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Unjust Equity: An Examination of California's Transportation Development Act

Brian D. Taylor

Working Paper
UCTC No. 64

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Unjust Equity: An Examination of California's Transportation Development Act

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Working Paper
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Abstract

Federal subsidies of public transit, particularly transit operations, are declining and the responsibility for supporting transit is falling increasingly on states and localities. In California, the Transportation Development Act (TDA) has become the state's principal source of transit operating subsidies. This paper shows that the strict per capita allocation formulas of the TDA strongly favor lightly patronized suburban transit service over more heavily patronized service in the central cities. Transit riders in San Francisco, for example, receive a TDA subsidy of $0.13 per trip, while the TDA subsidy to transit patrons in suburban Livermore is over $5.00 per trip. The built-in suburban bias of the TDA is the result of partisan compromises made to secure passage of the Act in 1971; compromises to assuage a Republican governor opposed to new taxes and to include the interests of rural and suburban counties. The result has been a proliferation in California of new, well-funded, and expanding suburban transit operators that attract few riders while older, heavily patronized central city transit operators are forced to cut service because of funding shortfalls. The paper concludes by proposing a more efficient and equitable method for allocating TDA funds than the current formula which, in the name of equity, provides all Californians with a "fair share" of public transit, whether or not they use it.

Introduction

An extraordinary amount has been written about the rise, fall, and (halting) resurrection of urban public transit in the United States. Much of the work on transit's resurrection from the 1960s to date has focused on the significant role federal subsidy programs have had in shaping modern public transit. Productivity declines, increased labor costs, the expansion of service, and the overcapitalization of operations have all been traced to the influence of federal subsidies [Ortner and Wachs, 1978; Pucher, 1982; Pickrell, 1983; Lave, 1989].

For most of the 1980s, however, federal support of public transit has been declining. Federal transit operating subsidies, in particular, have dropped dramatically. Between 1979 and 1987, federal operating assistance was cut 48.7 percent in current dollars; considering the effects of inflation, the drop was nearly 70 percent in just eight years [U.S. Department of Transportation, 1989].

Table 1: National Trends in Public Transit Operating Revenues

(Adjusted for inflation in billions of 1984 dollars)

Source of Funds	1979	Percent Share	1987	Percent Share	% Change '79 to '87
Fares	$3,218	37.3%	$4,315	36.2%	34.1%
Federal Funds	$2,657	30.8%	$810	6.8%	-69.5%
State and Local Funds	$2,752	31.9%	$6,794	57.0%	146.9%
Total	$8,627	100.0%	$11,919	100.0%	38.2%

Source: U.S. Department of Transportation, 1989.

Table 1 is a testimony both to the Reagan Administration's commitment to federalism in general and distaste for transit operating assistance in particular. While inflation adjusted passenger fare revenues and total revenues have grown in concert since 1979, there has been a dramatic shift in operating subsidies from the federal government to states and localities.

California has mirrored this trend toward state and local funding, and the burden of supporting public transit operations in California has been borne largely by the state's Transportation Development Act (TDA). In the ten years from fiscal year 1978-79 to fiscal year 1988-89, inflation adjusted federal support of transit operations in California dropped 55.7 percent, while TDA funding of transit operations increased 32.7 percent in real dollars. Federal funds now account for only 6.1 percent of all transit operating revenues in California, compared to a 24.4 percent share for the TDA. Last year (fiscal year 1988-89), nearly $500 million in operating funds were allocated to California public transit operators, making the TDA by far the largest source of operating subsidies in the state [Office of the Controller, 1990] and the largest non-

federal public transit funding program in the country [Mills, 1990]. Even when funding for transit capital (where the TDA plays a comparatively small role) is included, TDA funds accounted for 20.9 percent of all California transit revenues in fiscal year 1988-89, compared to 19.7 percent for all federal transit funding programs [Office of the Controller, 1990].

Beyond the sheer magnitude of TDA funding, however, the particular regulations by which TDA funds are allocated have uniquely shaped -- and one could argue distorted -- the provision of public transit in California. The TDA has been a boon for suburban transit in California, particularly in affluent counties with low levels of transit ridership. The strict expenditure formulas of the TDA require that funds (which come from the sales tax) be expended in the same county where they are collected. Even within counties, TDA allocations to transit operators are made on the basis of population and not ridership, a method which strongly favors lightly patronized suburban transit operators.

Several authors have noted the role transit subsidies have played in the expansion of suburban public transit [Pucher, 1982; Wachs, 1985]. Subsidies have helped keep fares low, and encouraged the growth of flat fares and unlimited ride passes which favor long-distance, suburban commuters [Cervero et. al., 1980]. Wachs [1985] observed that the growing number of suburban representatives on transit boards and commissions consistently demand increased transit service in the areas they represent

> ...effectively representing their constituencies, who do contribute a growing proportion of transit subsidy support, their advocacy results in systematic shifts of transit service toward relatively expensive and highly subsidized peak hour runs between suburbs and downtown, and toward relatively lightly used suburban local services.

In California, the suburbanization of transit service is pronounced, politically driven, and primarily the result of the TDA. This paper examines the TDA's effect on public transit in California and finds that the compromises necessary to secure the Act's passage have created a politically popular but uneconomic funding program. The paper first traces the political debate and subsequent compromises that preceded the passage of the TDA in 1971; compromises that appealed to the partisan, rural, and suburban interests in the state. A case study of the San Francisco Bay Area is then used to show how the TDA allocation regulations dramatically underfund heavily patronized central city transit service in favor of lightly patronized suburban operations. The result is a proliferation of new, well-funded, and expanding suburban transit operators that attract few patrons while older, central city transit operators, in spite of heavy ridership, are forced to cut service because of funding shortfalls. The paper concludes by arguing that in the name of equity, the TDA is decidedly unfair; the suburban bias ensures that all Californians get a "fair share" of public transit, whether

or not they use it.

Antecedents to the TDA: California in the early 1970s

California's long-term financial commitment to public transportation was born out of the unique social and political conditions in California of the early 1970s:

- There was broad public concern with air pollution and support for government efforts to improve air quality by reducing dependence on the private automobile;
- The major urban transit operators in California (particularly the Southern California Rapid Transit District) were in financial distress and in need of operating subsidies; and
- The opportunity existed to extend the state sales tax to gasoline and create a substantial new funding source for transportation.

These conditions, discussed in turn below, combined in 1971 to motivate the passage of the Mills-Alquist-Deddeh Transportation Development Act (TDA). The TDA extended the sales tax collected by the state to gasoline and earmarked 4.2 percent of sales tax revenues from all sales (1/4 cent of the 6 cent state sales tax) for public transportation, community transit services (for the elderly and disabled), and bicycle and pedestrian facilities;[1] the focus of the TDA, however, is public transit, which received 83.5 percent of the funds allocated for the 1988-89 fiscal year [Office of the Controller, 1990].

