Enabling MPOs to generate and program revenues is a transportation finance approach that reflects the devolution in funding and decision making and that warrants strategic consideration.

Recent efforts to implement regional-level funding sources in Las Vegas, Nevada; California’s San Francisco Bay Area; and the state of Texas indicate that some states and regions are responding to transportation needs with institutional innovations that could allow greater metropolitan-level involvement in transportation finance. In light of the waning revenue-generating capacity of federal and state transportation user fees—historically, the main source of U.S. transportation funds—this article discusses different models for providing metropolitan planning organizations (MPOs) with revenue-generating authority, the conditions under which different models may be more or less attractive, and what characteristics may make some MPOs candidates for such innovation. Institutional and practical considerations are also examined. A view of current transportation finance and policy trends provides context for the discussion, as does an account of how MPOs and their transportation projects are funded today.

Keywords: transportation finance; metropolitan planning organizations; metropolitan area; funding devolution; regional mobility authority

Federal and state transportation user fees have historically been the main source of transportation funds in the United States, but the revenue-generating capacity of these fees has waned significantly in recent decades (Wachs, 2003). Consequently, many urban counties and cities have been exploring ways to generate revenue for transportation. At the same time, federal transportation policy has gradually bolstered metropolitan-level decision making. Since the 1991 landmark Intermodal Surface Transportation Efficiency Act (ISTEA), regional transportation bodies known as metropolitan planning organizations (MPOs) have assumed a larger role in metropolitan transportation decisions than ever before (Katz, Puentes, & Bernstein, 2003; Solof, 1997).
Research on MPOs has observed their enhanced role post-ISTEA, but no work has examined their potential for generating metropolitan-level revenues for transportation planning and projects. Enabling MPOs to generate and program revenues is a transportation finance approach that reflects the devolution in funding and decision making and that warrants strategic consideration.

In this article, we explore the prospect of enhancing MPOs’ authority to raise and direct the disposition of metropolitan transportation funds. To suggest that all MPOs should be empowered to collect and spend regional transportation dollars ignores the diversity of these bodies. With roughly 400 in the United States, MPOs vary widely in size, membership and staff, technical capacity, and organizational standing in the region. They also serve a wide range of regions, from newly designated urbanized areas to mature metropolitan regions with 10 million residents or more. Thus, we examine instead the institutional and practical considerations suggested by a regional approach to transportation funding, fleshing out what may make some MPOs better suited for a trial of enhanced MPO authority and what institutional models are more attractive than others.

To assess the potential for enhanced metropolitan-level institutions, we first provide the larger context for considering regional transportation revenues. Second, we review how MPOs’ plans and projects are funded today, analyzing MPO experiences with federal and state funds to anticipate institutional issues that could arise if metropolitan-level funding were expanded. Third, we develop these issues by examining three recent efforts to implement regional funding sources in Las Vegas, Nevada; California’s San Francisco Bay Area; and the state of Texas. Finally, we offer a strategic assessment of MPO-led transportation finance for practitioners by outlining practical considerations that would likely confront an MPO seeking revenue authority. These include the degree of state and local county or city support and the MPO’s own credibility.

We propose that MPOs potentially best suited for a trial of new revenue responsibilities are those with track records for successfully delivering transportation plans and investment decisions and with boards that allocate votes to member jurisdictions in a manner considered representative. The region’s size and jurisdictional composition may also shape the MPO’s prospects for acquiring revenue authority. For instance, the greater the number of local jurisdictions served by the MPO, the greater the potential for competition and conflict between regional and local objectives. Also, where an MPO’s member counties now levy their own taxes for transportation, these local governments may resist MPO efforts to raise funds and look instead to guard potential county revenue for themselves. In contrast, it may be easier to vest an MPO with revenue power if it serves a single-county region, such as Las Vegas, where county and regional interests may align more closely. Similarly, in cases where an MPO shares a productive relationship with its state transportation department, DOT resistance to increased MPO authority may be less likely. Furthermore, where the goal is truly to empower an MPO to generate and control regional revenue, we suggest that the MPO should manage the account into which new regional funds would flow.

