

SUMMARY REPORT 1060-2F(S)

**REVENUES AND SUBSIDIES OF PUBLIC
TRANSPORTATION IN TEXAS, 1973-1977**

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**TEXAS TRANSPORTATION INSTITUTE
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Transportation in Texas, 1973-1977**

by

Katie N. Womack and Dock Burke

The data and results presented in this report are complementary to those reported earlier in TTI Technical Report 1060-1, *Costs of Public Transportation in Texas, 1973-1977*. The objective of the study was to analyze the types and sources of revenues available to transit systems in Texas; trends in those revenues; and the amounts and sources of financial assistance (subsidies).

Data were collected using a survey form from each of the 14 systems that participated in the cost portion study. Transit operators were asked to provide data in 6 revenue object classes:

- Operating Revenue
- Auxiliary Revenue
- Non-Operating Revenue
- Local Operating Assistance
- Federal Operating Assistance
- Capital Assistance

The forms were sent by mail. In a few cases where personnel were limited or where there were problems in locating these data, study staff personnel went to the systems and helped with the collection.

Levels of specificity varied with system size, so for analysis purposes, the 14 systems were divided into 3 categories:

- A-systems—large cities (Dallas and Houston)
- B-systems—medium sized cities (Austin, Corpus Christi, El Paso, and Ft. Worth)
- C-systems—small cities (Abilene, Amarillo, Beaumont, Brownsville, Lubbock, San Angelo, Waco, and Wichita Falls)

To perform the analysis, first the necessary combinations of accounting elements were made. The next step was to convert all fiscal year data to calendar year data, so that the time frame beginning January 1973 and ending December 1977 would be the same for all systems and compatible with the cost phase of the

study. Then the revenue and subsidy data were deflated to 1972 dollars, using the Gross National Product Deflator

There were some limiting factors in the effort to get data for every category for every system. Information from the American Public Transit Association and the SDHPT was used to derive a complete data set for those systems with missing data.

Major Findings For Large Systems

A-systems showed a decrease in average real revenue of \$3,200,000 from 1973 through 1977, which was primarily due to a 29% decrease in passenger fare revenue for transit service. Each revenue category went down overall; however, relative gains were reported for advertising services and special transit fares.

A growth trend was evidenced in local operating assistance to large systems. The increase overall was 69%. Federal operating assistance also increased. Large systems use proportionally more *federal operating subsidy* than medium or small systems. Large systems use proportionally more *local funds for capital assistance* than do medium or small systems.

Major Findings For Medium Systems

Medium sized transit systems in Texas experienced a 15.4% decline in average real revenue, or a decrease of \$170,000. Passenger fares fell 16.1%. Auxiliary revenue (e.g., advertising) and non-operating income increased in both percentages (73% for the former, 65% for the latter) and as proportions of total revenue.

B-systems received \$12.8 million in operating assistance in the 5-year period. Sixty-one percent of this sum was provided locally, and 39% was federally funded. Local operating assistance increased 20% from '73 to '77. Federal operating assistance also increased. Medium sized systems received the most funds from the *State for capital assistance* — 49% of all state transit funds dispersed.

Major Findings for Small Systems

The decline in average real revenue for small systems was less than that for medium and large systems. Revenues decreased overall by 13.7%, or \$19,800. Passenger fares dropped 16%. Charter service revenues contributed more to C-systems' total revenue than they did in B or A-systems, although they increased by only .5% over the 5 years in C-systems. Auxiliary and non-operating income were insignificant contributions to total revenue, amounting to less than 2% per year to the total.

A growth trend was evidenced in local operating assistance to small systems. The increase overall was 123%. Federal operating assistance increased with greater magnitude each year for small systems. Small systems are more dependent (than medium and large systems) on *State* and *federal* funds for meeting capital expenses.

Revenues

The revenue data are presented in Tables 1-3 for each system size. The data are annual and in real terms (i.e., deflated to 1972 dollars). Statewide revenue data are summarized and presented by revenue categories in Tables 4-7. Highlights in the data are:

- In almost every year for every system size, revenue decreased from the previous year (Tables 1-4).

Table 1. Large Systems' Average Total Revenue (millions of 1972 dollars)

Year	Total Revenue	Percent Change From Previous Year
1973	\$11.72	
1974	10.18	-13.1
1975	9.51	- 6.6
1976	8.75	- 8.0
1977	8.52	- 2.6

Table 2. B-Systems' Total Revenue (rounded to nearest \$100; 1972 dollars)

Year	Revenue	Percent Change From Previous Year
1973	\$1,104,000	
1974	1,056,000	- 4.3
1975	901,000	-14.7
1976	894,100	- .8
1977	934,000	+ 4.5

Table 3. C-Systems' Total Revenue (rounded to nearest \$100; 1972 dollars)

Year	Revenue	Percent Change From Previous Year
1973	\$144,700	
1974	135,500	-6.4
1975	123,000	-9.2
1976	122,500	- .4
1977	124,900	+2.0

- Operating revenues fell slightly faster than revenues from all sources. (Table 5,8).
- Auxiliary revenues, mainly from the sale of advertising, increased during the study period (Table 6).
- Non-operating revenues (principally profits from sales of equipment, investment income, and parking lot revenues), rose 9.7% over the five year period. (Table 7).