Air Pollution: Public concern with air pollution grew as urban air quality declined significantly in the post-war years, particularly in the Los Angeles air basin where vehicle travel increased 268 percent between 1950 and 1970 [SCAG, 1983] and the early standards of the federal Clean Air Act of 1970 were exceeded over 200 days per year. The foci of early (and most subsequent) air quality regulations were on stationary sources of pollution and emission control devices on new cars. On the demand-side, the revival of public transit became the cause celebre; conventional wisdom held that clean, efficient urban transit was needed in California to lure people out of their cars and create a balanced transportation system [Hein, 1990].

Funding Shortfalls: The financial distress of California's large transit operators was uniquely shaped by the early years of federal transit subsidies. Federal support of

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[1]Under certain conditions (discussed below) TDA funds can be used for streets and roads.

public transit began in 1961 with the passage of the Urban Mass Transportation Act (UMTA). For the first thirteen years of the rapidly expanding UMTA program, however, federal transit funds could only be used for the purchase of rolling stock and capital equipment; UMTA funds could not be used to support transit operations. This left transit operators around the country, the Southern California Rapid Transit District among them, without the financial resources to operate an expanding fleet of new, federally financed buses [Bauer, 1990]. Up to 1974, the federal government clearly saw transit operating subsidies as the responsibility of states and localities [Meyer and Gomez-Ibanez, 1981]. In California, that responsibility was assumed primarily by the TDA.

New Fund Source: Finally, a financial opportunity existed because the state sales tax, which applied to diesel fuels, did not include gasoline. Extending an existing tax (the sales tax) to a heavily taxed commodity (gasoline) to finance transportation (public transit) was a politically palatable proposal [Bauer, 1990; Mills, 1990]. Turning a palatable proposal into reality, however, required a number of strategic compromises by the Act's legislative authors to appeal to the state's Republican, rural, and suburban interests; compromises that made the TDA heavily biased toward California's more affluent suburbs and against the state's penurious central cities.

TDA and the Art of Compromise[2]

The primary obstacle facing the Democratic triumvirate sponsoring the TDA was a conservative Republican governor (Ronald Reagan) opposed to new taxes. When first approached with the TDA, Governor Reagan wanted the proposal put before the voters. Knowing that it was unlikely that voters statewide would support a measure so clearly intended for central city transit users, Legislators Mills, Alquist, and Deddeh sought to modify the transit sales tax proposal to both satisfy the governor and avoid a plebiscite.

The first step was to technically designate the 1/4 cent of the sales tax for the TDA as a "local tax" instead of a state tax. At the time, California had a uniform five percent sales tax in all fifty-eight counties (4 percent state, and 1 percent local). When the sales tax was extended to gasoline by the TDA, the state/local split of sales tax was also changed to 3.75 percent state and 1.25 percent local. The additional 0.25 percent local tax, however, was not very local; expenditure of these funds was made

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[2]This section was informed primarily by interviews with Art Bauer and Associates Principal Art Bauer, Orange County Transit District Legislative Liason Mary Elizabeth Briden, State Senator Wadi Deddeh, Metropolitan Transportation Commission Deputy Executive Director William Hein, and Metropolitan Transit Development Board Chairman Jim Mills.

subject to state statutes and administrative code of the TDA.

To further assuage the governor, each of California's fifty-eight county boards of supervisors voted whether to extend the sales tax to gasoline and accept an additional 0.25 percent of the sales tax for TDA expenditures. The vote, however, did not offer the county supervisors much of a choice. At the time, the California Franchise Tax Board required that the sales tax be uniform in all counties (this has since been changed to allow special county sales taxes for transportation); if a county did not agree to the uniform state sales tax (which was a nickel at the time), then that county forfeited all state collected sales tax revenues. The county supervisors were thus given a choice whether to extend the sales tax to gasoline and accept an additional 0.25 percent local funds for the TDA, or forgo all local sales tax revenues. Given this choice, it is not surprising that the counties voted unanimously for the TDA and thus satisfied Governor Reagan's desire for a local vote.

Rural and suburban counties, however, were not simply strongarmed into supporting a transit funding program for the central cities. The TDA was fashioned to appeal to the interests of rural and suburban counties. The appeal to rural interests was straightforward; small counties would be permitted to use some of their TDA funds for road projects. Counties with 1970 populations below 500,000 can use TDA funds for streets and roads if the presiding transportation planning agency determines that there are no "unmet transit needs that are reasonable to meet" [Cal PUC section 99401.5][3]. Such determinations are nearly automatic in rural counties and about half of TDA funds collected in these counties (but less than fifteen percent of TDA funds statewide) are used for streets and roads purposes.

More important than the rural streets and roads concession, however, are the strict return-to-source provisions in the Act. To make the TDA a "local tax," the Act creates a "Local Transportation Fund" (LTF) for TDA funds generated in each county [Cal PUC section 99220]; because the LTF is a local fund, TDA funds generated in rural and suburban counties cannot be moved across county lines for use by transit operators in urban counties.

The Act further restricts the movement of funds by requiring that revenues be apportioned to transit operators within counties on the basis of service area population only[4] [Cal PUC section 99285]. This means that transit operators are limited (1)to

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[3]The "unmet needs process" was actually added to the TDA later as administrative code because many rural counties were not funding public transit and using all of their TDA funds for streets and roads.

[4]The state's largest county, Los Angeles, is an exception. The apportionment rules for LA County were amended in 1980 to dovetail with the passage of a

TDA funds generated in the county or counties they serve, and (2)to a share of TDA funds proportional to the ratio of their service area population to the total county population.

While these return-to-source provisions appealed to the Republican governor and the parochial interests of the county supervisors, they also locked a suburban bias into the TDA in perpetuity. This bias exists because TDA funds are strictly allocated on a per capita basis, but per capita transit ridership varies greatly from city to suburb. Transit use is highest in central city areas where parking is restricted, fewer people have access to automobiles, and employment and population densities are highest; TDA funds, however, do not vary with transit ridership. The result is an extraordinary windfall for transit operators in suburban areas with low per capital levels of ridership; a windfall that is made clear in the case study of the San Francisco Bay Area below.

The Effect of the TDA in the San Francisco Bay Area[5]

With a population in excess of five million, the nine-county San Francisco Bay Area is the nation's fourth largest metropolitan area. Seventeen major public transit operators[6] and dozens of smaller public and private operators carry over 1.5 million passengers per day on a fleet of almost 4,000 vehicles.

The Bay Area is unique in both the large number of public transit operators and the absence of a single dominant system. Though the San Francisco Municipal Railway, the oldest publicly owned transit system in the U.S., comes close; Muni serves less than 15 percent of the region's population, but carries over half the transit users.