By reviewing regional funding models such as those used in Las Vegas, the San Francisco Bay Area, and the state of Texas, we find that institutional innovations are often necessary to empower MPOs with revenue generating power. The cases also suggest that such innovations may take different forms and that no one model is practical for all MPOs. Furthermore, institutional arrangements enabling new regional revenues must make explicit the desired link between the new funds and MPOs, existing regional plans, and decision processes, lest new revenue capacity be used at cross-purposes to ISTEA-era federal transportation policy.

This work stems from a larger and broad research project that examines the possibilities for metropolitan-level transportation funding and the prospective issues raised by such a policy direction. Research tasks included a review of the existing literature on MPOs and metropolitan transportation finance, including data from a survey of MPOs by the Association of MPOs (AMPO), and select interviews with MPO experts and executives. The three cases discussed in Part III are intended as an appraisal of recent experiences with MPO- and metropolitan-level finance and not as an exhaustive documentation of such efforts to date.

Institutional arrangements enabling new regional revenues must make explicit the desired link between the new funds and MPOs, existing regional plans, and decision processes.
I. Interest in Metropolitan Transportation Funding: The Current Context

Federal transportation law requires that urbanized areas with populations of 50,000 or more have MPOs to establish a regional long-range transportation plan (LRP) and a near-term transportation improvement plan (TIP). The MPO, local governments and transportation agencies, other public stakeholders, and state departments of transportation (DOTs) are to develop the plans cooperatively to identify regional projects to be supported by federal transportation dollars (U.S. Code, Title 23, Chapter 1, Subchapter I, § 134; Title 49, Subtitle III, Chapter 53, § 5303). MPOs are regional bodies typically designated in official agreements between state governors and the local elected officials in a region. They are planning organizations, not formal units of government, and they are seldom empowered by state constitutions with independent fiscal powers or directly elected boards. Similar to other intergovernmental and advisory bodies, or “twilight-zone agencies” (Gage, 1992), MPOs lack a constitutional/legal place in the U.S. federal system of government.

This inquiry into transportation funds generated by MPOs at the regional level is compelled by four factors: the uncertain future of federal involvement in transportation finance; the waning capacity of conventional revenues to meet transportation needs; the ongoing metropolitan devolution in transportation policy; and the potential of MPOs to forge consensus around regional transportation decisions.

First, current transportation policy is marked by serious debate over the changing federal role in transportation finance (Downs, 2005; Roth, 2003). As the federal role is reconsidered, an opportunity arises to contemplate expanding the role of regional transportation organizations.

From 1956, when the Federal Aid Highway Act was passed, to roughly the mid-1980s, support among states for the prominent U.S. Federal Government role in collecting and redistributing transportation dollars was firm. The 1956 Act had increased the federal motor fuel tax and created a new, national Highway Trust Fund, where the fuel tax and other road-user fees were pooled to support construction of the Interstate System, a project of unprecedented scale and cost (Kulash, 2001). By the mid-1980s, however, with the Interstate System largely complete, state support for a redistributive federal transportation program dwindled. So-called “donor states,” which raise more fuel tax revenues than they receive, began to assert that the Trust Fund money allocated to them should equal their contribution. “Donor–donee” issues have grown ever more prominent (Bloom & Bennett, 1998; Lem, 1997) over the past three transportation authorization bills: ISTEA in 1991; the Transportation Equity Act of the 21st Century (TEA-21) in 1998; and the Safe, Accountable, Flexible, Efficient, Transportation Equity Act (SAFETEA-LU) in 2005. Increasingly, Congress has yielded to pressure for return-to-source funding, leading some to question the continued federal role (Downs, 2005) and others to advocate abolishing the Highway Trust Fund. Possible revisions to federal involvement in transportation finance are indicated by a current SAFETEA-LU commission mandated to examine the nation’s future transportation needs and revenue alternatives to the fuel tax.

A second factor fueling interest in metropolitan-level finance is the diminishing capacity of conventional revenues to meet transportation planning, construction, and maintenance needs. The buying power of federal and state motor fuel tax revenues has atrophied as federal and state officials have rejected tax increases either to expand programs or even to keep pace with inflation (Wachs, 2003), and as transportation construction costs have increased at higher rates than standard price indices (Federal Highway Administration [FHWA], 2007).

