first three characteristics designate the underlying rationale behind converting a private-run operation (such as a public transit company) to public ownership by means of special districts and public authorities. The last two characteristics are the means of retaining public visibility, and therefore, public control.

While there are many factors in favor of public authorities and special districts, there are many who oppose authorities on the grounds that they are detrimental to the public welfare. The California Institute for Local Self-Government, which urges the termination of the special district form of government, says that unless we begin to carefully scrutinize them, "we run the risk of even stronger central government, -- leading to the ultimate denial of local self-government."<sup>23</sup> The ILSG presents this view from the fear that special districts are really ad-

juncts of state and Federal governments, just another step towards a more centralized government, depriving people of local control. Authorities are felt by many to further fragmentize government affairs, causing "duplication, waste, uneconomical limited-purpose operations, uncoordinated efforts, greater complexity, and the decrease of citizen comprehension." <sup>24</sup> There are higher finance costs for special districts and authorities than there are for local governments because they must operate within commercial credit institutions. Along with this, there is the argument that authorities unduly disperse power and control. Further arguments against authorities and special districts as presented by the Advisory Commission on Intergovernmental Relations illustrate the potential dangers resulting from vast concentrations of them: <sup>25</sup>

(1) It is a piecemeal approach to metropolitan problems; the practice of pulling out single functions for independent handling -- even though on an areawide basis -- could, if carried to its logical conclusion, lead to a whole "nest" of powerful authorities, each operating with respect to a particular function and each unrelated in planning, programming, and financial management to all of the others.

(2) The creation of authorities adds to the number of local units of government within the metropolitan area, of which there are already too many.

(3) Authorities being typically governed by a board of directors of private citizens for staggered terms, are not directly responsive to the will of the people and to a considerable ex-

tent are beyond the reach of any one level of government.

The first point made by the Advisory Commission was further expounded on by Britton Harris. His contention is that typically, special districts and authorities do not promote the amount of metropolitan coordination and cooperation that their nature implies.<sup>26</sup> This is primarily a result of an authority's own special interest, itself. The example he uses is in California, where cohesive, integrated planning is nearly impossible because of the vast number of special districts. In nearly every case, it was felt that "there was a clearly expressed antipathy to the State" in its efforts to encourage intergovernmental cooperation by special districts, "but it was accompanied by the constantly recurring theme that the State should take the initiative in developing metropolitan planning activities."<sup>26</sup>

On the second point, it is felt that special districts are adding to the total number of governments rather than reducing them as was one of the original intents in their creation. De Torres on this point found that below the state level, "the average citizen is governed by a county, a municipality, a school district, and often by one or more special districts."<sup>27</sup>

But even with the potential dangers and problems, authorities and special districts have continued. Furthermore, they have been approved by the general public. This is due largely to the fact that authorities "have resolved the problems which

spawned them and have met the demands for public services in an adequate fashion."<sup>28</sup> What more can be said for them considering the hardships many general-purpose governments have had in providing services while burdened with politics, financial deficits, mismanagement, misplaced priorities, and general incompetence. This conflict between the advantages and disadvantages of special districts are best summarized by Robert G. Smith's conclusion that "the most philosophical issues attendant on the continued proliferation of public authorities have been pushed to the side, especially in view of the fact that the great attraction of the authority has been that it is an expedient that quickly can be put into operation at any level of government and can begin at once, to attack the immediate problem at hand."<sup>29</sup>

Finally, some observations made by the Advisory Commission will serve both to conclude this section and to illustrate the importance of special districts and authorities.<sup>30</sup>

-- Over the past two decades, special districts have increased by 93.6 percent, far surpassing the growth of any other unit of local government.

-- Most special districts are still in non-metropolitan areas. Yet one-third of all such jurisdictions have been located in metropolitan areas since 1952. Special district proliferation has been the most notable in the heavily urbanized states of California, Illinois, and Pennsylvania.

-- The rate of special district growth has caused the parental

units of government to take measures to control such growth. The Federal government has taken steps to insure that general rather special purpose units will be the prime recipients of grant money. (This topic will be explored in greater detail in Chapter 5.)

- Special districts exhibit a great deal of flexibility. Their functional, structural, fiscal, and territorial flexibilities insure that such units may continue to play a prominent role in most metropolitan government systems.
- Transit districts are becoming increasingly prevalent on the metropolitan scene.

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## Chapter III

### Transportation Authorities

As noted in the conclusion to the last chapter, the transportation authority (especially the transit authority) is gaining ever increasing popularity in urban areas. Transportation is a function which can be easily adapted to and is especially applicable to public authority operation. This is because transportation and its related facilities is capital intensive. While at the same time, it is a function that is vital to the economic development of all metropolitan areas. Transportation difficulties in an urban area often constitute the most critical deficiency because of the necessity to move people and materials. Therefore it should be considered a public good.

Consequently, very few major urban areas have retained their private transit companies. The five most populous cities in this country have either formed municipal transit authorities or have turned over their transit operations to state-created regional transit authorities. In most of the cases where transit operations were transferred, the authority method was seen as a means of bolstering a dying, deficit-ridden service. The reasons for which this was deemed possible is the topic of the next section.

Influential factors in the creation of transit authorities

Transportation authorities are superior to government-operated transportation facilities for several reasons. These are: the broader geographical coverage provided, the opportunity to deal with more than one form of transportation, and improved financial capabilities.<sup>1</sup> Each of these is due to some limitation in the capability of general-purpose governments. In practice however, they have not been universally realized.

The Indiana Institute for Urban Transportation comments further on transit authority financial advantages:

Financing on the local level may be easier with the transit authority than with other forms. Many states impose a constitutional debt limitation on lower governmental jurisdictions, and authorities are often created to circumvent these limitations. Many authorities are given the power to issue revenue bonds, which normally do not fall under the debt limitations imposed upon the municipality in which the authority functions.<sup>2</sup>

Finances have been the most crucial issue in transit operation. Faced with declining patronage, antiquated equipment, and rising costs, most transit operations have either gone bankrupt or are running huge deficits. Incidentally, public authority operation does not guarantee financial profit:

Transit has been traditionally a deficit operation in this country. The Rhode Island Public Transit Authority has stood almost alone as a public transportation system that itself produces enough revenue to avoid the need for subsidization, but even it is now in danger of losing that favored status.<sup>3</sup>

The most potent weapon the transit authority has to combat this trend is the revenue bond. The use of bonding power by

public authorities is based on the concept that people are willing to invest in a project and believe that the project will generate sufficient revenues in return to amortize the bonds and pay interest on them.<sup>4</sup> Another advantage is that the transit authority has greater flexibility as to the fixing of user charges than does a general-purpose government. With these financial advantages the authority is able to construct capital facilities without earmarking taxes, thus freeing local government from both supporting a specific service and avoiding tax increases through the employment of user charges. Finances also designate the conditions for publicly owned transit. Publicly owned transit should be established "(1) when there are many external benefits and costs that do not find their way into the farebox as revenue or onto the income statement as an outlay, (2) when the service is inherently monopolistic, and (3) when public costs of operation are not much different from those of private firms."<sup>5</sup>

Another factor in the creation of transit authorities is the desire for independence. Transportation has customarily taken a "back seat" in relation to the multitude of critical problems confronting general-purpose governments. (This is best illustrated by the relatively recent creation of the Federal Department of Transportation.) Even in the field of transportation, public transit has been typically of secondary concern in relation to other modes such as highways, airports, and waterways. (This is further demonstrated by the fact that many state transportation departments carry the suffix,