Table 2 separates the Bay Area's seventeen transit operators by type. The two central city operators serve the densely settled cities and inner-ring suburbs of San Francisco, Oakland, Berkeley, Richmond, and Hayward. The trunk-line rail operators provide commuter rail service to the five southern Bay Area counties. The large

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county transportation sales tax which, among other things, was intended to hold down transit fares. TDA funds are apportioned to LA County transit operators using a formula that gives 50 percent weight to the ratio of fare revenue to operating cost ratio and 50 percent weight to the operator's share of county-wide transit route mileage [PUC section 99285].

[5]The financial and operating data cited in this section were derived from published reports of the Metropolitan Transportation Commission (which are referenced in the bibliography) and from unpublished public files maintained by the Commission.

[6]Defined as operators with at least 750 boardings per weekday.

suburban operators serve the extensively developed suburbs of San Mateo, Santa Clara, and Marin Counties. Finally, the small suburban operators provide service in the rapidly-developing, far-flung suburbs of Sonoma, Napa, Solano, and eastern Contra Costa and Alameda Counties.

Table 2: Public Transit in the San Francisco Bay Area

Fiscal Year 1987-88

	Annual Ridership	Regional Share	Total Operating Costs	Regional Share	Fare Revenues	Regional Share
Central City Operators						
San Francisco Muni	245,053,000	55.1%	$236,913,100	31.5%	$71,287,000	29.7%
AC Transit	61,308,000	13.8%	$122,310,000	16.2%	$44,278,000	18.4%
Trunk-Line Rail Operators						
BART	61,737,800	13.9%	$167,775,000	22.3%	$78,474,400	32.7%
CalTrain	5,595,900	1.3%	$25,883,100	3.4%	$9,119,300	3.8%
Large Suburban Operators						
Santa Clara County Transit	35,200,000	7.9%	$103,348,400	13.7%	$11,307,300	4.7%
SamTrans	18,048,100	4.1%	$34,543,400	4.6%	$7,797,500	3.2%
Golden Gate Transit	8,784,200	2.0%	$37,187,200	4.9%	$13,669,100	5.7%
Small Suburban Operators						
County Connection (CCCTA)	3,724,600	0.8%	$10,670,200	1.4%	$1,718,600	0.7%
Vallejo Transit	1,498,000	0.3%	$2,118,500	0.3%	$578,300	0.2%
Santa Rosa CityBus	1,267,000	0.3%	$2,261,100	0.3%	$502,700	0.2%
Sonoma County Transit	771,500	0.2%	$2,714,800	0.4%	$551,600	0.2%
TriDelta (ECCTA)	460,700	0.1%	$1,734,400	0.2%	$170,100	0.1%
Napa VINE	439,400	0.1%	$741,000	0.1%	$130,000	0.1%
Wheels (LAVTA)	395,200	0.1%	$2,180,900	0.3%	$125,900	0.1%
Union City Flea	393,500	0.1%	$1,064,700	0.1%	$145,200	0.1%
Fairfield Transit	271,400	0.1%	$635,800	0.1%	$113,700	0.0%
WestCAT (WCCCTA)	194,100	0.0%	$925,100	0.1%	$87,500	0.0%
Totals	445,142,400	100.0%	$753,006,700	100.0%	$240,056,200	100.0%

Source: Metropolitan Transportation Commission.

Nearly $1 billion is spent each year by these seventeen Bay Area transit operators, about $750 million of which goes to operations. $240 million in fares is collected each year; the remaining 68.1 percent of operating costs and 100.0 percent of capital costs are paid with subsidies. All told, in excess of $700 million in transit subsidies are expended in the San Francisco Bay Area each year.

At first glance, the TDA appears to have only a moderate role in the Bay Area. The regional aggregation of subsidies in Table 3, however, tends to underrepresent the impact of the TDA in three respects: (1)TDA funds are used primarily for transit operations and play only a small role in capital expenditures; (2)the two trunk-line rail

systems -- BART and CalTrain -- receive virtually no TDA funds; the TDA's major role is in local transit[7]; and (3)the sheer magnitude of San Francisco Muni, which receives less than fifteen percent of its revenues from TDA funds, tends to wash out the effect of the Act on the other operators.

Table 3: San Francisco Bay Area Public Transit Subsidies

Fiscal Year 1987-88

Type	Transportation Development Act	Percent TDA	Federal Subsidies (UMTA & FHA)	Percent UMTA	Other Subsidies (State & Local)	Percent Other	Total Transit Subsidies
Operations	$125,751,544	24.0%	$30,677,850	5.9%	$367,773,139	70.2%	$524,202,533
Capital	$3,525,086	2.0%	$136,444,206	77.0%	$37,328,808	21.1%	$177,298,100
Total	$129,276,630	18.4%	$167,122,056	23.8%	$405,101,947	57.7%	$701,500,633

Note: The vast majority of other operating subsidies in FY 1897-88 came from the BART sales tax ($121,904,000), the San Francisco general fund ($115,656,000), and the Santa Clara County transportation sales tax ($56,585,000).

Source: Metropolitan Transportation Commission.

Figures 1 and 2 below show that the impact of the TDA, however, is far from uniform. Figure 1 shows TDA funds as a proportion of each operator's total operating subsidies and Figure 2 the proportion of total operating costs covered by TDA funds. We can see in Figure 1 that for eleven of the fifteen operators, TDA funds comprise at least half of all operating subsidies. Figure 2 shows that for all but two operators, at least a third of all operating costs are funded by the TDA.

The transit operators listed in the figures above are arranged left to right by the number of passengers carried. Given this, one could surmise that the big operators simply have a larger pool of financial resources from which to draw, and are thus less dependent on the TDA. This is, however, not the case. While the larger operators do draw on a wider range of financial resources, they do so out of necessity rather than privilege.

We can demonstrate this point by differentiating dedicated transit funding externally supplied to operators by federal, state, and regional agencies, from discretionary funds that operators must secure locally. For Figure 3 below, all operating revenues are defined as either external or local. External revenues -- federal, state (including TDA), and regional subsidies -- are dedicated funds allocated on a formula basis. Local revenues -- fares, charter revenues, municipal general funds, local property taxes, and local sales taxes -- require a local commitment to transit and can vary quite significantly from year to year. Local revenues require an active financial commitment

[7]For the purposes of the discussion that follows, these two non-TDA rail operators are excluded from the analysis.

