

**FINANCING MASS TRANSIT  
REPORT OF THE  
HOUSE OF DELEGATES  
FINANCE COMMITTEE  
TO  
THE GENERAL ASSEMBLY OF VIRGINIA**



**House Document No. 38**

**COMMONWEALTH OF VIRGINIA  
Department of Purchases and Supply  
Richmond  
1974**



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Report of the House of Delegates  
Finance Committee  
to  
The General Assembly of Virginia  
on  
Financing Mass Transit  
Richmond, Virginia

I. *INTRODUCTION*

The Honorable Stanley A. Owens, Chairman of the House of Delegates Finance Committee, established the House Finance Subcommittee on Financing Mass Transit in 1973 to study and provide recommendations for the financing of public mass transportation (hereinafter frequently referred to as mass transit) in the Commonwealth. C. Richard Cranwell and Joseph A. Leafe were appointed members of the Subcommittee with Carrington Williams to serve as Chairman. The Division of Legislative Services, represented by E. M. Miller, Jr. and Jill M. Pope, made staff and facilities available for the study. Spencer H. Elmore served as Ex Officio Consultant to the subcommittee.

The Subcommittee met numerous times in locations throughout the Commonwealth receiving information from the governing bodies of localities, planning and transportation districts, State agencies and officials, owners of buslines and taxicab companies, and other individuals interested in mass transit. In June of 1973, the Subcommittee requested from each of the State's twenty-two regional planning districts their best estimates of their present and future revenue needs for capital and operating funds for mass transit. Replies came from eighteen districts; five were able to provide supportive documentation of their needs, five were able to provide their best estimates of needs without supportive documentation, seven were unable to provide any estimate, and one indicated no present or future revenue needs.

As the enclosures demonstrate, the financial needs for mass transit are large and growing; but, so is the public need, particularly as the fuel supply for automobiles drops. We think the Commonwealth should face this problem now, and get about solving it. After considerable study and many hours of deliberation the Subcommittee made its recommendations to the Committee. The Committee now adopts the following declarations and recommendations of its subcommittee.

II. *MASS TRANSIT IS A NECESSARY COMMUNITY FUNCTION WHICH SUPPORTS THE WELL-BEING OF THE COMMONWEALTH AND NATION; AND, AS SUCH, SHOULD BE THE FINANCIAL RESPONSIBILITY OF THE FEDERAL, STATE AND LOCAL GOVERNMENTS.*

As defined by the Subcommittee, mass transit includes land, air and water common carrier passenger services, operating upon individual demand and on fixed routes and schedules; including, but not limited to subways, trains, buses, taxicabs, aircraft and watercraft. The Subcommittee separated its basic study of mass transit into the categories of immediate financial needs and long range financial needs, and limited its study scope to the financial needs of buses, trains and subways. Financial needs were further divided into capital and operating needs. [See Appendix I for information on mass transit financial needs. These figures should be used with caution because they are incomplete and were com-

piled before the full dimensions of the fuel shortage began to appear. The figures were compiled on information received prior to October 1, 1973.]

The Subcommittee ascertained after its initial meetings that financing mass transit must be recognized as a responsibility of the federal, state and local governments. Current experience indicates that mass transit systems are no longer self-sustaining. As a result, bus systems in Northern Virginia, Norfolk, Richmond, Bristol, Staunton, Winchester and Martinsville, all of which were private operations, have now been taken over by local governments or specially created public authorities in order to assure continued operations.

Most transit systems have experienced marked losses in patronage, and, as a consequence, have found it necessary to increase fares and to reduce customer services which in turn has resulted in greater losses in patronage and operating revenues. Recently, however, some localities now operating their own bus systems have decreased fares, renovated and air-conditioned the buses and have been operating them on better and more dependable schedules. In these localities patronage has increased, but these transit systems are still not self-sustaining.

The Subcommittee concluded that mass transit must be viewed as a public service—the same as police and fire protection, public education, highway construction, etc.—and, therefore, adopts as a statement of policy that: mass transit should be the financial responsibility of all levels of government. This responsibility at the State level, however, should be limited to aid for capital expenditures.