"Highway Department.") Consequently, transit has usually been the loser in the competition for a sufficient share of both state and municipal budgets. On this subject, the Institute for Urban Transportation contends that "the authority provides a vital and independent means of administering what is essentially a commercial -- although not necessarily a profit-making -- enterprise. The service provided by the authority generates revenues that can be used to offset expenses, and the relative independence of an authority enables it to function in a more businesslike manner than the city transit department, which is typically more politically oriented."<sup>6</sup> An additional point is that by isolating the public transit function, it is hoped that the concentration of interest will aid in the development of a more balanced transportation system.<sup>7</sup>

A third attraction in favor of transit authorities is that they can be made regional, to cover the entire effective area. As urban areas developed, new political subdivisions were formed rather than extending the boundaries of existing political units. Public transit is one of the many public services that can be administered efficiently only if a large service area is covered. "Political boundaries and the boundaries of this ideal service area seldom coincide."<sup>8</sup> This, as a result, leads to several privately- or publicly-owned transit companies within the same metropolitan area. Often, there is both duplication of service and waste resulting from

the unnecessary administrative costs of the several organizations. Another issue is that equipment and facilities are not adequately coordinated. Schedules, routes, and fares are also uncoordinated, often causing much consternation among the public that is served. "Transit authorities are often able to overcome the problems of the multiplicity of complex political units that comprise most metropolitan areas, even those of modest size. This virtue is particularly true of the transit authority as opposed to the city department, since transit needs and services cannot be hampered by the artificial political boundaries of the city, but should serve the whole of the urbanized area."<sup>9</sup> The cohesiveness of providing efficient transportation services can be brought about by a "transportation" authority that owns and operates more than one mode of transportation (i.e. parking, bridges, tunnels, toll roads, etc.). This would eliminate the inefficient competition between modes for the patronage of the public and more economically balance the use of the various modes in terms of costs.

The efficiency and expediency of operation has been a success with transit authorities. The absence of political overtones avoids the delays attributed to obtaining public approval when there is an urgent need for action. The regional outlook of a metropolitan transit authority allows for the use of economies of scale in many phases of operation. This is especially applicable in eliminating duplication, maximizing

revenues, and providing the desired service adequately.

Still another advantage is that the application of business principles and corporate administration is an intrinsic characteristic of the transit authority. For one thing, due to the corporate structure, personnel of professional calibre can be attracted, bypassing the civil service requirements of a municipal agency. The fact that management personnel do not (generally) have to face re-election leads to greater continuity of action and more professional "know-how." There is also a greater incentive for a successful operation because the authority's revenue bonds must be marketable. This bondholder scrutiny along with the premise that an authority is a "better organization for commercial type decisions" and the better personnel administration leads to the rationale behind the claim to superior efficiency in authority operations.<sup>10</sup> Another managerial reason similar to the non-political argument is the claim that "the efficiency of public services is increased if the entrepreneurial functions are made the responsibility of a group which is not already burdened with the responsibility for the government function."<sup>11</sup> The corporate nature of authority operation transforms the public service into a business and it consequently becomes a profit-motivated, revenue-producing enterprise.

The transit authority - structure and power

Transit authorities differ from one another in several respects. It is probably true that no two transit authorities follow the same basic model. This is because each metropolitan region is unique unto itself. These differences are due to many factors: size, population, history of the area, political structure, previous transit experiences, etc. No two metropolitan areas are the same, therefore no two transit authorities can be the same, since it is the character of the region that determines what form the transit authority is to take. Yet, there are several parallels among transit authorities that give them their separate distinction, but even these appear similar only on the surface. A closer look would divulge the differences among the similarities.

Nearly all transit authorities (and special districts) are made possible by state legislation authorizing their formation. "The creation of special districts is usually based on state enabling legislation that can be utilized anywhere in the state ... in these enabling laws, the state legislature decides upon the major governmental characteristics of the districts, such as area, function, organization, and financial authority."<sup>12</sup> However, for transit authorities, the state enabling legislation usually only pertains to one particular authority, rather than setting a standard for the creation of transit authorities statewide. (Both California and Massachusetts have been innovators in this area. There are several transit authorities in California; and in Massachusetts,

transit authorities in Worcester, Greenfield, and New Bedford are in the process of formation.) Close in hand with this is the question of whether or not the transit authority is formed incrementally or if there were previous transit authority experiences. This point greatly affects the nature of the resulting authority. The Massachusetts Bay Transportation Authority (MBTA) is one formed by the incremental approach. It has evolved from the privately-owned Boston Elevated Railway to the publicly owned Metropolitan Transit Authority (MTA) encompassing fourteen cities and towns. The MTA was the nation's first transportation authority, but its success was stunted as it became known as "a dumping ground for political hacks."<sup>13</sup> In an attempt to remove the political patronage associated with the MTA, the present MBTA was formed in 1964, having a region covering 79 cities and towns in eastern Massachusetts. It is still beset by political involvement and is a constant issue in the State Legislature. On the other hand, the Metropolitan Atlanta Rapid Transit Authority (MARTA) is on the road to success because it was formed with no previous attempts, and has avoided the politics of the area. MARTA has wide latitude as to its functions and plans, whereas the MBTA is severely restricted in many areas because of previous experiences.

Another issue is just how much autonomy there is from the parent government. In an analysis made in 1957, it was determined that of 14,405 special district government examined,

3180 were in designated metropolitan areas, and only 69 of the 14,405 were both independent and metropolitan.<sup>14</sup> The Advisory Commission on Intergovernmental Relations outlines some of the characteristics common to dependent authorities:<sup>15</sup>

- appointment of agency officers by the chief executive and/or governing body of the parent government or control of the agency by a board composed wholly or mainly of parent government officials
- control by the agency over facilities that supplement, serve, or take the place of facilities ordinarily provided by the creating government after the agency's debt has been repaid
- required approval of agency plans by the creating government
- and, legislative or executive specification by the parent government as to the location and type of facilities that the agency is to construct and maintain

The extent of dependence of an authority can at times inhibit the advantages an authority would otherwise have because of its independence. The main advantage of the authority is that it can operate in a corporate manner, but one whose operations are controlled to any extent by the parent government is in reality just another city or state bureau.

The interactions between local governments and the transit authority is another aspect that differs from city to city. One possible cause for the awkwardness between transit authorities and local governments is the fact that the transit author-

ity does not place much emphasis on direct taxation for financing.<sup>16</sup> (There are exceptions to this, e.g. the Bay Area Rapid Transit District.) This gives the authority and the general-purpose government different perspectives in relation to present actions and future planning. The transit authority can act immediately on any needed project; whereas, the general-purpose government must base all actions on a capital budget, spreading improvements over a period of several years. Therefore, a working relationship between the two is not on an equal basis. Also, transit authorities are often overly protective of their autonomy: "San Francisco's efficient regional transit agency is narrowly self-protective and has a history of difficulties in its local working relationships."<sup>17</sup> Problems of this type are also contrary to one of the original intents of transit authorities -- that of developing coordinated transportation planning. In situations such as this, the growth and effectiveness of the transit authority is paralyzed: "While Southeastern Michigan's experience with authorities is relatively limited, it appears that authorities have been unable to develop when faced with strong opposition or competition from existing organizations."<sup>18</sup> Even now, the Southeastern Michigan Transportation Authority (SEMTA) has been thwarted in its attempts to acquire the Department of Street Railways from the city of Detroit, the only remaining transit company in SEMTA's jurisdiction not under its control. (More

will be said on SEMTA in Chapter IV.)