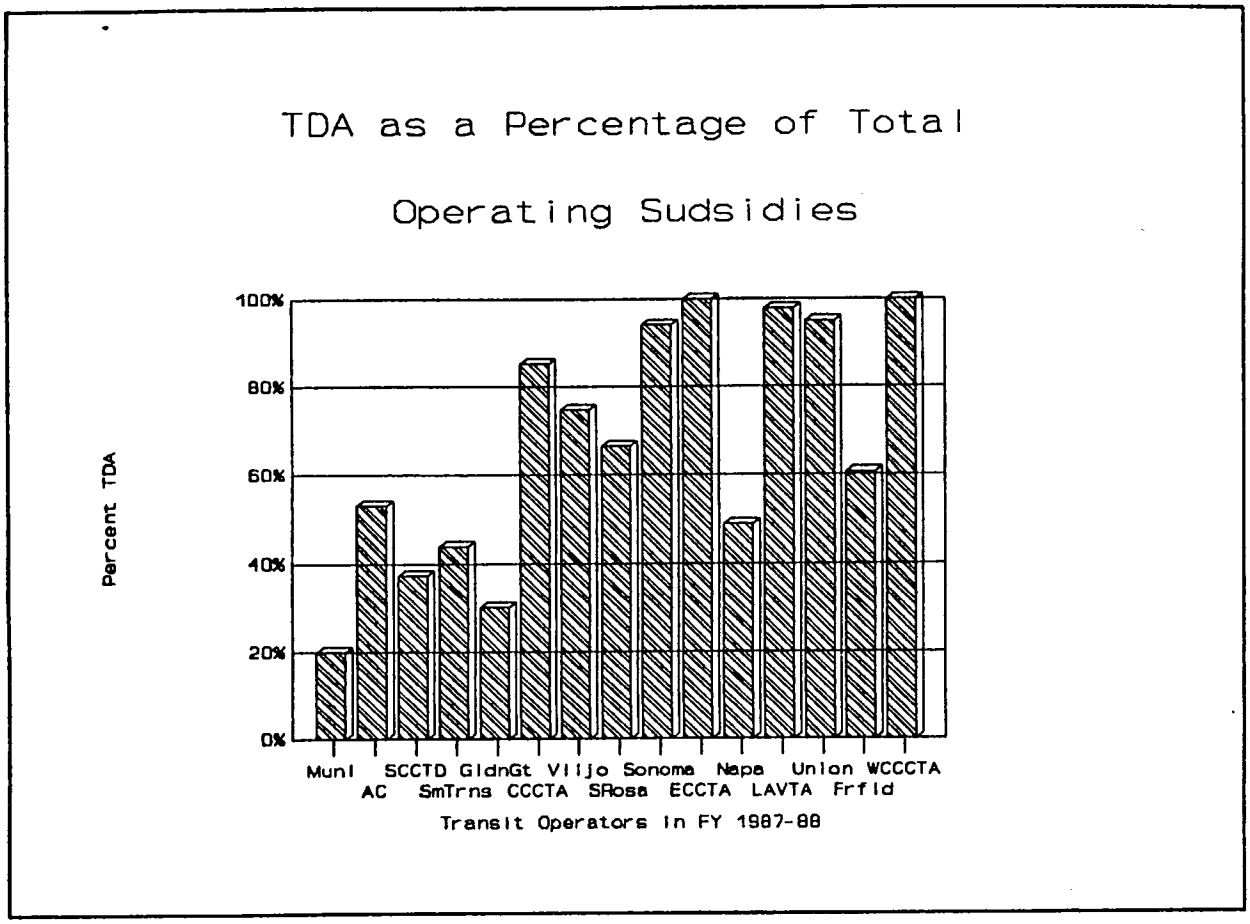


Figure 1

to public transit at the local level, but external funds are "free" -- they are available regardless of the local commitment to transit.

The issue of local commitment is fairly straightforward. In high transit use areas like San Francisco, localities have little choice but to devote substantial local resources to transit. In low transit use areas, the services can exist almost entirely on external support -- primarily TDA funds.

Beyond the gross ridership figures in Table 2, the service effectiveness of each operator is shown in Figure 4 using the traditional measure of total passengers per revenue vehicle hour of service.

We can see here that the larger operators do not have more riders simply because they have more buses. Ridership per vehicle hour follows a predictable pattern of decay from densely settled San Francisco to the sprawling suburbs. This pattern is even more sharply contrasted in Figure 5 below which shows per capita transit ridership for each operator's service area.

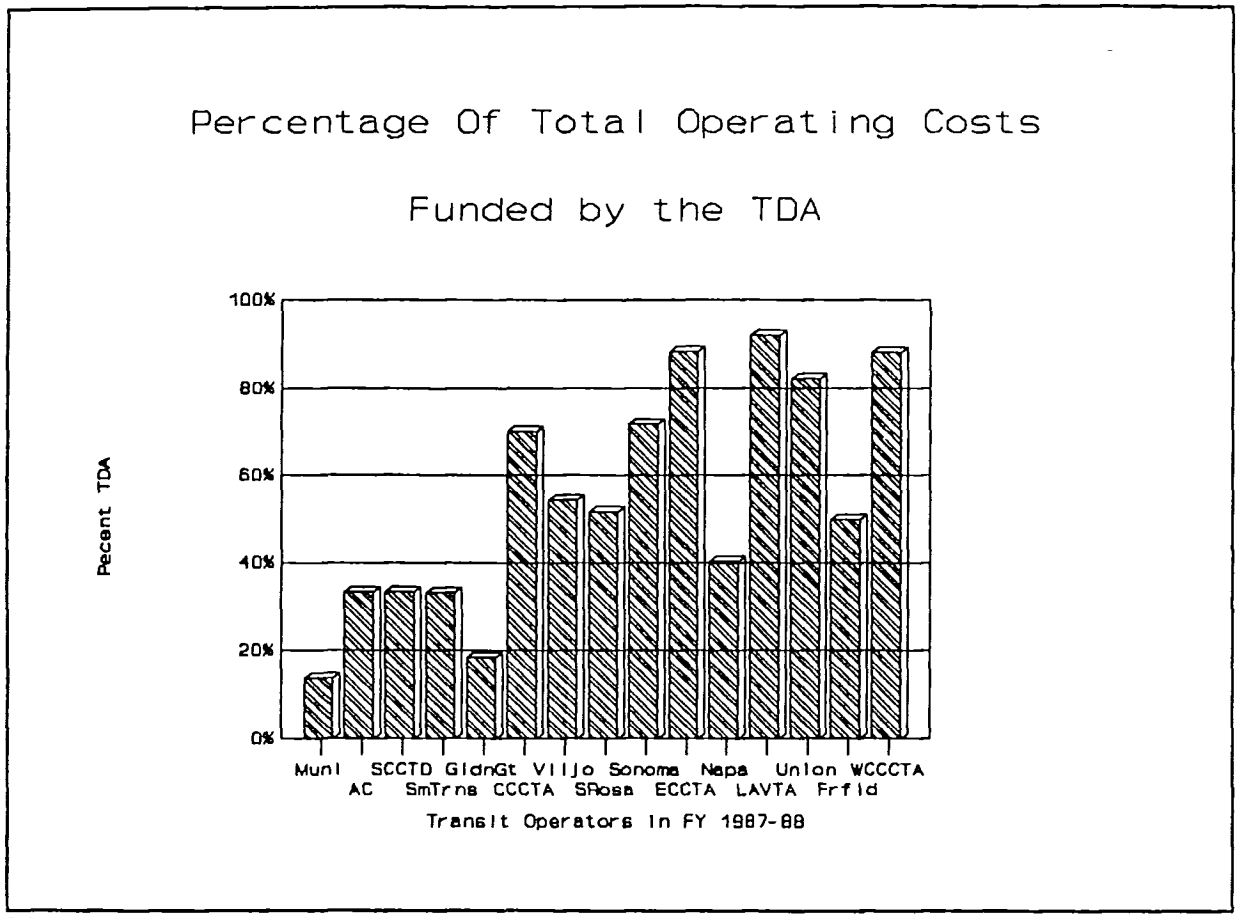


Figure 2

Figure 5 is especially important. Remember that TDA funds are apportioned to each operator on the basis of population, not ridership. Figure 5 tells us that each dollar of TDA subsidy supports three transit riders in Livermore, and 329 in San Francisco.

