The Battle for Equity: A Vision for Transit's Future

by Chris Zeilinger

Equity. It's a fighting word. Maybe you didn't hear it much in playground tussles as a child, but it's a sure-fire way to pick a fight in Washington, D.C., or any state capital in the country.

In the transit program, equity takes on a number of meanings. Truth be told, equity has been a banner whose colors change to suit every combatant in the struggle for what is fair and right. As an example, CTAA for decades has maintained that equity means increased funding for transit in smaller communities and higher levels of transit availability for dependent populations such as low-income families, elders, and persons with disabilities. CTAA believes these are of supreme importance in an equitable transit program.

In both the ISTEA debates of the early 1990s, and the debates leading to TEA-21 in 1998, countless CT readers felt that equity meant return on transit investment; that what each state's taxpayers paid into the Mass Transit Account (the trust fund that supports the federal transit program) should closely approximate what that state receives as its share of the federal transit investment.

Other issues of equity abounded in the years leading up to TEA-21 and continue today. The Center for Community Change maintains a Transportation Equity Network , driven by the principle that low-income persons and transit users must have a voice in metropolitan transit decision-making processes. The National Association of Development Organizations embraces a concept of equity where local rural officials and rural planners have stronger decision-making roles in non-metropolitan highway and transit projects. Indian tribal associations have a vision of equity that assures them access to funds for their highway and transit priorities. Even with these and other equity issues closely aligned to CTAA's positions, the list goes on and on.

Throughout the history of transportation funding, the question of equity essentially has been who gets how much money, and why? Some of the historical transit equity arguments have centered on urban vs. rural interests, highways vs. transit, bus transit vs. rail transit, paratransit vs. fixed-route transit, competing federal/state/local roles in decision-making, new transit projects vs. improvement/upkeep of existing projects and others

Equity and Funding Formulas

Is there really a way to hand out money that seems fair to everyone? Probably not. The typical response in almost any funding program is to use some kind of formula for parceling out the money. Funding formulas -- at least -- offer the appearance of being impartial, automatic mechanisms that aren't loaded with bias, competition or political overtones. It's possible, in fact, for funding formulas to appear that they respond to programmatic needs and demands.

But formula-based funding is hardly impartial. Anyone who witnessed the congressional debates over TEA-21, ISTEA or any other major funding bill can recall the bitter struggles over funding formulas. Despite the rhetoric, these struggles were not over balance and fairness. Instead, the challenge was to create a funding system that appeared neutral while assuring each state and congressional district a better-than-average slice of the funding pie.

Funding formulas are not need-based. If you look around your community, it should become obvious that transit need cannot be easily quantified. Sure, there are some fairly good indicators of transit need: For instance, concentrations of transit-dependent populations are likely to need more transit service than the rest of the community. A transit service with steady ridership and a fleet of vehicles long past their useful life probably has a higher need for transit capital assistance than a community with new buses. A fast-growing community with no transit probably has some transit need, as does a community becoming choked with automobile traffic congestion.

The above items can be quantified, and often are reflected in transit plans, grant applications, etc. But let's take a closer look at some of these need indicators. As an example, it may be safe to assume that most households without a car have some level of transit need, but how do you address the huge number of households with only one car? Many households have little problem relying on a single automobile for the full range of trips to work, shopping, doctors' offices, entertainment and all their other travel needs. Many other one-car households have tremendous transportation difficulty, such as having two working adults whose jobs are at the same time in different locations.

In another dimension of potential transit need, we know that most elders have their own automobile... and use it. Short of performing interviews or functional tests of the elders in your community, how can you substantiate the number of elders who have automobiles, but do not drive at night, whose health keeps them from driving at all or whose fierce independence means they would rather walk than ask about riding a bus or van?

Because these issues of need are so hard to quantify (especially when you're trying also to satisfy a host of vested interests), a number of arbitrary decisions have to be made when creating a funding structure.