At present, federal financial assistance for mass transit capital improvement projects is available through a Capital Grant Program of the Urban Mass Transit Administration (UMTA), U. S. Department of Transportation. Under UMTA's program, federal grants are provided for eighty percent (80%) of the total cost of transit capital improvement projects, with the balance (20%) being the required local matching share. In order to assist local governments in meeting their 20% obligation, the Subcommittee recommends that the Commonwealth assume 85% (in the case of cities) and 100% (in the case of counties) of the local governments' matching share. The resulting financial relationship would be: for city project financing ..... federal—80%, state—17%, local—3%; county project financing ..... federal—80%, state—20%. Such shared financing is consistent with current state laws and policies with respect to financing highways, highway related transit facilities, and mass transit technical planning studies. [See Appendix II for information on legislation relative to highway program financing.]

It was the consensus of the Subcommittee that any transit operating deficits should be borne by the respective localities. Such a requirement will not only give localities a financial incentive for the development of innovative transit programs (resulting in improved service, increased patronage and revenues) but will also permit greater local control and flexibility in transit service planning and program development.

**III. HIGHWAY AID TO MASS TRANSIT UNDER THE PROVISIONS OF § 33.1-46.1, AS AMENDED BY THE 1973 GENERAL ASSEMBLY, SHOULD NOT BE CONDITIONED UPON A LOCAL GOVERNMENT'S WILLINGNESS TO DEFER A HIGHWAY OR STREET IMPROVEMENT IN ORDER TO USE THE EQUIVALENT AMOUNT OF HIGHWAY FUNDS FOR THE PURCHASE OF BUSES AND ANCILLARY FACILITIES FOR PUBLIC TRANSIT SYSTEMS.**

The 1973 amendment to § 33.1-46.1, of the Code of Virginia, essentially

conditions state aid to local governments in the purchase of buses and ancillary facilities upon a substitution of a transit project for a highway project. Recognizing that both highways and mass transit are important elements in a total transportation system, no local government has elected to make the substitution. Furthermore, it was concluded that it is not realistic to expect a local government to make such an election. Instead, the state should provide a reasonable amount of financial assistance for both highway and transit development. The Subcommittee, therefore, recommended that § 33.1-46.1 be amended to eliminate the existing requirement of deferring a highway project for a transit project.

Based on information presently available, the Subcommittee felt that the funds in the Highway Department's Ten Year Program, as presently constituted (91 million dollars allocated to Highway Aid to Mass Transit), with equitable upward adjustments based on actual highway trust fund revenues in excess of those projected in planning for the Ten Year Program, must be used to provide State financial assistance in the development of both highway related transit projects and in support of local transit capital outlays (as discussed earlier in this report). Other supplemental funds may also be necessary.

#### *IV. OTHER POSSIBLE REVENUE SOURCES FOR FINANCING MASS TRANSIT*

The Subcommittee also considered other potential sources of revenue for financing mass transit. But, before proposing any additional State taxes, we think every effort must be made to insure that all present State transportation revenues are spent to the best advantage. Several State agencies currently spend considerable amounts on transportation services for recipients of their social service delivery programs. For example, the Department of Human Affairs estimates that it spends at least \$1,577,400 annually on transportation of welfare and other public assistance recipients. The most significant programs, in terms of transportation dollars spent, are: welfare, vocational rehabilitation, medicaid, and employment security. The Subcommittee has concluded that consideration should be given to combining all such transportation services into a single transportation program, perhaps under the administration of a transportation district. Thus, social service transportation funds would be given to the transportation district in return for the transportation services provided.

The State spends \$30,000,000 per year on the transportation of school children. School buses sit idle most of the time, but their depreciation continues. We think serious consideration should be given to combining the use of school buses with other public transportation purposes. This has been successfully done in Arlington and Fairfax counties during 1973. It should be considered statewide, both in terms of essential public service and out of concern for the tattered taxpayer. This was also suggested in a 1971 report of the Virginia Metropolitan Areas Transportation Study Commission.