This pattern of TDA apportionments holds within counties as well. In Contra Costa County, for example, four operators -- AC Transit, the County Connection, TriDelta, and WestCAT -- divide the annual TDA apportionment on the basis of service area population. AC Transit, which serves the largest Black and low-income areas in the county, has cut service each of the past four years to avert a deficit. In each of those years, the County Connection and TriDelta accrued surpluses of TDA funds; the excess funds were added to reserves that now number in the millions for each operator.[8]

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[8]Demographic transit ridership information is limited, but fragmentary evidence suggests that the suburban bias of the TDA favors anglo transit riders over non-anglo patrons. Combining the TDA revenues, ridership, and ethnic composition

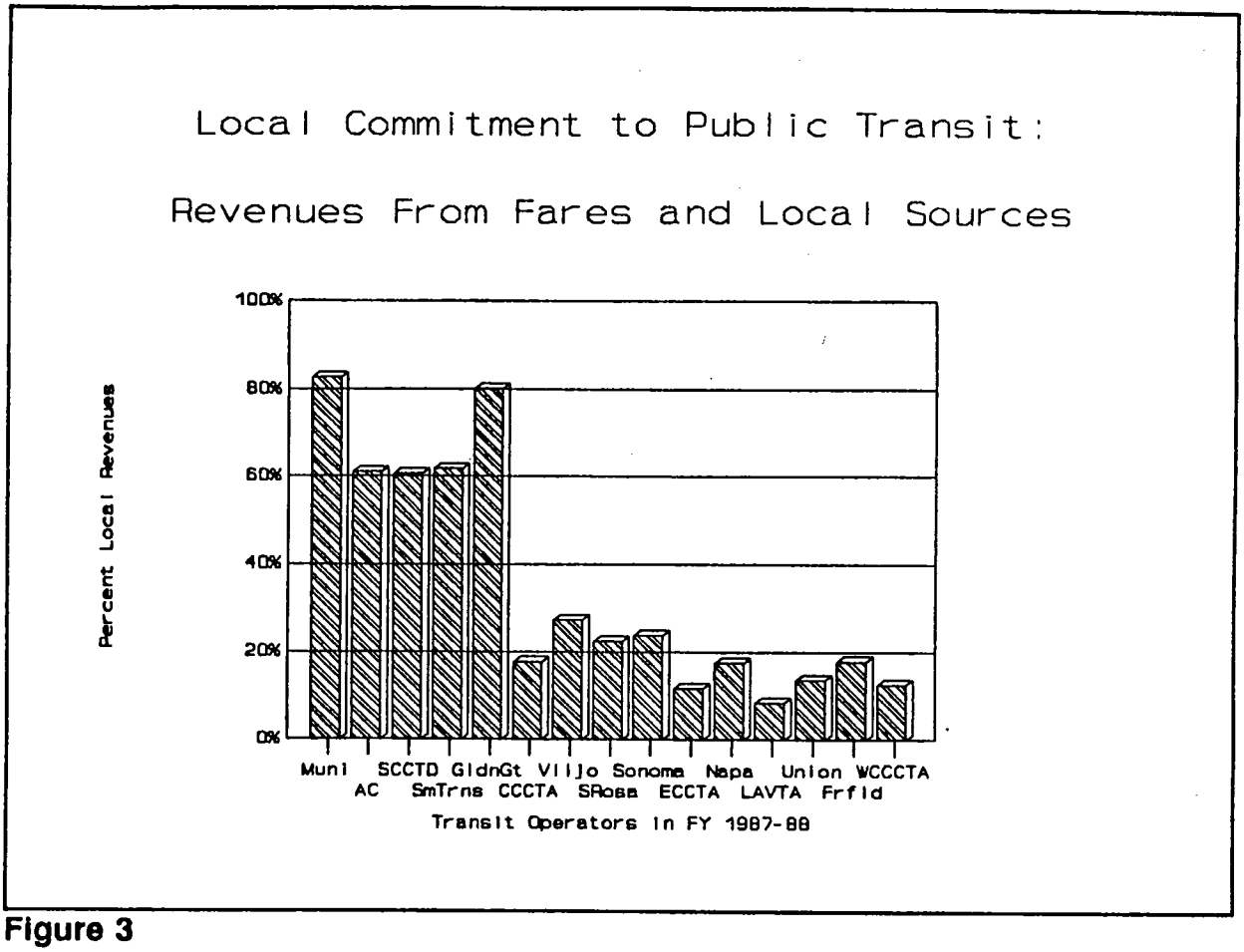


Figure 3

This inverse relationship between service effectiveness and TDA funding is shown clearly in Figure 6 which shows that the TDA's return-to-source provision allows for very high levels of transit funding in low-density, auto-dependent suburban areas. With funding available, these areas put service on the streets that goes largely unused. The paradoxical effect of TDA funding on Bay Area public transit operations is summarized in Table 5 below.

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of adjacent AC Transit (65.5 percent non-anglo ridership) and the County Connection (39.5 percent non-anglo ridership) [AC Transit, 1985 and CCCTA, 1989] shows that the TDA subsidy per anglo passenger to be $0.79, compared to $0.71 for non-anglo riders. This difference is probably underestimated because of the significant size difference between these two transit operators; demographic data for similarly sized central city and suburban operators would probably reveal an ethnic bias much greater than the 12 percent found here.