To focus on the highway and transit programs under TEA-21, some examples of truly arbitrary funding allocations include, but are not limited to, the following:

- 15.44 cents per gallon of federal gasoline taxes for highways; 2.86 cents for transit;
- $28 billion in guaranteed federal highway spending in FY 2001; $6.3 billion guaranteed for transit;
- 6 percent of highway funds earmarked by Congress; 40 percent of transit funds so earmarked;
- 40 percent of Section 5309 major transit capital grants for new rail systems, 40 percent to improve existing rail systems, and 20 percent for buses and facilities;
- 2.4 percent of formula-based transit funding for Section 5310 elderly and disabilities grants, 6.37 percent for Section 5311 rural transit funding, and 91.23 percent for Section 5307 urban transit funding; and
- 90.68 percent of Section 5307 funds for transit in urban areas of more than 200,000 population; 9.32 percent for urbanized areas of less than 200,000 population.

At some point, every one of those figures was hotly debated, and the outcome represented a compromise that made the most sense at the time. However, these sorts of figures do suggest some questions of values and priorities, for example:

If rural residents make up nearly a third of our nation's population, why do they only benefit from 6 percent of the nation's transit spending?

Does it truly reflect national priorities to spend four times the money on capital grants for rail transit systems as we do on capital grants to bus systems?

Should transit programs in our nation's largest cities be entitled to nearly 10 times as much money as transit in smaller urban areas?

What does it mean for 40 percent of all transit investments to be dictated by members of Congress, while 94 percent of all highway investments are determined by state departments of transportation?

Why, when elders and persons with disabilities make up more than 27 percent of the population, does the only dedicated transit spending to meet their unique transportation needs amount to 2.4 percent of formula-based transit grants?

What's In a Formula Anyway?

If these numbers have left your head spinning, here's a suggestion: go to the nearest bus (or rail) stop, take a look around and try to figure what factors you think should determine how much money should support that transit service. Then, consider the following list of factors used in the Federal Transit Administration's (FTA) formula-based funding programs:

- population (Section 5311 and Section 5307)
- population with disabilities or elderly (Section 5310 only)
- population density (Section 5307 only)
- fixed guideway revenue vehicle-miles (large-urban Section 5307 only)
- fixed guideway route-miles (large-urban Section 5307 only)
- fixed guideway passenger-miles (large-urban Section 5307 only)
- bus revenue vehicle-miles (large-urban Section 5307 only)
- bus passenger-miles (large-urban Section 5307 only)

The use of these factors is fairly complex (if you're curious, look up Title 49 of the United States Code, Section 5336). In terms of equity, there are two significant points:

The large-urban funding formula barely reflects transit need. Instead, it primarily rewards consumption-the more transit service a community provides, the more funding the community will receive, even if the service doesn't effectively meet community transit needs; and

In both the urban and rural formula programs, the use of population and density is a very crude indicator for transit need. It's better than nothing (after all, the presence of more people in a community does suggest increased demand for transit, and higher population densities are indeed more conducive to transit being a preferred means of mobility), but misses finer points such as transit dependence, travel patterns, traffic congestion, local costs of driving and parking or any of the other factors that actually inspire people to use transit in their community.

Transit Funding Equity

Since its beginning in 1964, the federal transit program has become a $6.3 billion program that is growing into the future. Equity in transit is maintained through a curious balance of congressional project selection (i.e., Congress chooses individual grantees of the Section 5309 program, plus smaller programs such as Job Access and some national transit planning and research grants; altogether, these amount to just over 40 percent of the Federal Transit Administration's annual appropriation) and a formula funding stream that distributes 42.33 percent of funds according to demographics, and 57.67 percent based on existing transit operations.

Reflecting the transit program's genesis as a bail-out for large-city bus and rail systems, it retains a bias toward urban transit funding; within the urban part of the program, it is skewed toward support of transit in cities with rail systems. These biases are mitigated by a small (but expanded under both ISTEA and TEA-21) share of funds for rural transit, and by an increasing congressional tendency to select Section 5309 projects in rural areas (TEA-21 mandates that at least 5.5 percent of Section 5309 bus and facility grants be made in rural areas, but recent years have seen a rural share of these grants closer to 14 percent).