A third development is the nascent metropolitan devolution in transportation policy. Transportation laws ISTEA and TEA-21 broke with previous finance patterns by allowing large metropolitan areas to control more directly the expenditure of specific federal funds. Supporters of increased metropolitan spending and revenue authority emphasize that Americans reside overwhelmingly in metropolitan areas, regions that produce over 85% of U.S. economic output and 84% of jobs and that face significant transportation challenges such as growing congestion and aging infrastructure (Puentes & Bailey, 2005). Still, the MPOs responsible for short- and long-term regional investment strategies are typically not authorized to raise revenues, and they possess discretion over only limited federal and state funds.
Thus, some metropolitan advocates have begun to consider devolving to the metropolitan-level responsibility for generating and spending transportation dollars.

The fourth factor motivating this inquiry concerns the role of some MPOs as organizations potentially able to forge consensus around regional transportation decisions. Although research on MPOs suggest that they are commonly characterized by limited partnerships among member governments and agencies rather than by strong collaborative or consensus-based relationships (Goldman & Deakin, 2000), it may be that enhancing MPOs’ authority for transportation finance could also enhance collaborative MPO decision making. Goldman and Deakin (2000) found, for instance, that ISTEA’s fiscal constraint requirements (i.e., funding sufficient for implementation to be available or reasonably likely to become so) added to some MPOs’ authority and leadership in regional decision making; MPO-directed revenues could have a similar effect. Also, MPO-directed funds may yield more regionally oriented investments than the local option taxes that have been increasingly adopted in the past 15 years. City- and county-level retail sales tax measures to support transportation have been included on scores of election ballots in the past decade, yet the use of such locally financed measures is generally determined outside of established MPO planning processes (Crabbe, Hiatt, Poliwka, & Wachs, 2005; Goldman, Corbett, & Wachs, 2001). No research has determined whether projects linked to local ballot initiatives are more or less likely to be in the regional plan, but project commitments for such measures could be chosen for their local voter appeal rather than for their contribution to regional transportation goals (Stewart, 2003/2004). Of course, local politics may also prevail in an MPO’s plan, but MPOs have increasingly adopted formal project selection processes and criteria to minimize politicking in the planning process.

II. Funding Metropolitan Transportation: How It Is Done Now

Contemplating any expansion of MPOs’ abilities to raise and dispense revenues requires an understanding of how MPOs and their plans and projects are currently financed. Here, we describe current MPO funding sources and the organizational dependencies revealed therein. Reflecting on the MPO organizational environment, we hypothesize about how best to create future MPO-led and MPO-directed funds. For example, recent research suggests that many MPOs and state transportation departments share productive working relationships, yet in the years before ISTEA and shortly after its passage, MPOs were largely subordinate to state DOTs. This legacy may lead some state agencies to perceive increased MPO authority as a threat to their own status. Similarly, the recent entry of counties and cities into the business of levyng taxes for transportation may lead some of these local governments to guard their jurisdiction’s revenue-generating potential for themselves and to resist MPO efforts to raise money from the region; this may be particularly true for MPOs in multicounty and multiple-jurisdiction regions. These and other observations about MPOs’ organizational environment lead us to suggest (a) that where the goal is to empower an MPO to generate and control new regional revenue, the MPO should manage the account into which any new regional funds would flow; (b) that revenue decoupled from narrow uses or earmarks could give an MPO valuable flexibility to address regional transportation goals; and (c) that an MPO may face demands from subregional interests for its funds.

II.A. Paying for MPO’s Planning and Operations

Federal dollars. Roughly 40% of MPOs responding to AMPO’s Institutional Survey fund their operations almost entirely from two federal sources, the Federal Transit Administration (FTA) and the Federal Highway Administration (FHWA) metropolitan planning funds (AMPO, 2004). These two sources—FTA 5303 and FHWA “PL”—pay only for planning, and the monies flow through the states, not directly to MPOs. State departments of transportation (DOTs) receive the PL funds, and each has its own formula for suballocating the money to MPOs (Arnold, Weichmann, & Capizzano, 1999). The FTA apportions 5303 funds...
to states following urbanized population-based formulae; state DOTs then suballocate the money to urbanized areas.