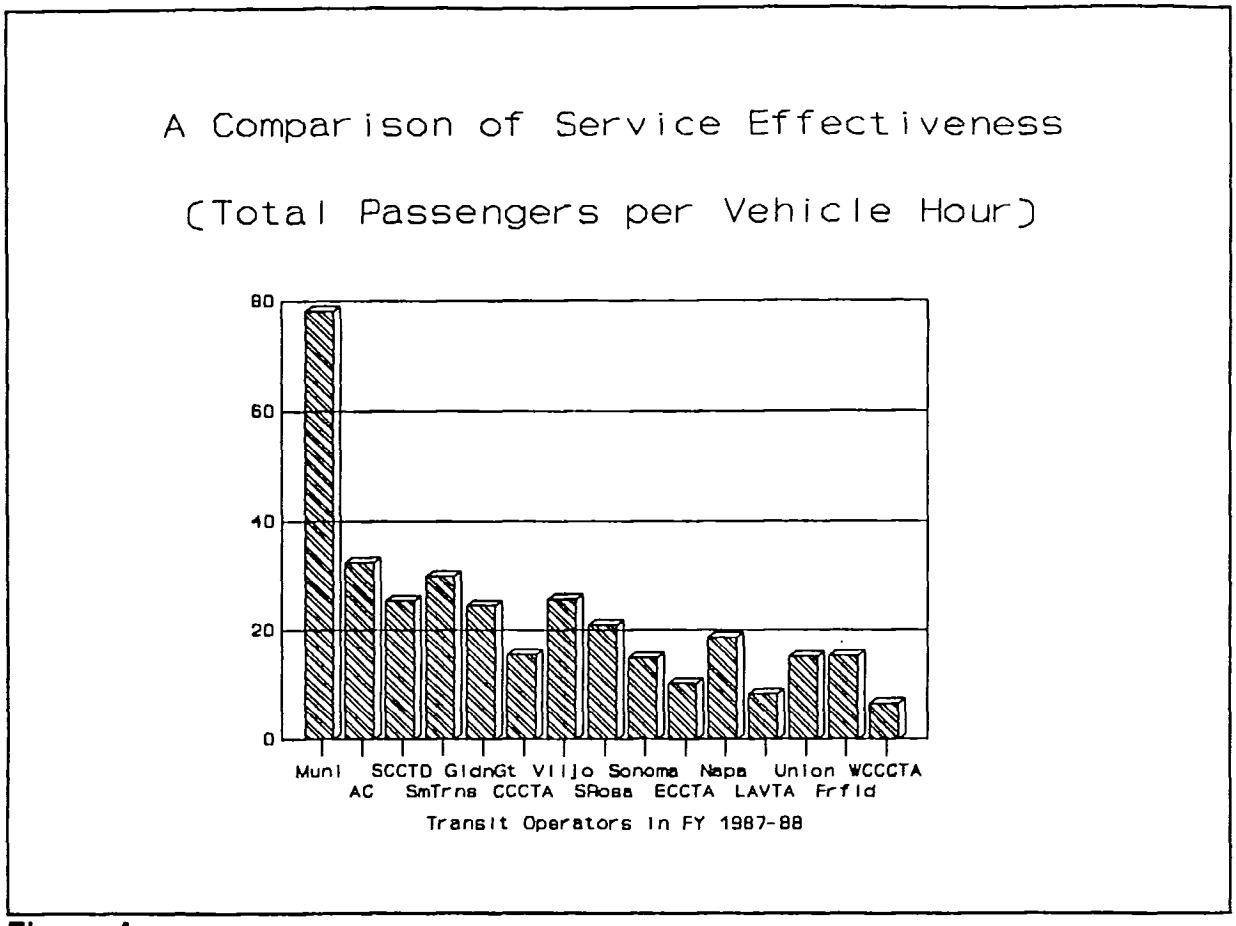


Figure 4

Table 4: Ridership, Fares, and TDA Funds in Contra Costa County

Fiscal Year 1987-88

Operator	Annual Passengers	Share of Passengers	Fare Revenues	Share of Fares	TDA Apportionment	Share of TDA	Apportionment of TDA per Passenger
AC Transit	6,297,432	58.8%	$3,661,952	64.9%	$2,939,055	20.5%	$0.47
County Connection (CCCTA)	3,788,700	35.4%	$1,736,000	30.8%	$8,002,325	55.7%	$2.11
TriDelta (ECCTA)	427,700	4.0%	$166,100	2.9%	$2,390,046	16.6%	$5.59
WestCAT (WCCCTA)	189,000	1.8%	$75,500	1.3%	$1,034,661	7.2%	$5.47
Total	10,702,832	100.0%	$5,639,552	100.0%	$14,366,087	100.0%	$1.34

Notes: The County Connection and TriDelta did not use all of their apportioned TDA funds in FY 1987-88.
The AC Transit figures are for the Contra Costa portion of AC's service area only.

Source: Metropolitan Transportation Commission.