Administrative control of a transit authority is closely interrelated to the degree of autonomy an authority holds.

Smith points out the areas in which control of an authority is determined:<sup>19</sup>

- (1) the statutory length of existence of the authority
- (2) the callability of the authority's bonds
- (3) the method of selection of the board
- (4) the length of the term of board members and its conformity, or lack of conformity, to that of the appointing power
- (5) the method of selecting the chairman and the executive director
- (6) the method of removing members of the board and the chairman
- (7) the control of the board over its capital budget
- (8) the control of the board over its expense budget
- (9) the approval, if any, of authority projects by the parent government
- (10) and, the control of the board over its pricing policies (for determining user charges).

Essentially, special districts with appointed board members can be independent if they form their own budgets, financing programs, policies, and make their own administrative decisions.<sup>20</sup>

Smith feels that appointment of board members is one of the major determinants of a dependent authority. District governing bodies with ex officio members are not independent. This gives control of the authority board to whatever consensus of local units prevailing at a particular time. But as long as board members are not subject to significant control by the appointing authority, and the other independent conditions predominate, the authority will be independent.<sup>21</sup>

Another characteristic that varies from authority to au-

thority is the subject of finances. All authorities (as considered and defined in this thesis) have the power to issue revenue bonds; but generally, an authority has one or more additional means of raising revenues. The more prominent methods of raising these revenues include subsidies, taxes, and facility user charges. It is at this point that one of the minute differences between authorities and special districts emerges. Traditionally, the "special district" has had limited taxing powers, whereas the "authority" has not.<sup>22</sup> Now however, many authorities are given taxing powers, or are made the prime beneficiaries of taxes earmarked for their particular service. Examples of this are: the one-cent sales tax in Atlanta for the Metropolitan Atlanta Rapid Transit Authority (MARTA), the one-half cent cigarette tax in the Boston area (MBTA), and the one-half cent gasoline tax for the Southeastern Michigan Transportation Authority (SEMTA). Rarely will an authority be given a property tax, as this method of raising revenues is usually reserved for general-purpose governments and school districts. Yet the notion of earmarking funds derived from sales or excise taxes is not uncommon.

Because of the continuing deficits facing public transportation, many transit authorities receive some form of government subsidy. The method of subsidization is further divided into its two most prevalent forms: direct government subsidies and assessments. (Assessments are funds received from units of local government pre-formulated according to

various demographic factors, user head counts, representation, etc.; usually to recover an operating deficit in the case of transit authorities.) The amount of subsidy and assessment has typically become a political issue where this method of financing is used. With transit authorities in particular, decreasing the amount of governmental support was one of the arguments for the creation of the authority. But, as many transit authorities have come to rely heavily on subsidization and assessments, they have also come to lose a large degree of their autonomy. In most cases, subsidies and assessments are merely substitutions for the power of taxation.<sup>23</sup>

Normally, the transit authority draws the bulk of its income from the sale of revenue bonds and the imposition of facility user charges. It is the ability to make these two sources of income a success that determines whether or not the authority itself is a success. This is both the principal difference and a primary advantage that the authority has over general-purpose governments.

The authority arises, generally, in response to an unfilled need for capital construction. The agency's principle advantage for hard-pressed governments lies in its ability to resort to the flotation of revenue bonds which are to be supported primarily from fees to charged for the use of the facility built by this borrowed money.<sup>24</sup>

Coincidentally, herein also lies the prime determinant of an authority's independence from other levels of government. It is only when an authority can successfully market bonds

and draw income from their capital facilities that the authority becomes a true corporation. In the case of transit authorities, this is becoming an increasingly difficult proposition. Fiscal autonomy for authorities "must rest on an authority's ability to handle profitable ventures, as the bond market will not, for any period of time, sustain deficit financing."<sup>25</sup> This is a significant problem for transit authorities in the major urban areas in this country. Generally, special district and public authority revenue bonds became very marketable once the public was shown the profitability in them. This was largely due to the success of the Port of New York Authority. However, transit authorities have not had the financial successes of port and turnpike authorities; and, this is bound to eventually have an effect on the sale of their bonds. Many transit authorities have a legislatively imposed debt limitation or restriction. This may have the form of either an absolute debt limit (as is the case for municipalities), or the approval of the governor or some agency is required on projects surpassing some preset monetary limit. This deprives the authority of both one of its freedoms and one of its advantages. Another issue in finances is that of user charges. Some transit authorities do not have exclusive control over the rates they charge; instead they are regulated by some public utility commission. Still another factor is that some transit authorities do not have control over the user charges of other modes (bridges, toll roads, etc.), and must actually compete against these

other modes for patronage. Both of these factors can have a detrimental effect on the success and the service provided by transit authorities.

### Evaluation Criteria

This section is devoted to the various factors to be used in evaluating the cases. These same criteria can be applied to any special district or public authority, rather than to just transit authorities as is done here. There are many factors which determine the "success" of a transit authority, but these have been chosen as the more important and significant.

#### 1. Effective performance of the service involved.

This relates to the amount and visibility of the services provided by the transit authority. Often, in an attempt to economize and make the entire operation profitable, the transit company will attempt many cutbacks in service. This is what should not occur. Rather, a transit authority's objective should be to provide increased services and make their services known to the public. The service aspect also includes actions such as Seattle's free downtown bus service, and the reduced fare programs in Boston and New York during off-peak hours. Proposals and programs such as these aid in advertising the services available, attract increased ridership which in turn leads to increased revenues. Besides this, future plans must be initiated to expand services and a concerted effort towards their achievement are additional, though long-term, methods

toward effective performance of the service. This is indeed the most important criterion by which transit authorities should be measured along with the following criterion.

2. Economy in providing the service.

The measurement of an authority's financial success and effectiveness receives equal consideration with that of providing service. This is also a point which opponents of the public authority concept debate. Their argument is basically that "the use of special districts tends to increase local government costs -- they are likely to involve at least some duplication of administrative overhead and to promote excessive use of revenue bond financing, with higher interest costs than might otherwise have been involved."<sup>26</sup> However, this externality must be accepted if the transit authority or any other special district is to operate in a corporate manner. But, aside from the increased administrative and capital costs (though they are small), the real issue is the costs of service. A true authority operating financially on revenue bonds and user charges would, as a goal, minimize the costs of service. And with the rising public transit deficits, the economies realized by the transit authority would be the determinant of its longevity, as the residents within the transit authority's district will eventually withdraw their support. So just in the matter of survival, the costs of service will be the most crucial consideration.