In Contrast: Highway Funding and Equity

The federal government has helped finance road and highway construction nationwide since 1916. The need for a national network of intercity highways has been addressed in this program since 1921. Early on, highway funding equity issues surfaced. In a familiar pattern, these issues centered largely on urban vs. rural concerns. Congress responded to these pressures by expanding the highway program in 1944 to encompass a three-part Federal-Aid Highway System, with separate primary, rural secondary, and urban secondary systems (these categories existed until the passage of ISTEA in 1991). However, funding for all these highway networks was modest, with states and local governments absorbing most of the cost of highway construction.

Highway funding changed dramatically in 1956, with the creation of an Interstate Highway System, the dedication of a federal motor fuels tax to support a Highway Trust Fund (expanded in 1983 to include a dedicated tax for transit) and the beginning of a significant federal investment in highway construction. These changes spawned an equity debate that persists today, some 44 years later.

The major highway equity issues will sound familiar to the transit community: a historical bias toward the Interstate Highway System; competing urban and rural concerns; questions of how much to invest in heavily used corridors vs. less-used (but equally essential) local roads and highways; a difficult balance between financing new construction and paying for maintenance of existing infrastructure; and a desire among most states that their federal highway allocations match their taxpayers' contributions to the Highway Trust Fund.

For the highway community, ISTEA was an ambitious overhaul in favor of more equitable funding. Highway programs from the 1940s and '50s all were abolished. ISTEA, together with TEA-21 and other pieces of recent legislation, consolidated most of the federal highway program into five formula-based, state-managed funding streams designed for specific purposes:

- Interstate maintenance ($4.0 billion in FY 2000)
- National Highway System ($4.8 billion)
- Surface Transportation Program ($5.6 billion)
- Bridge repair and replacement ($3.4 billion)
- Congestion Mitigation and Air Quality improvement ($1.4 billion)

States were given considerable latitude in how to use these funds, including the flexibility to spend their surface transportation and congestion mitigation funds on transit projects.

ISTEA guaranteed each state a minimum allocation of highway funds, based on states' relative shares of tax payments into the Highway Trust Fund. TEA-21 increased this guarantee to 90.5 percent of payments, which is estimated to supplement donor states' highway funding by $6 billion this year. In addition, TEA-21 added a provision for revenue-aligned budget authority, which distributes unanticipated trust fund surpluses among the states, thus further increasing their highway funding accounts (last year, this accounted for an additional $1.5 billion in states' highway funding).

Simplistically simplifying ISTEA's and TEA-21's equity provisions, the highway program solved most equity concerns by transferring almost all spending control to the states, giving the states reliable streams of funding for the programs they administer and then silencing almost all opposition to these mechanisms by coming up with even more highway funds for every state.

As a result, Congress gave up a lot of its political power in the highway funding process, especially by cutting the dollar amount of congressionally earmarked highway projects to $1.7 billion per year. Both ISTEA and TEA-21 offered stronger roles for local officials and community representation in the highway planning and decision-making process, yet these interests often feel their states act unilaterally in controlling their highway projects, especially in rural areas.

Lessons Learned?

Could these ideas translate to the federal transit program? It would be difficult. The first problem is that states have much less role in the transit process. The overwhelming majority (82.7 percent) of transit dollars flow straight from the federal government to transit systems in urbanized areas, with little or no involvement from states. Second, Congress continues to favor a hands-on approach to funding high-visibility transit projects (more than $2.5 billion in transit spending was earmarked by Congress in FY 2000, compared with only $1.7 billion in highway spending). Finally, the transit community has shortchanged itself by failing to agree on concepts of equity in all the years leading up to TEA-21.

Whenever the discussions leading up to TEA-21 turned to transit, a frequently heard refrain was, "a rising tide will lift all boats." The notion was that if transit simply received more funding as a result of TEA-21, all its constituent interests would benefit. Tacitly, there was a concern in some quarters that questions of equitable transit funding among states, funding shares for urban vs. rural transit, funding for rail vs. bus transit, et al., would sabotage the future of the transit program under TEA-21.

Rather than worry about the tides of transit, some advocates and concerned organizations, such as CTAA, went shopping for larger boats. This strategy worked. The transit program emerged in TEA-21 stronger than ever, with significant funding increases in rural transit, guaranteed future increases in the transit spending, the new Job Access program (which includes a formula that spends 40 percent in either rural or small-urban communities), and unlimited operating assistance for small-urban transit operations. For more on TEA-21, see the July/August 1998 issue of CT.