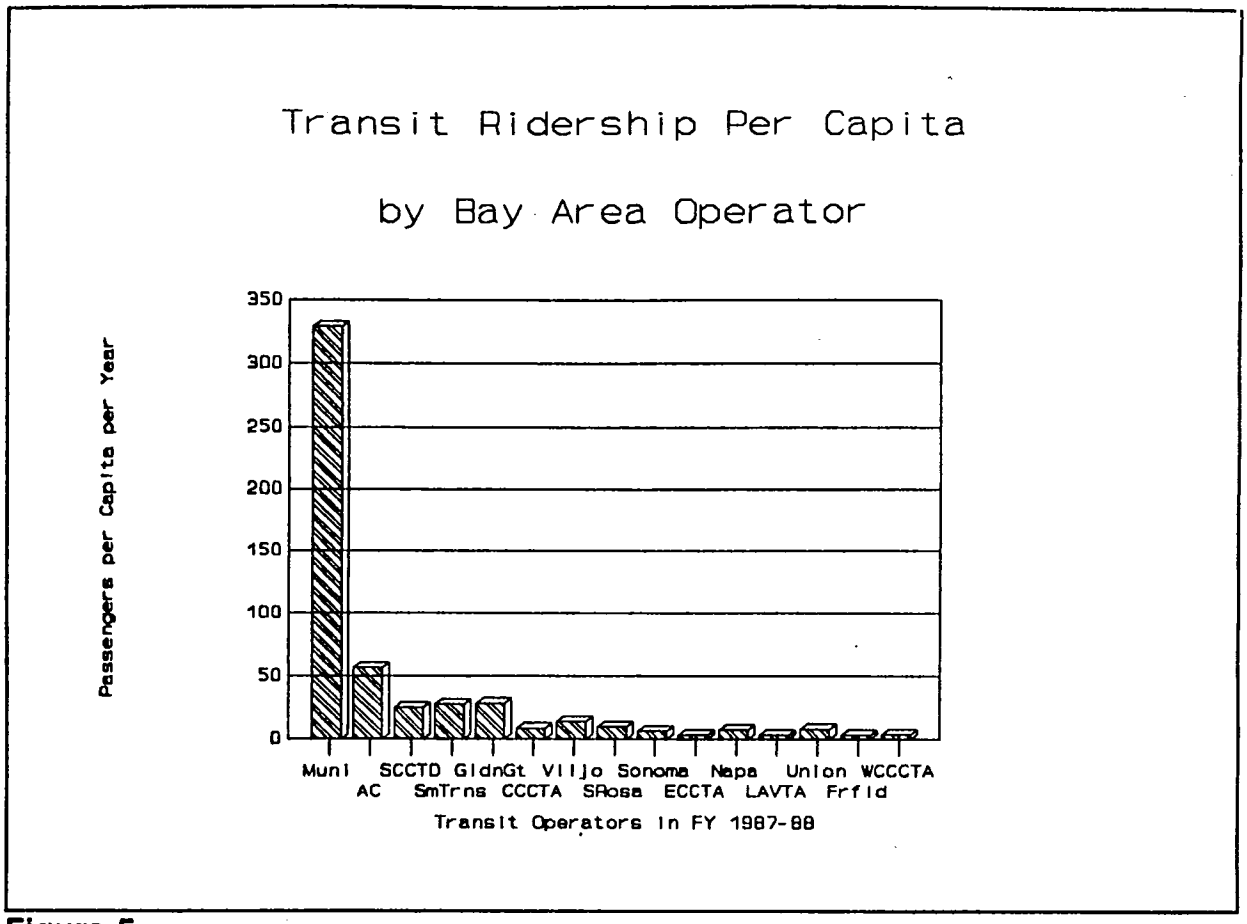


Figure 5

The clear majority of the region's transit patrons on San Francisco's Muni pay an $0.85 fare and receive a TDA subsidy of $0.13 per ride, while passengers in one of the area's newest suburbs pay $0.60 to board a LAVTA bus and receive a $5.08 TDA subsidy per ride. In the absence of the TDA, the heavily patronized Muni, which receives an annual city general fund contribution nearly four times its TDA apportionment ($164.37 per capita per year), would continue to operate. On the other hand, it is likely that suburban operators such as Wheels (LAVTA), TriDelta (ECCTA), WestCAT (WCCCTA), and the Union City Flea would not exist were not 80+ percent of their costs covered by the TDA.

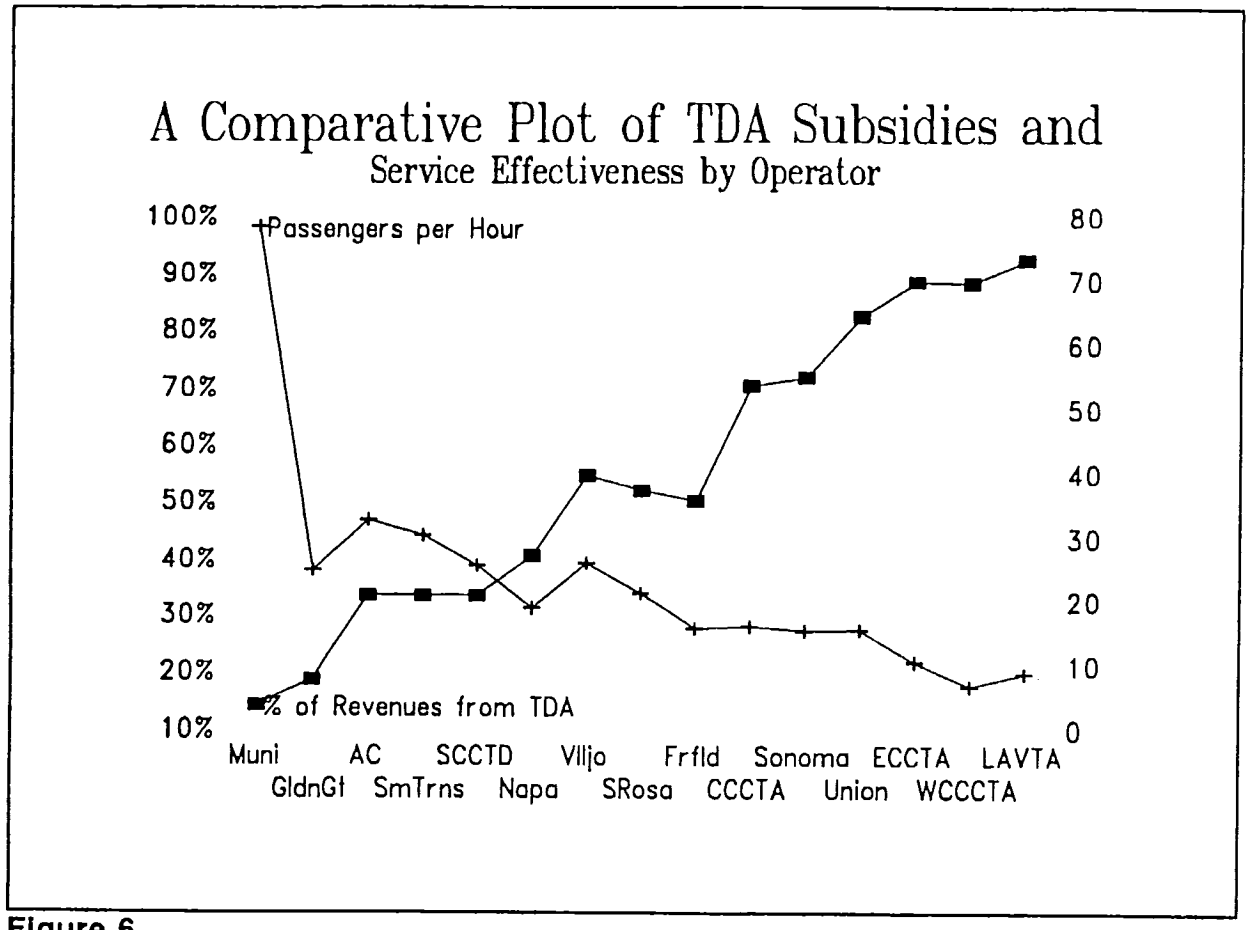

A Comparative Plot of TDA Subsidies and
Service Effectiveness by Operator
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
Passengers per Hour
% of Revenues from TDA
80
70
60
50
40
30
20
10
0
Muni
AC
SCCTD
Vlljo
Frfld
Sonoma
ECCTA
LAVTA
GldnGt
SmTrns
Napa
SRosa
CCCTA
Union
WCCCTA

Figure 6

Table 5: The Countervailing Patterns of TDA Funding and Service Effectiveness

Fiscal Year 1987-88

	Annual Ridership per Capita	Passengers per Vehicle Hour	Percent of Operations Funded by the TDA	TDA Subsidy per Passenger
Central City Operators				
San Francisco Muni	329.2	78.2	13.8%	$0.13
AC Transit	56.5	32.5	33.2%	$0.66
Average	192.8	55.3	23.5%	$0.40
Large Suburban Operators				
Santa Clara County Transit	24.8	25.5	33.2%	$0.97
SamTrans	27.8	30.1	33.1%	$0.63
Golden Gate Transit	28.3	24.6	18.3%	$0.78
Average	27.0	26.7	28.2%	$0.79
Small Suburban Operators				
County Connection (CCCTA)	8.5	15.7	70.0%	$2.01
Vallejo Transit	14.0	25.8	54.3%	$0.77
Santa Rosa CityBus	9.9	20.9	51.6%	$0.92
Sonoma County Transit	6.2	15.1	71.7%	$2.52
TriDelta (ECCTA)	3.3	10.3	88.2%	$3.32
Napa VINE	7.5	18.6	40.3%	$0.68
Wheels (LAVTA)	3.0	8.3	92.0%	$5.08
Union City Flea	7.9	15.3	82.1%	$2.22
Fairfield Transit	3.0	15.4	49.8%	$1.17
WestCAT (WCCCTA)	3.8	6.5	88.1%	$4.20
Average	6.7	15.2	68.8%	$2.29

Notes: Golden Gate Bridge Tolls provide 60.5% of Golden Gate Transit's subsidies. Vallejo, Santa Rosa, Sonoma, Napa, and Fairfield are in counties that spend TDA funds on streets and roads.