### 3. Political responsiveness.

Typically, this has been a somewhat dormant issue, but it is one that can quickly awaken. The basic reason for the unimportance of political responsiveness has been the emphasis "on getting the job done rather than on any preconceived allocation of political responsibility."<sup>27</sup> However, transit authorities (or any public authority) should be responsible and responsive to their constituency. Smith notes that authorities have several constituencies: the special public that invests in the bonds of the authority, the patrons who use the facilities and reimburse a portion of their cost through user charges, and the parent governments who first established them.<sup>28</sup> Other points of dissent against public authorities evolve from possible disenfranchisement,

Opposition can arise because of their lack of cooperation with general-purpose governments, their remoteness from local citizenry, and their erosion of minority political power .... Areawide districts are ... often opposed by minority groups in the central city .... Rarely do blacks exert any real influence over special districts or other regional structures. Consequently, in the future, regional special districts with heavy suburban representation may dilute the political power of the black central city populace.<sup>29</sup>

As a rule, constituents do not have any significant control over an authority's operation. (Only in some instances is voter approval required for an authority to issue revenue bonds.) Fares, routes, schedules, etc., are usually all within the complete control of the transit authority. Only in those boards where members are directly elected does the

constituent have a voice in authority operations. Authority board members are the key to constituent control. There are several ways in which boards members are selected, some giving indirect representation, and others implying little or no representation at all:<sup>30</sup>

- direct election
- representation of constituent units (local appointment, ex officio)
- mixed local systems: direct election and constituent unit representation
- mixed state and local appointment
- local nomination followed by state appointment
- gubernatorial appointment
- judicial appointment
- nomination by economic interests followed by state appointment

Arthur Bromage supports constituent unit representation for limited purpose authorities because it spares voters the ambiguity of multiple elections while offering indirect political accountability. Typically, transportation authority boards are either state appointed, locally appointed, or both. Still another issue is that of which groups are to be represented. The Indiana Institute for Urban Transportation suggests that governing boards be composed of the local news media, local retailers, legal expertise, ethnic and minority members, sections of the metropolitan area, financial expertise, planning

expertise, a woman representative, businessmen, a senior citizen representative, and a youth representative.<sup>31</sup> It is felt that these representatives cover all foreseeable interest groups with whom a transit authority would concern itself. However, this representation scheme is rarely accomplished with any special district or public authority. Consequently, this criterion can only be measured by observing a transit authority's reactions to constituent demands.

4. Perpetuation of existing governmental structure and fragmentation.

On this topic, the opinions of several experts in the fields of transportation and special district government have illustrated the potential disadvantages of transit authorities and special districts in general. Wilfred Owen writes,

... the query naturally arises whether further proliferation of transport agencies is not defeating the objective of achieving improved transportation for the metropolitan area. Carving out more pieces of the problem for separate treatment aggravates one of the basic difficulties that needs to be overcome.<sup>32</sup>

The ad hoc authority operating within a special district which is larger than the municipality attempts to solve the technical, administrative, and financial problems arising in connection with a particular service but isolating it from the complex of municipal services of which it forms a part. It may solve the problem, but only at the cost of weakening the general structure of local government in the great city and its environs, whereas the real need is to strengthen it. Unless authorities are properly conceived, then they may perpetuate the piecemeal approach to transportation in the metropolitan area. "The end objective is a unified government for an entire area to the greatest degree that such unification is politically desirable and economically feasible. Freezing a single function or activity into an authority may prevent the unification of all government."<sup>33</sup>

Robert Smith notes that for additional borrowing capacity, local governments have sacrificed "much of the control over their planning process," and that the continuance of the public authority "has tended to fragment the complementary roles of general-purpose governments, including planning."<sup>34</sup> The Advisory Commission on Intergovernmental Relations bases its comments on the loss of local government effectiveness:

The limited purpose special district tends to erode the importance of general-purpose governments -- usually cities -- and to the extent that this diminishes their capacity to elicit the support, interest, and respect of the citizenry, and therefore their ability to govern.<sup>35</sup>

Limited purpose metropolitan special districts have been useful in dealing with urgent special problems of a metropolitan character in the face of the failure of the traditional comprehensive approaches to provide feasible alternatives. Yet they have attributes which seriously undermine vigorous local government: they diffuse and weaken citizen interest and control, and erode the strength and importance of general-purpose governments.<sup>36</sup>

These interpretations speak well for the possible detriments a transit authority may have on its jurisdiction, but there is another side to the argument. Many times a special district is formed because there is no other way existing governmental units will allow a problem to be solved. Bollens says that at times, it is "preferred to milder types of integration, such as intergovernmental contracts. Here suspicion of one unit by another is revealed, for there is competition as well as cooperation between governments .... Officials are more willing to establish a new governmental unit, a metropolitan district, than they are to transfer a function to an existing government."<sup>37</sup>

This indicates that there is some congregation from many to one in certain cases. This is very definitely a consideration to be examined when creating transit authorities.

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## Chapter IV

### Case Studies

The case studies described in this chapter are relatively new ventures in mass transit development. Each was established for the expressed purpose of organizing an effective public transit system. Along with this was the mandate to construct and operate a regional rapid transit system within their jurisdictions. Each was created by an action of their respective state legislatures to improve upon city-owned public transit systems and was given the responsibility for the entire metropolitan region. The transit authorities to be examined are: the Southern California Rapid Transit District (SCRTD - Los Angeles metropolitan area), the Southeastern Michigan Transportation Authority (SEMTA - Detroit metropolitan area), and the Bay Area Rapid Transit District (BARTD - San Francisco-Oakland metropolitan area). Each of the transit authorities are at various stages of implementing their rapid transit plans, with only the Bay Area system nearly completed. Nevertheless, it can safely be said that each authority is using every resource available to give its constituency the public transit system desired.

Southern California Rapid Transit District

The Southern California Rapid Transit District (SCRTD) has a history that is not its own. The succession of transit companies and public transit authorities form the real background of SCRTD. The first transit in Los Angeles began with the horse cars in the 1870's, followed by cable car routes and electric trolleys in 1895. By the turn of the century, the several dozen street car companies were gradually purchased and formed into the Pacific Electric Railway Company and the Los Angeles Railway Company. By the end of World War I, these two companies had already begun to experience the troubles with public transit that were to develop later in the major eastern cities. "In these cities, dense urban development had occurred either before or in conjunction with the development of rail transit lines. In Los Angeles, most of the metropolitan area developed after the advent of the automobile when the major sections of rail systems had already been abandoned."<sup>1</sup> In 1925, a group of engineers recommended a \$323 million, 298 mile, long-range rapid transit system for the Los Angeles metropolitan area as it was about this time that automobile usage began to hamper the existing mass transit system. In 1945, the Los Angeles Transit Lines acquired the Los Angeles Railway Company; and in 1953, Metropolitan Coach Lines acquired the Pacific Electric passenger operations. These two transfers resulted in a reduction of service and the complete abandonment of service on some lines. In the meantime, the California

State Legislature, in 1951, created the Los Angeles Metropolitan Transit Authority (MTA) for the purpose of studying the feasibility of a monorail line from Long Beach to the San Fernando Valley. After it was determined that the monorail line was not financially feasible, the legislature conferred additional powers upon the MTA, in 1957, to acquire and operate surface transit systems in addition to rapid transit. This authority was limited by the restriction that farebox revenues were the only basis for financing both capital improvements and operations. After the major rapid transit corridors were determined, the legislature created the Southern California Rapid Transit District in 1964. The SCRTD was given the authority to submit a bond issue to the voters, the most significant new power granted to the District. In 1968, the SCRTD issued a final report recommending an initial 89-mile, five corridor rail-bus system for metropolitan Los Angeles.

The goals of SCRTD are taken directly from its mandate to operate bus service in Los Angeles County and to develop, construct and operate a rapid transit system within the District. The two highest priorities which were set forth in the report Rapid Transit for Los Angeles are:

1. Initial construction as soon as possible of 116 miles of mass rapid transit facilities and 24 miles of exclusive-lane busways to serve eight of the most heavily congested travel corridors in the Basin. Additional increments of the 250-mile system will be designed during the construction of the initial program, to prepare for further stages of development of the system.

2. An area-wide expansion of the bus service and bus equipment should begin immediately, designed in the near term to provide improved service to passengers on existing and new bus lines. Included in this program will be additional park-and-ride facilities, express bus service on freeway and exclusive bus lanes in arterial streets. Ultimately, the bus system will also become an efficient feeder and distribution system for mass rapid transit.