In looking at the contributions of each type of revenue, clearly "operating" is the most dominant, as it constituted over 95% of total revenue each year (Table 8).

Of course, the key to operating revenue is ridership. Total statewide transit ridership increased by small percentages each year — except for a slight drop in 1974. However, this small increase in passengers had the effect of creating decreases in constant dollar revenues since fares were fairly stable.

Table 4. Total Revenue For All Systems (in thousands of 1972 dollars)

Year	Total Revenue	Percent Change
1973	\$28,480	
1974	25,144	- 11.7
1975	22,968	- 8.7
1976	21,279	- 7.4
1977	21,240	- .2

Table 5. Operating Revenue For All Systems (in thousands of 1972 dollars)

Year	Operating Revenue	Percent Change
1973	\$27,796	
1974	24,432	- 12.1
1975	22,145	- 9.4
1976	20,336	- 8.2
1977	20,511	+ .9

Table 6. Auxiliary Revenue For All Systems (in thousands of 1972 dollars)

Year	Auxiliary Revenue	Percent Change
1973	\$364	
1974	393	+ 8.0
1975	380	- 3.3
1976	398	+ 4.7
1977	380	- 4.5

Operating Assistance (Subsidy)

The falling revenues of the transit systems were partly offset by governmental subsidy assistance from local, state, and Federal sources. Both capital and operating subsidies were made available during the study period. The amounts of these are summarized in Tables 9 and 10.

Table 9 gives a classification by system size of total amounts of local and federal assistance received, in 1972 dollars. Note that large systems received more federal than local assistance, which was not true for B and C systems. Table 10 shows capital assistance for each size system and by level of government funding. Total capital subsidy for the five years came to \$45.7 million. Of this amount 45% came from local sources, 2% came from the State, and 53% came from the federal government. Table 10 illustrates the concentration of local capital subsidy for large systems and the reverse concentration of state and federal capital subsidy for medium and small systems.

Table 7. Non-Operating Revenue For All Systems (in thousands of 1972 dollars)

Year	Non-Operating Revenue	Percent Change
1973	\$318	
1974	319	+ 0.3
1975	443	+ 38.9
1976	545	+ 23.0
1977	349	- 36.0

Table 8. Percent of Total Revenue by Source, All Systems

Revenue Source	1973	1974	1975	1976	1977
Operating Revenue	97.6	97.2	96.4	95.6	96.6
Auxiliary Revenue	1.3	1.6	1.7	1.9	1.8
Non-Operating Revenue	1.1	1.3	1.9	2.6	1.6

Table 9. Local Federal Operating Assistance Received by System Size

System Size	Local Operating Assistance Received 1973 - 1977	Federal Operating Assistance Received 1973 - 1977
A- Systems	\$8,100,000	\$9,700,000
B- Systems	7,800,000	5,000,000
C- Systems	3,500,000	1,200,000

Table 10. Capital Assistance By Source and By System Size (rounded to nearest \$1,000; in 1972 dollars)

Level of Government Funding	System Size			Total
	A	B	C	
Local	\$17,606,000	\$2,686,000	\$ 508,000	\$20,800,000
State	72,000	384,000	326,000	782,000
Federal	12,300,000	9,583,000	2,232,000	24,145,000
Total	\$30,008,000	\$12,653,000	\$3,066,000	\$45,727,000

Conclusions

There are basically 3 major components in the transit financial picture: *revenues*, *costs*, and *subsidies*. The relationship of these three components in *real* terms over the period 1973 to 1977 suggests the following:

1. That real revenues are going *down* at an average rate of 7.1% per annum;
2. Real costs are going *up* at an average rate of 4.8% per annum; and consequently
3. Required subsidy has increased at an average yearly rate of 28%.

If this five-year trend continues, transit operations will no doubt continue to look at various government agencies and sources for more financial support to meet growing deficits.

The published version of this report may be obtained by addressing your request as follows:

Phillip L. Wilson, State Planning Engineer, Transportation
 Transportation Planning Division
 State Department of Highways and Public Transportation — File D-10R
 P. O. Box 5051
 Austin, Texas 78763
 Phone: 512/475-7403 or Tex-An 886-7403