Source: Metropolitan Transportation Commission.

Policy Recommendations

When recommending improvements to federal transit subsidy programs, most authors have called for more flexible, performance-based programs that target benefits to the transit user, not the transit operator [Ortner and Wachs, 1978; Cervero, 1980; Cervero, 1982; Pucher, 1982; Pickrell, 1983; Cervero, 1987; Wachs, 1989]. The TDA is clearly in need of reform; as currently structured, it is a politically popular, financially wasteful transit subsidy program.

One suggestion to allow greater flexibility, promote improved performance, and target benefits to the transit user would be to match TDA funds to fare revenues; this would

encourage operators to set fares and offer service that would maximize fare revenues. Such a program would promote both increased ridership and cost control by rewarding operators for attracting paying customers. Riders would benefit with TDA subsidies proportional to their patronage.

A TDA fare matching program for local transit operators in the Bay Area is shown in Table 6 below.[9] It results, as one would expect, in a significant shift in funds from the suburbs to the central city.

Table 6: Proposed Redistribution of TDA Funds in the San Francisco Bay Area

Fiscal Year 1987-88

Transit Operator	Fare Revenues	Share of Fares	FY 87-8 TDA Allocation	Proportional TDA Allocation	Percent Change
San Francisco Muni	$71,176,000	51.2%	$17,056,000	$56,060,895.2	228.7%
AC Transit	$30,124,000	21.7%	$25,315,000	$23,726,795.7	-6.3%
Santa Clara County Transit	$11,338,000	8.2%	$34,313,000	$8,930,235.3	-74.0%
SamTrans	$7,797,000	5.6%	$11,563,000	$6,141,210.5	-46.9%
Golden Gate	$14,444,000	10.4%	$6,817,000	$11,376,637.8	66.9%
County Connection (CCCTA)	$1,719,000	1.2%	$3,788,000	$1,353,949.1	-64.3%
Vallejo Transit	$555,000	0.4%	$1,215,000	$437,138.9	-64.0%
Santa Rosa CityBus	$503,000	0.4%	$1,236,000	$396,181.7	-67.9%
Sonoma County Transit	$541,000	0.4%	$2,113,000	$426,112.0	-79.8%
TriDelta (ECCTA)	$171,000	0.1%	$1,581,000	$134,686.0	-91.5%
Napa (VINE)	$130,000	0.1%	$296,000	$102,392.9	-65.4%
Wheels (LAVTA)	$126,000	0.1%	$2,007,000	$99,242.3	-95.1%
Union City Flea	$145,000	0.1%	$984,000	$114,207.5	-88.4%
Fairfield Transit	$114,000	0.1%	$306,000	$89,790.7	-70.7%
WestCAT (WCCCTA)	$87,000	0.1%	$868,000	$68,524.5	-92.1%
Totals	$138,970,000	100.0%	109,458,000	$109,458,000.0	0.0%

Source: Metropolitan Transportation Commission

The immediate effect of this proposal would be to move funding from unproductive suburban service to heavily patronized San Francisco. Suburban operators would raise fares, which are currently about 40 percent lower than San Francisco Muni or Golden Gate Transit, to increase revenues. To retain transit service, suburban areas would have to contribute local funds to the smaller systems and would probably

[9]This example reallocates TDA transit subsidies for Bay Area operators only, it does not include funds that would be shifted into the region from other parts of the state.

experiment with more cost-effective alternatives to suburban fixed-route service.[10] More locally generated revenues and less "free" TDA money, would encourage suburban operators to focus more on attracting riders and less on operating empty buses. The long-term effect of matching TDA funds to fare revenues would be increased ridership and fare revenues, improved productivity, and improved transit service for the vast majority of transit users.

The likelihood, however, of implementing this or any similar restructuring of the TDA is slim. Wachs [1985] notes that calls to restructure transit subsidy programs on efficiency and effectiveness grounds do not address the political considerations of subsidy programs and usually fall on deaf ears. Indeed, the motivations to include rural and suburban funding guarantees in the TDA have not diminished in the nearly twenty years since its passage; if anything, statewide politics have grown more parochial since 1971.

Conclusion

While the preamble of the TDA seems unambiguous,

> The Legislature hereby finds and declares that it is in the interest of the State that funds available for transit development be fully expended to meet the transit needs that exist in California (emphasis added) [Cal PUC section 99222],

it is clear that "transit needs" are defined quite differently in economic and political realms. This paper has argued that the TDA is not economic; in the name of fairness, the TDA pours millions of dollars each year into underutilized suburban transit systems around the state, systems that might not exist without TDA funding. In politics, however, the TDA works. In the past, rural and suburban legislators have opposed the shifting of TDA funds across county lines on fairness grounds, and will likely continue to do so.

While one can argue that a minimum level of transit service should be provided in all parts of metropolitan areas, this examination of California's Transportation Development Act has shown that ubiquitous metropolitan transit service is an expensive proposition.

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[10]The five largest Bay Area systems currently receive substantial local funding.

Appendix

The abbreviated name, popular name, full name, and first year of service for each of the Bay Area public transit operators discussed in this paper are as follows:

Abbreviation	Popular Name First Year	Full Name
AC	AC Transit 1960	Alameda-Contra Costa Transit District
BART	BART 1972	Bay Area Rapid Transit District
CalTr	CalTrain 1980	California Department of Transportation (Caltrans)
CCCTA	County Connection 1980	Central Contra Costa Transit Authority
ECCTA	TriDelta 1979	Eastern Contra Costa Transit Authority
Frfld	FTS 1975	Fairfield/Suisun Transit System
GldnGt	Golden Gate Transit 1970	Golden Gate Bridge, Highway, and Transportation District
Napa	The VINE 1974	City of Napa Valley Intercity Neighborhood Express
Muni	Muni 1912	San Francisco Municipal Railway
SmTrns	SamTrans 1975	San Mateo County Transit District
SCCTD	County Transit 1972	Santa Clara County Transit District
SRosa	CityBus 1975	City of Santa Rosa CityBus
Sonoma	Sonoma County Transit 1980	Sonoma County Transit
Union	The Flea	Union City Flea

Appendix (continued)

Abbreviation	Popular Name First Year	Full Name
Vlljo	Vallejo Transit 1933	City of Vallejo Transit
WCCCTA	WestCAT 1980	Western Contra Costa County Transit Authority

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