Consultants project that about 70% of all Los Angeles County residents will live or work within a ten minute ride of one of the initial rapid transit corridors. By 1990 an estimated one million trips will be made daily on the rapid transit system.<sup>3</sup> Of these, 706,000 will be people who would otherwise use automobiles. As a result, vehicular congestion on freeways and arterial streets will be significantly decreased in the Los Angeles area. The percentage of work trips made via transit will rise from the present 38 percent to 65 percent, with about 75 percent of these riders using the system from 7 to 9 a.m. and from 4 to 6 p.m.<sup>4</sup> The rapid transit system, when finally completed, will directly connect the Los Angeles central business district with Long Beach, Torrance, Santa Monica, the San Fernando Valley, Pasadena, and Anaheim.

Additional impacts will be travel time savings, reduced accidents, dollar savings in auto operation, increased property values, improved accessibility to activity centers, reduced air pollution, and reduced energy consumption.

From its creation to May 1973, the SCRTD has made 81 service improvements on the existing bus system. These have included new routes, extended service on other routes, express

"Super Flyer" service, "owl" service on several routes, and reduced headways.<sup>5</sup> The only actions that might be regarded as service cutbacks have been reroutings to provide service to more isolated areas, therefore they were not really service cutbacks. There have not otherwise been any service reductions.

From the perspective of economy, Los Angeles has been one of the few cities in the country where the zone-fare system is universal. This system does not penalize the short distance rider by asking him to help defray the costs of long-distance riders, as is the case in cities with one standard fare. Further, the projected cost of the initial 140-mile rapid transit system is expected to be \$3,363,000,000 in 1973 dollars, \$6,642,000,000 including contingencies and inflation over the twelve year construction period. However, each resident in Los Angeles County will pay only about \$30.00 annually to support of the Bay Area transit properties. To finance the project, consultants have recommended a new 3/4-cent general sales tax within the District. These funds would be supplemented by an issue of special tax bonds to be retired from the sales tax revenues one construction is completed.<sup>6</sup> A county-wide vote on this proposal will be held in June or November of 1974. If approved, construction of the rapid transit system will begin in 1975. A deficit operation is anticipated for the completed system amounting to \$237,820,000 (1987 dollars).<sup>7</sup> SCRTD's policy is that transit is a public service and therefore does not intend to make any service cutbacks.<sup>8</sup> The deficit

is expected to be recovered from local sources, a state public transportation fund, and the state gasoline tax. But these funds are not guaranteed, so the SCRTD is anticipating additional funding sources.

The District's Board of Directors consists of eleven members:

1. A five member Board of Supervisors appointed by the Governor.
2. Two members appointed by the Mayor of Los Angeles with the concurrence of the Los Angeles City Council.
3. Four members appointed by the City Selection Committee: each of the 77 cities within the District has one elected representative to the Committee; the District is then divided into four quadrants and each quadrant elects one Director to the Board; each city's vote is in proportion to its assessed evaluation.<sup>9</sup>

This mixed state/local appointment system is one of the better representation schemes among authorities. It gives the District a state perspective along with local control. However, the Board of Directors is lacking in that particular interest groups are not necessarily represented. Nonetheless, this does give residents a form of constituent unit representation and indirect political accountability which is considered suitable for large metropolitan authorities.<sup>10</sup>

Governmental cooperation in Southern California has been fairly strong. This has been achieved through a regional body,

the Southern California Association of Governments (SCAG). SCRTD transit planning has been undertaken as an element of the unified transportation planning program of SCAG, together with the City of Los Angeles, the County of Los Angeles, and the California Department of Transportation. Findings, results, reports, and recommendations relating to transit are all composed as a joint effort of this group. Consequently, there has been no friction between SCRTD and local general-purpose governments. Additional reasons for this is the combined fact that the City of Los Angeles approximates an urban county in operation without carrying that designation, and that SCRTD requires voter approval for all major actions (e.g. 60% voter approval for bond issues, and voter approval for the additional sales tax). Instead, the SCRTD has been hampered by the lack of commitment of its constituency as they have repeatedly rejected the funding of the rapid transit system. Another point is that public transit has never been a municipal function, therefore no fragmentation of government or responsibility has occurred. Rather, the formation of the MTA, to be succeeded by the SCRTD, has given indirect popular control of public transit to the residents of metropolitan Los Angeles. Based on this, the Southern California Rapid Transit District has been a success as a transit authority.

Southern Michigan Transportation Authority

The Southeastern Michigan Transportation Authority (SEMTA) was given multi-modal responsibilities upon its creation in 1967. This is unique among transit authorities. The Metropolitan Transportation Authorities Act of 1967 passed by the Michigan State Legislature gave SEMTA responsibility for all public transportation facilities as delineated by Section 1e:

"Public transportation facility" means all property, real and personal, useful for the transportation of passengers for hire, including but not limited to street railways, motor bus, tramlines, subways, mono-rail, rail rapid transit, tunnel, bridge, and parking facilities used, in connection with the operation of the authority.

The 1967 Act also gave SEMTA "the right to use space and areas over, under and upon the public streets and highways to carry out its duties subject to reasonable use."<sup>12</sup> This gave the six county SEMTA jurisdiction of Wayne, Oakland, Macomb, Monroe, St. Clair, and Washtenaw the most nearly multi-modal transportation authority in the country. However, this strength of SEMTA has been encumbered by the repeated defiance of its various constituencies. Yet SEMTA has survived numerous setbacks, including near bankruptcy and dissolution, to carry out its purpose of providing a comprehensive, coordinated system of public transportation for the six-county region.

The most unusual feature of SEMTA is its close integration with the Southeastern Michigan Council of Governments (SEMCOG). SEMCOG, the areawide planning body, is a voluntary association

of local governmental agencies including counties, cities, villages, school districts, and special purpose districts. It is responsible for the regional plan and the on-going continuing planning process. The Bureau of the Budget of the Executive Office of the President has certified SEMCOG as the official metropolitan A-95 clearinghouse. SEMTA's enabling legislation provides that six of the nine SEMTA Board members be appointed by SEMCOG and the remaining three by the Governor. The Authority holds a seat on the Council's Executive committee and must submit its plans and programs to SEMCOG for review and comment. These ties between the two organizations has been to the general benefit of the region. This relationship is also significant because SEMCOG will likely be the executive organization for a future Detroit metropolitan government. Since SEMCOG's Board consists of a local elected official from each county, community, and district, the constituency of SEMTA is given indirect representation on SEMTA's Board of Directors. Another unique feature of this relationship is that the jurisdictions of both SEMTA and SEMCOG coincide. This enables truly comprehensive and coordinated regional planning to be developed for metropolitan Detroit. The Authority also maintains ties with city and county planning commissions and agencies, including the Inter-County Highway Commission. Consequently, SEMTA has been a factor towards the promotion of a unified planning approach and has been politically responsive to the desires of its constituents in terms of costs and service.