During the Subcommittee's meetings throughout the Commonwealth, local representatives expressed varying degrees of interest in being granted the power to levy local option taxes with the revenues to be earmarked for the support of their mass transit programs. The more frequently mentioned alternatives were:

- (a) a one cent increase in the sales tax.
- (b) a one cent increase in the gasoline tax.
- (c) an add-on-tax on the titling of passenger vehicles, perhaps geared to either the weight or fuel consumption of the vehicle.

V. *FINANCIAL INCENTIVES FOR ENCOURAGING MASS  
TRANSIT USE AND OTHER MISCELLANEOUS  
RECOMMENDATIONS*

The Subcommittee recommended further that consideration be given to the following:

1. Permitting a tax deduction for employers who provide mass transit services to their employees to encourage the use of mass transportation.
2. Encouraging the use of car pools. The further use of the State Highway Department's computer capability to assist local governments and major employers in developing car pool locator-matching services should be encouraged.

VI. *CONCLUSION*

It is recognized by the Committee that the establishment of mass transit systems to provide services for all citizens of the Commonwealth and the improvement of those systems already existing is an integral part of an improved quality of life in Virginia. The Committee further recognizes that the current and projected energy shortages significantly increase the importance of planning for, developing and maintaining viable mass transit programs. It is apparent that the Commonwealth must necessarily play an important part in developing and maintaining an effective system of mass transportation.

Respectfully submitted,  
Archibald A. Campbell—*Chairman*  
Claude W. Anderson  
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*APPENDIX I*  
ESTIMATED  
LOCAL GOVERNMENT FINANCIAL NEEDS  
FOR MASS TRANSIT

SUMMARY  
ESTIMATED  
LOCAL GOVERNMENT FINANCIAL NEEDS  
FOR MASS TRANSIT

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AREA	CAPITAL IMPROVEMENTS <sup>1</sup>		OPERATING DEFICITS	
	SHORT TERM <sup>2</sup>	LONG TERM <sup>3</sup>	SHORT TERM <sup>2</sup>	LONG TERM <sup>3</sup>
URBANIZED AREAS:	\$123,615,900 <sup>4</sup>	\$1,542,416,000	\$17,355,600	
SMALL URBAN AREAS:	\$222,000	\$5,850,000	\$109,000	

- 1 - See Table I (following) for areas included and for sources of information. Local governments can qualify for 80% federal funding for transit capital improvement projects.
- 2 - Includes the current fiscal year (FY 1973-74) and the next biennium (FY's 1974-75 and 1975-76.) Furthermore, it was assumed that the bus transit systems in Lynchburg and Roanoke would come under public ownership and operation during the current fiscal year, as has been the case in both Norfolk and Richmond.
- 3 - Includes capital needs for the period 1972-1990 (in constant 1971 dollars), as developed by the State Highway Department for the 1974 National Transportation Study. Operating deficit projections to 1990 are not available.
- 4 - Included in this total is \$94,301,200 which represents only those money needs from local (and/or state) sources for Northern Virginia's transit improvement program. The balance, \$29,314,700, represents total money needs from federal, local (and/or state) sources for transit improvement programs in the other urbanized areas -- as identified on Tables 2 and 3 (following).



COMMONWEALTH OF VIRGINIA  
OFFICE OF THE GOVERNOR

October 9, 1973

Division of State Planning  
and Community Affairs  
Charles A. Christophersen  
Director

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MEMORANDUM

TO: Members  
House Finance Committee/Mass Transit Subcommittee

FROM: Spencer H. Elmore *SE*

SUBJECT: Financial Needs For Mass Transit

Transmitted herewith are three (3) tables which summarize the information obtained from the survey conducted thru the Commonwealth's twenty-two planning district commissions, as well as that information reported as part of the 1974 National Transportation Study. I think you can view this information as the best that is available at the current time; however, it should not be considered as representing total Statewide financial needs for mass transit. For example: no financial needs information was reported for the Newport News-Hampton and the Petersburg-Colonial Heights urbanized areas, nor was information reported for many of the smaller cities with bus transit systems. These latter areas undoubtedly have transit needs; but in the absence of studies, were unable to quantify them.