Nonetheless, the basic issues of transit equity remain...better funded, but almost unchanged from a decade ago.

Transit Equity: Time for a Revolution?

TEA-21 expires in 2003. When it's reauthorized, there will be changes in the transit program. For one, the financing of transit will have to be improved. Right now, almost all transit spending stems from the Highway Trust Fund's Mass Transit Account. This account is supported by 2.86 cents per gallon of the federal taxes on gasoline, diesel and other motor fuels. The problem is that these tax collections are falling short of current transit spending by nearly a billion dollars per year. That's okay in the short term, because the transit account was running a $10 billion surplus at the beginning of TEA-21.

The logical pro-transit strategy in reauthorization, then, is to dedicate increased revenues to the Mass Transit Account (the unappealing alternative would be to settle for a slimmed-down transit program). Congress cannot be expected to support such a measure unless it determines that federal transit funds are distributed equitably across the nation.

To stimulate debate, here are some possible strategies to expand equity within the transit program:

- Replace the current consumption-based transit funding formula with a demand-based formula.
- Rather than allocate funds based on supplied transit service, funds could be distributed based on factors such as: numbers of zero- and one-car households; numbers of persons reporting transit use in the Census; numbers of households in poverty; numbers of persons below age 16, over age 64, or reporting a disability; degree to which local travel times to work exceed national averages; high local ratios of vehicle-miles traveled to highway lane-miles; degree to which local areas fail to attain national air

quality standards. It would make sense, though, to retain population and population density as part of the set of funding factors.
- Ensure a sufficient amount of funding to maintain and preserve existing transit investments.

Despite the dramatic increases in Section 5311 funding under TEA-21, rural transit vehicles are falling apart faster than they can be replaced. In urban areas, circumstances often aren't much better. Why spend nearly $1 billion a year on designing and constructing new rail systems if we can't also secure a dedicated stream for maintaining bus and facility investments in communities of all sizes as well as for older rail systems?

End the categorical split between rail and bus transit programs.

Decisions on how to balance investments in rail transit, traditional fixed-route bus service, or paratransit services are best made at the local level. They should not be fettered by a federal transit program that offers four times as much money to cities with rail systems in place or on the drawing boards. Rail systems may be glitzy, glamorous and au courant; they often solve many pressing community transit needs. However, they can be frightfully expensive, and often fail to serve core markets for transit service, as illustrated by recent litigation in Los Angeles and by the rise of unregulated van operations in New York City. Paratransit and other demand-response systems are virtually ignored under current formula mechanisms, yet these are the high-growth areas in the transit industry, both as more persons with disabilities gain mobility, and as transit providers devise creative strategies for serving low-density suburban areas, customers with long or complex trip patterns, etc.

If necessary, provide a sensible equity adjustment in transit funding.

One of the lessons learned in the equity fights over ISTEA and TEA-21 highway funding is that there is no equity when one state's funding allocation is taken away to pay for another state's projects. It's true that fuel purchasers in rural states and non-rail cities historically have paid more in taxes to the Mass Transit Account than their states and cities received in transit spending. Fortunately, no one has suggested a Take Back Our Transit Taxes march on New York City, San Francisco or Salt Lake City, but last year's equity amendment in the Senate came close to this. However, the future transit program, if sufficiently funded, could have a portion of the Mass Transit Account set aside to assist states and cities who otherwise would remain short-changed by formula-based transit spending.

The Next Step

The points that have been made above, and the ideas that have been tossed around for consideration, do not represent any official position on TEA-21 reauthorization. Instead, they are offered because now is the time to begin thinking about these issues. The only way to ensure that 2003's surface transportation bill is friendly to community transportation is to begin working on it today.

CTAA, the American Public Transportation Association and all the other various organizations and transit interests in Washington and around the country have begun thinking about these issues. We recognize that change will be necessary in 2003. We also recognize that Congress is a representative institution, and that every Senator and Representative will want to support a transportation bill that is advantageous to their constituency. Whatever vision of equity prevails in this process, it will have to be the result of dedicated local transit providers and advocates working together to develop and promote a transit program capable of responding to communities' mobility needs of the 21 st century.