Yet, it was previously mentioned that there have been conflicts between SEMTA and local governments. The source of this conflict has been the region's typical isolationist attitudes. Incidents of assessment withholdings by the counties outside of the core Wayne County have prompted the counties to consider establishing their own regional agencies. It is felt that the southern "urban" counties of Wayne, Monroe, and Washtenaw are profiting through SEMTA at the expense of the northern "rural" counties.<sup>13</sup> But there is also opposition among the urban counties due to the disagreements over the region's largest transit company, the Department of Street Railways (DSR), owned by the City of Detroit. Detroiters are prompted by the justifiable concern that there will be some loss of service if the DSR is purchased by SEMTA. However, the Authority's record has indicated that it has improved service and reduced fares, and nowhere has the opposite occurred. In fact, the perseverance of the city in running its own service has resulted in duplicated transit lines and pressure for increased fares on DSR lines. Only recently has the groundwork been laid for the eventual purchase of the DSR by SEMTA through leasing arrangements between the two.<sup>14</sup> In addition, these "trial mergers" have allowed the transfer of \$2 million in state funds, through SEMTA, to aid the deficit-ridden DSR.

Although SEMTA only owns one of the six transit companies in its district, it has made possible numerous service improve-

ments through the purchase of operating rights. These include fare reductions during off-peak hours, heated bus shelters, reduced headways, an urban-suburban transfer system, new modernized buses, and additional bus routes. The most significant service improvement has been the conversion from standard to zone fares. Previously, riders travelling one mile paid the same fare as those travelling fifteen miles.

SEMTA's ability to reduce service costs has been prevented by its frustration in acquiring complete ownership of the region's public transit lines. Until SEMTA has the authority to coordinate routes and eliminate duplications of service, (SEMTA is presently restricted from making any changes in routes and schedules.<sup>15</sup>) the region cannot realize the many economies possible in the district. State efforts to provide public transit with financial assistance has resulted in a two-cent per gallon gasoline tax increase, of which 1/2-cent per gallon is designated for public transportation. From this fund, SEMTA will receive approximately \$8.5 million a year to cover deficits and part of the local share for Federal capital improvement funds. The Authority is empowered to issue revenue bonds for capital construction to be amortized from revenues, assessments, special taxes, etc. As yet there has been no financial plan approved to raise capital for the region's future rapid transit system.

In 1972, the Citizens Advisory Council (CAC) to SEMTA was formed. The 60-member CAC has formed four committees, as requested by SEMTA, to assist in improving and developing fu-

ture action programs for the Authority:<sup>16</sup>

1. an educational committee dedicated to educating the general public to use and accept public transportation
2. a committee concerned with transportation to employment areas
3. a committee addressing itself to the problems of the transit dependent such as the young, old, handicapped, and those who cannot afford to drive cars
4. an environmental impact committee

As a metropolitan coalition of public transit supporters, the CAC hopes to have a "marked effect" on SEMTA's future work.<sup>17</sup>

This organization along with the indirect political representation through SEMCOG should also be an effective control in insuring that SEMTA carries out its basic goals:

1. The acquisition, consolidation and unification of the existing bus carriers in the six-county region, to assure the continued existence and subsequent improvements of public transportation facilities and service.
2. The examination of existing commuter rail operations to develop feasible service improvements, and
3. The development of a regional rapid transit network to supplement transportation available both privately and publicly.<sup>18</sup>

Overall, the most important and relevant distinction of SEMTA is its relation to SEMCOG. This is the first attempt "to encompass within the representation of public authorities the newer areawide cooperatives of government, which, themselves, have drawn together the constituents of local government."<sup>19</sup> In southeastern Michigan, therefore, a method has been found to encourage intergovernmental cooperation and coordinated transportation planning without a radical change

in governmental structure.

Bay Area Rapid Transit District

The Bay Area Rapid Transit District (BARTD) has been one of the more successful transit authorities. The basis for this statement is its new mass rapid transit system, the first in this country in more than fifty years. Once the complete system is in full operation this fall, it will be the world's most modern, technologically advanced in the world.

The original idea that was to lead to BARTD's creation was a 1947 Army-Navy review board suggestion for a trans-bay, sub-aqueous tube to link the cities of San Francisco and Oakland. Electric trains in the tube was determined as the best means of transporting people between the two cities. In 1949, the California State Legislature passed enabling legislation for the creation of a rapid transit district in the Bay area. But the District was not formed at this time. In 1951, the enabling act was amended establishing the San Francisco Area Rapid Transit Commission to develop a master plan for mass transportation throughout the region. By 1957, the Commission issued its final report recommending the creation of BARTD to include the counties of San Francisco, Alameda, Contra Costa, San Mateo, and Marin. Consequently, legislation establishing BARTD was passed by the State Legislature, and the District was given property taxing authority to carry out the subsequent financial and engineering studies. During the

next few years, BARTD was permitted to use Bay Bridge tolls to finance the trans-bay tube, a tentative rapid transit plan was submitted to city and county officials, and BARTD's use of the Golden Gate Bridge was rejected. This latter incident eventually led to the withdrawal of San Mateo and Marin counties from the district. In 1961, the State Legislature reduced the majority approval requirement from two-thirds to 60 percent, and in November of 1962, a \$792 million bond issue was approved by a three-county vote of 61.2 percent. BARTD thus became "the largest locally-financed public works project in the United States."<sup>20</sup> The first revenue operation of BARTD opened with the Fremont-Oakland line in September, 1972.

Once the system is in full operation, the primary task of building the 75-mile rapid transit system will be completed. Its goals now are to expand upon this basic system that is to include rail extensions, bus feeder and express services, and to reinstate the counties of San Mateo and Marin. The most difficult of these is the latter, and the District is currently negotiating with the Golden Gate Bridge and Highway District for use of the bridge for a rapid transit line.

BARTD has weathered many storms throughout the development of its transportation program. The true worth of the \$1.522 billion rapid transit system will not be realized for some time. However, the fact that the original goal has been accomplished is testimony supporting the District's present worth.

The projected patronage next year is expected to be 200,000 passenger trips per day throughout the full 75-mile system.<sup>21</sup> Significant is the fact that there are three other transit companies within the District; one of which, the San Francisco Municipal Railway (MUNI) has a daily patronage of 350,000 riders per day.

Since BARTD is entirely new without precedent, service in the Bay area has been obviously increased. The system is expected to provide the following service from the Oakland City Center Station (the central point of the system):<sup>22</sup>

South to Fremont	- 24 miles - 30 minutes
North to Richmond	- 11 miles - 19 minutes
East to Concord	- 21 miles - 27 minutes
West to Daly City	- 15 miles - 23 minutes

In addition there are four miles of trolley line in San Francisco to complete the 75-mile system. Fares range from 30 cents to \$1.25, with special discounts for over-65 and under-13 riders. When the system is in full operation, it is projected that the present fare structure will be adequate enough to cover operational expenses.<sup>23</sup>

BARTD is governed by an eleven member Board of Directors consisting of four members from the counties of Alameda and San Francisco, and three members from Contra Costa County. Two of each county's directors are appointed by the Board of Supervisors from the respective county and the additional members are chosen by a special "city selection committee from each county. This committee is composed of the mayors of the

incorporated communities within each county. Each Director serves a four year term.

It is interesting to note that the county of San Francisco gave the funding vote the largest majority. Both Alameda and Contra Costa counties failed to achieve the required 60 percent majority, but the difference was made up in San Francisco.