In summary: in order to maximize the use of available federal funds in meeting transit capital needs, local (and/or the State) governments must come up with approximately 100 million dollars during the three year period covering Fiscal Year's 1973-74, 1974-75, and 1975-76. Additionally, approximately 18 million dollars will be needed to cover transit operating deficits during that same period. (I should point out that approximately 94% of the capital and 77% of the operating deficit needs are in Northern Virginia.)

I hope you will find this information helpful in your committee work.

SHE:pd  
Attachment  
cc: Mr. E. M. Miller, Jr.

TABLE I  
COMMONWEALTH OF VIRGINIA  
FINANCIAL NEEDS FOR MASS TRANSIT

Area	1972-90 Capital Improvement Needs <sup>1</sup>	Five Year Projection		Other Transit Needs Estimates As Reported by The Planning Districts
		Operating Deficits	Capital Improvements <sup>2</sup>	
Planning District #1				No Cost Data Provided
Planning District #2				No Response Received
Planning District #3				No Cost Data Provided
Planning District #4				No Cost Data Provided
				<i>For Radford's Transit System:</i>
				<i>Fiscal Year</i> <i>Cap. Imp.</i> <i>Operating Deficits</i>
				1974              \$48,000              \$16,000
				1975              \$24,000              \$18,000
Planning District #5	4,385,000	1,916,209 <sup>3</sup>	3,986,540 <sup>3</sup>	Five Year Projection is Preliminary Information From Transit Technical Study
Planning District #6				<i>For Staunton's Transit System:</i>
				Estimated FY 1973-74 Operating Deficit—\$60,000
				Five Year Capital Needs—\$424,000
				<i>For Harrisonburg's Transit System:</i>
Planning District #7				No Cost Data Provided
				<i>For Winchester's Transit System:</i>
Planning District #8	1,456,165,000			Estimated 1972-90 Capital Needs—\$141,500
				Referred to NVTCT's projections <sup>7</sup>
				<i>Fiscal Year</i> <i>Cap. Imp.</i> <i>Operating Deficits</i>
				1975              \$35,790,000              \$3,000,000
				1976              \$35,815,000              \$8,000,000
Planning District #9				No Response Received
Planning District #10				No Cost Data Provided
Planning District #11	2,591,000	1,804,216 <sup>4</sup>	1,847,250 <sup>4</sup>	Five Year Capital Improvements Projection is Preliminary Information from Transit Technical Study. Five Year Projection of Transit Planning Money Needs—\$503,750
Planning District #12				<i>For Danville's Transit System:</i>
				<i>Capital Needs</i>
				High Estimate—\$150,000
				Low Estimate—\$120,000
				<i>For Martinsville's Transit System:</i>
				Estimated FY 1973-74 Operating Deficit—\$15,000
				Indicated Negative Needs
Planning District #13				No Cost Data Provided
Planning District #14				Five Year Projection Was Obtained From Richmond's Capital Grant Application
Planning District #15	24,914,000	3,846,000 <sup>5</sup>	12,389,070 <sup>5</sup>	No Cost Data Provided
Planning District #16				No Response Received
Planning District #17				No Cost Data Provided
Planning District #18				No Response Received
Planning District #19	1,496,000			No Cost Data Provided
				<i>PDC's First-Cut Estimate of Regional Transit System Needs (Not Supported by Study) Capital Needs</i>
				High Estimate—\$8,000,000
				Low Estimate—\$4,750,000
Planning District #20	45,473,000		19,197,524 <sup>6</sup>	Five Year Projection Was Obtained From Transit Development Program Report
Planning District #21	7,392,000			Referred to Information in 1974 National Transportation Study
Planning District #22				No Response Received
Rest of State	5,850,000			
State Total	1,548,266,000			

FOOTNOTES:

1. Source: 1974 National Transportation Study (Virginia Mass Transit input provided by the Department of Highways).
2. UMTA funds available for Capital Improvements on an 80-20, Federal-State/Local Matching basis.
3. Source: *Roanoke Transit Study* (Preliminary Report).
4. Source: Central Virginia Planning District Commission staff, in consort with concerned Lynchburg officials.
5. Source: Richmond's application to UMTA for a Capital Grant.
6. Source: *Transit Development Program for the Norfolk-Virginia Beach-Portsmouth SMSA*.
7. Figures furnished by NVTCT represent money needs from Local (and/or State) sources, after considering anticipated Federal funding.

