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Citing a transit subsidy that is growing at a rate of \$5 million-\$10 million a year, even without expansion of transit service, the Citizens League today recommended steps to get a handle on the growth of the subsidy and to continue to reduce the amount of driving alone.

One way to deal with a large, growing subsidy on a long-distance commuter bus line is to get more parties to share in the cost, thereby holding down the public subsidy but not necessarily the total expense.

But the League rejected this option. The League's recommendations are designed to hold down the total cost of the long-distance commuter trip, irrespective of who pays, state, metropolitan or local or public or private.

Key recommendations:

* Experiments would be conducted in a few fringe-area suburbs on alternative ways of providing home-work transportation, with part of the financing coming from property tax levies now used entirely for the Metropolitan Transit Commission.

* The transit subsidy would be distributed on a basis relating more closely to ridership than to projected expenses.

* Peak-hour fares would be increased with discounts available for regular riders.

* The current subsidy system would be continued for one more year, with the property tax and state appropriation sharing the increase 50-50.

* The Metropolitan Council would be required to develop a proposal by January 1978 on the extent the subsidy should be financed with regional funds and what funding sources should be used.

The League urged the Legislature to consider at least two options for distributing the transit subsidy. One option, proposed by Senator David Schaaf of Fridley

and Jay Kiedrowski, a senate researcher, would relate the subsidy to the number of riders. Another option, the League said, would be to relate the subsidy to revenue received from passengers.

Basing the subsidy on riders gives the MTC an incentive to build ridership, the League noted, but complex reporting and auditing procedures may be necessary to guarantee an accurate count. Also by relating exclusively to ridership, the MTC may resist increasing fares, because of a fear that ridership may drop.

Basing the subsidy on passenger revenue means the MTC would have an incentive to attract more fare-paying riders and to let fares increase so long as such increases are not counter-productive on ridership. Such an approach, however, might contain some incentive to increase fares on so-called captive riders.

But the League did not support the idea of varying the subsidy route-by-route as proposed by Schaaf and Kiedrowski.

"We believe the MTC should be allowed maximum flexibility in operating its transit system within overall limits as established," the League said. "Many routes are a mixture of segments, some requiring a great deal of subsidy and some, very little. The high subsidy level during some hours of the day or on parts of the route may be hidden in the overall average subsidy for an entire route.

"Riders on such high-subsidy segments should not be given an unfair advantage over riders on high-subsidy segments on other routes where it may not be possible to blend the expense in with low-subsidy segments."

Central to the League's report is that the MTC should concentrate its energies in coming years on maintaining and improving "transit" service as distinguished from "commuter" service, which can and should be improved, but in other ways.

Transit service involves relatively short-distance routes in the more built-up portions of the region along which some service is provided all day long. By contrast, commuter service involves very long-distance routes into the suburban fringe, along which service is provided only during the rush hour.

The League found that the MTC system of large buses with full-time drivers is well-suited for day-long transit service, but not for further expansion of commuter service.

Much of the reason for the rapid increase in subsidy, the League found, lies in the MTC's expansion into the commuter service area since 1971.

"Such service expansion has served to attract new riders, but at the expense of many empty bus miles (called 'dead heading,') and has produced more hours paid for but not worked, because more drivers need to be hired to handle the rush-hour traffic but for whom no work is available the rest of the day," the League said.

While ridership increased 38.1% from 1971 to 1976, the number of miles traveled by buses increased 59.9% and the number of drivers, 59.4%, the League said.

Also, the League said, the average number of hours paid for but not worked (hours guaranteed under contract but not worked because of the off-peak-hour work load) increased from an average of 152 hours per driver in 1972 to 226 hours per driver in 1976.

The MTC has been stimulated by outlying suburbs to provide commuter service in return for the MTC tax levy, even though the expense of such service is high.

"The type of service provided by the MTC is not the only kind of transit service available," the League said. "Other more cost-effective measures can be used where MTC buses are inappropriate. This would be far preferable to cutting back the size of the transit taxing district."

Thus the League recommended that the 1977 Legislature allow experiments in a few selected outlying suburbs by which the property tax dollars could be used to purchase:

- Bus service as currently provided by the MTC, or
- Subscription bus service or commuter van service, provided by public or private firms, or
- Taxi service or some other form of ridership.

For the time being, the League said, such experiments should apply only to home-work trips and be limited to those communities now served exclusively by MTC rush-hour commuter buses.

"Most of the eligible cities for such experiments are located south of the Minnesota River," the League said. "Coincidentally, residents and employers in these cities today are encountering severe traffic problems in getting back and forth across the river because some old bridges have been closed. These experiments should make it easier to move people in fewer vehicles, thereby alleviating the congestion."

In recommending an increase in peak-hour fares, the League noted that the base fare was last increased in 1969, and that since 1971 the average fare per passenger actually has decreased, because of free-fare and reduced-fare policies.

Peak-hour fares would be increased as follows:

- * The smallest increase would fall on riders who purchase monthly passes, allowing unlimited rides.

- * For a slightly higher increase, persons could purchase 40 tokens or a ticket worth 40 rides.

- * The highest increase would apply to persons who pay cash each time they ride.

"We are not equipped to make a precise recommendation on the magnitude of the increase in the base fare at the peak hour," the League said. "But by allowing the purchase of monthly passes and tokens in bulk, the MTC need not be restricted to increases in fares which are only in increments of 5 cents or 10 cents."

The League noted that currently about 38% of the transit subsidy comes from the property tax in the metropolitan area, another 35% comes from the state treasury and another 27% from federal aid.

As more state or local funds are needed, the League said that more of the increase appropriately should fall on residents of the Twin Cities area than on residents of the entire state. The League urged exploration of many alternatives, besides the property tax levy, to finance transit and other regional functions:

- * A supplementary property tax on low-taxed power plants.

- * Repeal of property taxes on electric generating facilities, replaced by a tax on utility bills, with increase in revenue returned to regions where revenue is raised.

- * A state aid program with distribution to each region based on amount of property tax-exempt business real estate in each region.

- * Removing, reducing or limiting the property tax as a source of revenue for highways, replacing the lost revenue with an increase in a highway user tax, thereby freeing up the property tax for regional services, including transit.

- * A piggyback sales or income tax in the metropolitan area.

The League's statement was prepared by a task force headed by Allan R. Boyce. Other members were Francis M. Boddy, Lloyd Brandt, John Cairns, Earl F. Colborn, Jr., David Graven, Peter A. Heegaard, Paul A. Hilstad, Marie House, Andrew Lindberg, Wayne H. Olson, Robert D. Owens, F. Warren Preeshl and A. Kent Shamblin.

The Task Force relied on past positions of the League as contained in transit reports published in 1974, 1973 and 1971.

The Citizens League is a private, non-profit public affairs association with some 3,000 members in the Twin Cities metropolitan area, which conducts studies on major questions of public policy.