The vote was:<sup>24</sup>

San Francisco	66.85%
Alameda	59.74%
Contra Costa	54.19%

This was indicative of the problems BARTD was to experience in working with local agencies and governments. Previously mentioned were the withdrawals of Marin and San Mateo counties. Another issue arose from the lack of authorization to acquire and operate other public transportation systems in the Bay Area. Unlike SEMTA in Detroit, BARTD is exclusively uni-modal. Consequently, BARTD competes with the San Francisco Municipal Railway (MUNI), the Alameda-Contra Costa Transit District (AC Transit), and Greyhound operations within its jurisdiction. The BARTD rapid transit system, will be particularly damaging to MUNI's 128 million annual ridership operation. Due to its insistence to the contrary, it is quite likely that the MUNI system will be merged with the BARTD system to provide a unified regional transit system.<sup>25</sup>

The transportation planning of the Bay Area come under the control of the Association of Bay Area Governments (ABAG)

and the Metropolitan Transportation Commission (MTC). ABAG is made up of eighty-four of the ninety-one cities and eight of the nine counties in the Bay area. All cities over 20,000 population in the Bay Area are members. Its General Assembly consists of one representative from each county and city. The Executive Committee consists of a mayor or councilman from each county and a member of the Board of Supervisors from each county. The Association assumed the responsibility for regional planning in the Bay Area and has been officially designated as the area's A-95 clearinghouse organization. The MTC was created by the State Legislature in 1970 to develop regional comprehensive transportation planning and coordination. This Commission consists of one member each appointed by ABAG and the Bay Conservation and Development Commission, two members each from the counties of San Francisco, Alameda, Contra Costa, San Mateo, and Santa Clara, and one member each from Marin, Solano Sonoma, and Napa. All future transportation developments must receive MTC approval before proceeding. The MTC is also responsible for allocating the 1/4-cent sales tax earmarked for public transit. An ABAG-MTC combination is undertaking a land-use transportation program with the MTC reviewing all transportation related applications for Federal funding before they are reviewed by ABAG.

Despite its strictly uni-modal approach, the BARTD system is progressive in that it is one of the first "special district-public authority" transit combinations. This has fiscal advan-

tages in that it can levy property taxes as a special district, and issue revenue bonds as a public authority. The Bay Area also is fortunate to have active, effective regional organizations such as ABAG and MTC. Therefore, within its limited capabilities, the Bay Area Rapid Transit District has been a successful transit authority. However, vast improvements in authority, functions, and jurisdiction can transform BARTD into a more effective transit authority.

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## Chapter V

### Conclusions and Recommendations

Consolidating the public transportation facilities is only the first step towards unifying all the transportation services in a metropolitan area. Public authorities are but one mechanism by which this can be done, but to date they have proved the most effective. The factors accounting for the trend of public authority and special district creation do not support the alternatives to authorities.<sup>1</sup>

- (1) The creation of public authorities is "far less formidable" than the implementation of other solutions.
- (2) Typically, authorities are the "last resort" after other solutions have been unsuccessful.
- (3) The creation of authorities usually does not threaten the status of existing units of general government.
- (4) Authorities are more businesslike and avoid a lot of the red tape public agencies experience when it comes to getting things done.
- (5) Debt and tax limitations can be avoided by creating authorities to expand on tax revenues or to issue revenue bonds.

However, the trend towards authorities can be reversed should the problems of jurisdiction, finances, and management in general purpose governments be given more flexibility and relevance.

Actions to be taken to overcome jurisdictional problems include:<sup>2</sup> (1) Changing municipal boundaries in order to create

more efficient service units. Yet, not all services can have coinciding service districts and simultaneously maximize efficiency. (2) Assign certain functions to a larger governmental unit already in existence, such as the county. But, many metropolitan areas encompass more than one county. Usually only the state has the jurisdiction to include the entire metropolitan region. (3) Organize a metropolitan federation similar to that created in Toronto. Here the deprivation of local home-rule, the effective disenfranchisement of minorities, and the difficulty of creating such a unit weigh heavily against this possibility. (4) Assign certain functions to the state. Arguments of regional favoritism and greater centralization debilitate against this solution. (5) Inter-municipal cooperation -- with several municipalities undertaking a project jointly. Past experiences of distrust and a lack of binding agreements suggest that this method is inefficient.

The problem of debt limitation is usually a matter which can be improved upon by state legislatures. The debt limitation should be modified to conform to modern conditions. George Sause suggests that "the use of market value instead of the assessed value of real property is a step in this direction, but revenue sources other than property taxes should be included in a consideration of debt carrying capacity."<sup>3</sup>

For the problems of management, there are three recommendations to improve general government:<sup>4</sup> (1) Free municipalities from restrictions which authority operation has proven to be

unnecessary. (2) Make elective positions with municipalities more attractive to prospective candidates for office. (3) Conduct a long-range educational program designed to improve the status of elected municipal officials.

Where these reforms cannot be accomplished, the public authority is the best solution. For a transit (or transportation) authority, the environment in which it exists can determine its success or failure. The Indiana Institute for Urban Transportation lists conditions that create the "ideal" institutional environment for a public transit authority. Under its guidelines, a transit authority should be<sup>5</sup>

- (1) areawide with taxing and bonding powers
- (2) independent from other levels of government
- (3) not subject to outside regulation
- (4) a representative spectrum of board members
- (5) exempt from taxes
- (6) not compelled to cover expenses and capital solely from the fare box
- (7) to contract services to other levels of government
- (8) have a large degree of control over parking along the streets it utilizes and in terminal areas

An authority established under these guidelines should be successful according to the Urban Transportation Institute. For transit authorities where these conditions cannot be found, it is recommended that those missing conditions be provided.

In addition, rather than performing a single function as is common among transit authorities, all modes of "public" transportation should be included. Such a "transportation" authority should be responsible for streets, highways, bridges, tunnels, terminals, parking facilities, airport and harbor facilities, trucking, and watercourse improvements as well as public transit. These are all facilities that come under the label "public works" and should be coordinated into one agency. This will encourage not only improved transportation for metropolitan areas, but to encourage metropolitan transportation policies designed to efficiently balance the various modes.

#### Federal policy on authorities and transportation

Federal policy has historically favored the creation of special districts and public authorities. The Advisory Commission on Intergovernmental Relations (ACIR) found in 1964 that of the "forty-three federal urban development aid programs it had studied, about one-quarter of them have either encouraged, or actually required, the establishment of special units." The case studies examined in this paper revealed that state aid programs also require regional special units to administer the funds. This situation was viewed by many as detrimental to the capabilities of general-purpose governments by giving priority to special districts in the allocation of Federal funds. Subsequently, Congress has initiated corrective action. Section 701g of the Housing Act of 1954 requires "areawide mechanisms for planning to be composed of "predominantly elected officials."

This gives emphasis to regional Councils of Government as the primary agencies responsible for planning. In 1968, Congress passed the Intergovernmental Cooperation Act which spelled out the new Federal policy in even clearer terms. This legislation requires that unless there are substantial reasons to the contrary, "Federal agencies must make loans and grants to units of general local government, rather than to special-purpose units of local government."<sup>6</sup> However, the ACIR noted that many Federal programs still do encourage special district funding, including:<sup>7</sup>

- Mass Transportation Loans established by the Housing Act of 1961.
- Mass Transportation Demonstrations established by Section 303 of the Housing Act of 1961.

Further emphasis of the new Federal policy was contained in the State and Local Fiscal Assistance Act of 1972. It authorizes that revenue sharing funds be distributed to general-purpose governments only.<sup>8</sup>

Technological innovation can also be expected to produce requirements for new institutional arrangements on other fronts -- principally in coordinating transportation planning efforts at the metropolitan and megalopolitan levels. To attempt to replace existing units of government with institutions of a regional character would be politically unrealistic, at least for the foreseeable future. But this does not preclude the possibilities of using the leverage of Federal support to encourage formalized, cooperative arrangements among existing governmental entities.