TABLE II  
ESTIMATED  
LOCAL GOVERNMENT FINANCIAL NEEDS  
FOR MASS TRANSIT  
CURRENT YEAR

AREA	CAPITAL IMPROVEMENTS		OPERATING DEFICITS
	TOTAL	LOCAL/STATE SHARE*	
Lynchburg Regional Area	1,499,750	299,950**	223,688
Newport News-Hampton Regional Area			
Norfolk-Va. Beach-Portsmouth Regional Area	6,426,274	1,285,300	
Northern Virginia Regional Area		22,696,200	2,800,500
Petersburg-Col. Hgts.-Hopewell Regional Area			
Richmond Regional Area	6,351,500	1,270,300	289,600 (10 mos.)
Roanoke Regional Area	2,666,700	533,340**	299,384
Independent Cities			
Bristol			
Charlottesville			
Danville			
Fredericksburg			
Martinsville			15,000
Radford			
Staunton			60,000
Winchester			

\*Assumed Local/State share of total capital program as 20%, with the Federal government funding the other 80%.

\*\*Assumed that bus transit systems in Lynchburg and Roanoke would come under public ownership and operation during the current year (FY 1973-74), as has been the case in Richmond and Norfolk.

NOTE: Sources of information are identified on Table I.

TABLE III  
ESTIMATED  
LOCAL GOVERNMENT FINANCIAL NEEDS  
FOR MASS TRANSIT  
1974-76 BIENNIUM

<u>AREA</u>	<u>CAPITAL IMPROVEMENTS</u>		<u>OPERATING DEFICITS</u>
	<u>TOTAL</u>	<u>LOCAL/STATE SHARE*</u>	
Lynchburg Regional Area	322,000	64,400**	636,564
Newport News-Hampton Regional Area			
Norfolk-Va. Beach-Portsmouth Regional Area	8,027,500	1,605,500	
Northern Virginia Regional Area		71,605,000	11,000,000
Petersburg-Col. Hgts. -Hopewell Regional Area			
Richmond Regional Area	3,321,020	664,200	1,366,000
Roanoke Regional Area	699,840	140,000**	739,791
Independent Cities:			
Bristol			
Charlottesville			
Danville	150,000	30,000	
Fredericksburg			
Martinsville			
Radford	72,000	14,400	34,000
Staunton			
Winchester			

\*Assumed Local/State share of total capital program as 20%, with the Federal government funding the other 80%.

\*\*Assumed that bus transit systems in Lynchburg and Roanoke would come under public ownership and operation during the current year (FY 1973-74), as has been the case in Richmond and Norfolk.

NOTE: Sources of information are identified on Table I.

*APPENDIX II*  
FORMULA FOR ALLOCATING HIGHWAY FUNDS

*FORMULA FOR ALLOCATING HIGHWAY FUNDS*

I. *Interstate System* § 33.1-44

Federal Funds	State Funds
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90%	10%
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II. *Primary, Secondary and Urban Funds*

A. Primary System §§ 33.1-25, 33.1-26, 33.1-28, 33.1-38

1. 3-factor formula considering population, area and mileage.
2. For arterial network, funds allocated by 6-factor criteria schedule.

B. Secondary Funds §§ 33.1-74, 33.1-75

1. Allocated 33% of all highway revenue taxes levied before 1966 to all districts on basis of population, area, vehicular travel and road mileage.
2. Between 1966 and 1972 funds were allocated entirely on basis of local need vis-a-vis the entire system.
3. All funds, left after mandatory allocations are made to secondary and urban systems, are added to the primary system.

C. Urban Funds §§ 33.1-24.1, 33.1-40, 33.1-41, 33.1-42, 33.1-43

1. 14% of funds available to Highway Commission, exclusive of Interstate funds and funds based on vehicle miles traveled, land area, road mileage, total need and vehicle registration.
2. Topics\* Funds  
Allocated on relative need to towns and cities. (primarily population above 50,000)
3. Mass Transit funds  
Allocated on relative needs based on other construction needs in the Construction District.

\*Traffic Operation Program to Increase Capacity and Safety.