Federal action towards mass transit is becoming more and more encouraging. In addition to the breakthroughs achieved

by the Housing Act of 1961 and the Urban Mass Transportation Act of 1964, Federal mass transit funding is expected to soon reach \$3.1 billion annually due to the Urban Mass Transportation Assistance Act of 1970 and the Federal Aid Highway Act of 1973. Operating cost assistance is opposed by the current Administration although Congress passed a bill in 1973 to provide such financing. Of all the problems facing transit authorities, funding is the most crucial. But with present trends in Federal funding policy, it can be expected that public transit monies will be even more forthcoming.

#### Concluding Comments

It appears that the transportation difficulties experienced in our urban area can be solved only through regional arrangements. Partial development of this concept has occurred through the creation of regional transit, parking, port, and highway authorities. Effective Federal and state policy guidelines need to be established to improve present authorities and urge the consolidation of transportation functions into one all-encompassing authority for each metropolitan area. The Federal Department of Transportation holds the greatest potential for such policy development; but since its creation in 1967, has not produced a national transportation policy. For their lack of comprehensiveness, transportation authorities have generally succeeded in initiating metropolitan transportation priorities; but without concerted Federal support, their

major objectives cannot be accomplished. It is hoped that this thesis demonstrates the need for and possibly encourage more detailed study of transportation authorities leading to the development of a national transportation policy.

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Appendix 1

Effectiveness and Acceptability of Regional Service Delivery Approaches

Least effective

Informal Cooperation

Service contract/joint services agreement

Regional council of local elected officials

Federally encouraged substate district

State planning and development district

Local special district

Transfer of functions

Annexation

Areawide special district/public authority

"Umbrella" regional council

Urban county

City-County consolidation

Federated areawide government

Most feasible/acceptable

Most effective

Least feasible/acceptable

Number of Special Districts: 1972, 1967, 1962, and 1952

<u>Region</u>	<u>1972</u>	<u>1967</u>	<u>1967-72 5-year Change</u>	<u>1962</u>	<u>1962-72 10-year Change</u>	<u>1952</u>	<u>1952-72 20-year Change</u>
United States	23,886	21,265	12.3%	18,322	30.4%	12,339	93.6%
Northeast	3,937	3,724	5.7	3,339	15.8	1,789	120.1
North Central	8,024	7,020	14.3	6,028	33.1	4,622	73.6
South	5,525	4,515	22.4	3,485	58.5	2,288	141.5
West	6,400	6,006	6.6	5,330	20.1	3,640	75.8

Appendix 2

Source: The Advisory Commission on Intergovernmental Relations  
Regional Decision Making: New Strategies for Substate Districts  
 (Washington, 1973), p. 24.

Appendix 3

Types of Special Districts: 1962, 1967, 1972

Type of District	1972	1967	1962	Percent Change	
				1967-72	1962-72
<b>Single Function Districts</b>					
Cemetaries	1,496	1,397	1,283	7.1%	16.6%
School Buildings	1,085	956	915	13.5	18.6
Fire Protection	3,872	3,665	3,229	5.6	19.9
Highways	698	774	786	-9.8	-11.2
Health	257	234	231	9.8	11.3
Hospitals	665	537	418	22.0	56.7
Housing and Urban Renewal	2,270	1,565	1,099	45.0	106.6
Libraries	498	410	340	21.5	14.0
Drainage	2,192	2,193	2,240	-0.0	-2.1
Flood Control	667	662	500	2.3	35.4
Irrigation and Water	966	904	781	6.9	23.7
Soil Conservation	2,564	2,571	2,461	0.3	4.2
Other Natural Resources	231	209	309	10.5	-25.2
Parks and Recreation	749	613	488	22.2	53.5
Sewers	1,406	1,233	937	14.0	50.1
Water Supply	2,323	2,140	1,502	8.6	54.7
Electric Power	74	75	76	-1.3	-2.6
Gas Supply	48	37	30	29.7	60.0
Transit	33	14	10	135.7	230.0
Other	889	622	488	42.9	82.2
<b>Multiple-Function Districts</b>					
Sewer and Water Supply	629	298	138	111.1	355.8
Natural Resource and Water	67	45	56	48.9	19.6
Other	207	110	120	88.2	72.5

Source: The Advisory Commission on Intergovernmental Relations  
Regional Decision Making: New Strategies for Substate  
Districts (Washington, 1973), p. 30.

Appendix 4

Distribution of Special Districts Within  
Standard Metropolitan Statistical Areas  
by Type: 1972

Type of Special District	No. of Special Districts	% Within SMSA	% of SMSA Total
Total, SMSA Special Districts	7,842	32.8	100.0
Cemetery	157	10.5	2.0
School Building	619	57.1	7.9
Fire protection	1,491	38.5	19.0
Health	101	39.3	1.3
Hospitals	150	22.9	1.9
Highways	139	19.9	1.8
Housing	691	30.4	8.8
Drainage	436	19.9	5.6
Library	148	29.7	1.9
Other natural resources	92	39.8	1.2
Parks and Recreation	377	50.3	4.8
Flood Control	131	19.4	1.7
Irrigation and water	271	28.1	3.5
Sewers	822	58.5	10.5
Soil conservation	416	16.2	5.3
Other general functions	329	37.0	4.2
Water supply	877	37.8	11.2
Electric power	13	17.6	0.2
Gas supply	7	14.6	0.1
Transit	31	93.9	0.4
Natural resources and water supply	44	65.7	0.6
Sewer and water	379	60.3	4.8
Other multiple functions	121	58.5	1.5

Source: The Advisory Commission on Intergovernmental Relations  
Regional Decision Making: New Strategies for Substate  
Districts (Washington, 1973), p. 31.

Appendix 5

Governing Board Characteristics,  
Selected Special Districts in the 72 Largest SMSA's

Selection of Governing Body

Characteristic	Total	State Local		Elec.	State Local		State Local		Court	Other	N/A
		Aptd	Aptd		Aptd	Aptd	Elec	Elec			
Region	94	17	25	25	6	1	9	0	6	2	3
Northeast	18	10	4	3	0	0	0	0	0	0	1
North Central	29	1	7	8	5	0	3	0	5	0	0
South	23	5	3	5	1	0	4	0	1	2	2
West	24	1	11	9	0	1	2	0	0	0	0
Function											
Multifunctional	9	4	0	4	0	0	1	0	0	0	0
Transportation	12	5	4	1	1	0	0	0	0	0	1
Natural Resources	16	3	4	5	0	1	0	0	2	1	0
Soil Conservation	14	1	0	4	1	0	7	0	0	1	0
Sewers	11	2	4	2	1	0	0	0	2	0	0
Utilities	9	0	2	6	0	0	1	0	0	0	0
Parks/Recreation	6	0	1	2	2	0	0	0	1	0	0
Housing/Renewal	3	0	3	0	0	0	0	0	0	0	0
Hospitals/Health	6	0	4	1	0	0	0	0	0	0	1
Other	8	2	3	0	1	0	0	0	0	1	1
Debt Size											
-\$10 Million	53	7	12	13	2	1	8	0	6	2	2
-\$10-24 Million	11	4	2	4	1	0	0	0	0	0	0
-\$25-49 Million	7	1	3	2	0	0	0	0	0	0	1
-\$50-99 Million	13	1	5	4	3	0	0	0	0	0	0
+\$100 Million	10	4	3	2	0	0	1	0	0	0	0
Type											
State	35	13	10	5	3	1	1	0	0	1	0
State-Local	23	4	2	7	2	0	8	0	1	0	0
Local	36	0	13	13	1	0	0	0	5	1	3

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