These two metropolitan planning funds provide modest support for MPOs. Among MPOs responding to AMPO’s survey, the median amount of PL funds is $302,000, suggesting that many MPOs are small operations (AMPO, 2003b). A few large MPOs receive substantially more, tilting the average upward to $925,000. Responding MPOs on average receive $264,000 in 5303 funds annually, but the median amount is also lower: $62,000 (AMPO, 2003a). Taylor and Schweitzer (2005) also find that MPOs commonly report limited resources, which leads them to rely on other agencies for planning expertise.

State and local dollars. Some state governments support metropolitan planning by paying the 20% match required for state or local governments to receive federal PL or 5303 planning grants, yet over half of all MPOs report that their planning grant match comes from local, not state, governments. In contrast, only 12% of MPOs report that state governments supply the required matching dollars to support their operation (AMPO, 2003a). States that do so may give hard dollars (a “hard” match) or a variety of in-kind services (a “soft” match). Representative in-kind services are listed in the appendix.

There are little data to indicate which form of state match prevails, yet state DOT matching practices may indicate the nature of state–MPO relationships. Organizational theory suggests that states should prefer to give a soft match, whereas MPOs should prefer to receive cash, as both organizations try to maximize discretion (Downs, 1967; Thompson, 2003). A state may find the soft match more attractive, as it can retain the money for its own uses. An MPO, however, would prefer the hard match to increase its budget discretion for planning.

County and city governments and local agencies support MPOs in many of the same ways as states do. Most MPOs receive the required match for federal funds from local sources, and local governments also use in-kind services for a soft match. For a hard match, some counties and cities tap their general fund to support the MPO, and some MPOs collect membership dues from local jurisdictions within their boundaries, and from member transit operators, city and county transportation departments, and road and port authorities. These fees are commonly assessed on a per-capita basis.

II.B. PAYING FOR REGIONAL PROJECTS AND PROGRAMS

Earlier, we highlighted funds supporting MPO planning efforts and operations. Here we address funds that pay for metropolitan transportation improvements and programs. In examining how federal and state dollars are distributed to pay for metropolitan transportation improvements, a central question about the MPO’s role arises: “Is the MPO to be a central priority-setting body? Or is it to be an ‘umbrella’ organization with some functions devolved to the counties?” (Lewis & Sprague, 1997). Answers vary from region to region. Still, where policy makers do aim to make the MPO central to regional priority setting, giving it the independent authority to raise regional funding and the ability to spend it flexibly, and safeguarding the funds from subregional claims among local entities are some ways to do so.

Federal funds. Generally, MPOs have no independent authority over the expenditure of federal funds for transportation projects and programs. Instead, most federal project funds flow to the states, and state DOTs are to coordinate expenditure of these funds with MPOs in urban regions. Two federal funds—the Surface Transportation Program (STP) and Congestion Mitigation and Air Quality Improvement Program (CMAQ) funds—are often exceptions to this rule; some MPOs have the lead responsibility for programming STP and CMAQ. Still, experiences with STP and CMAQ suggest that state administration of the funds has hampered MPO action in some cases and that, where expanded MPO authority is desired, MPO-controlled accounts may be important.

In large urbanized areas, ISTEA gave MPOs direct authority to program federal STP funds, also known as the “urban share.” Urban STP funds flow through the state DOT, but the MPO, in cooperation with the state, decides how to spend them; ISTEA’s innovation was
to begin to put MPOs in the driver’s seat and to make allowable uses of the money wide ranging. However, after ISTEA’s passage, many DOTs hoarded the funds and released them only very slowly to MPOs, possibly in protest to expanded MPO authority (Lewis & Sprague, 1997). In contrast, DOTs released DOT-controlled funds more quickly. Legislative redress provided by TEA-21 required states to suballocate the funds to MPOs “in two 3-year increments rather than one 6-year period as in ISTEA” (U.S. Department of Transportation, 1998).

Some MPOs’ experiences with federal CMAQ funds suggest similar state–MPO dynamics. Created to support emissions reductions, CMAQ funds are for places that have or have had trouble meeting federal air quality standards. Although these are often urbanized areas, CMAQ funds flow to the state government. State DOTs are not required to suballocate them to MPOs or local governments, although many voluntarily do so (Puentes & Bailey, 2005). Instead, states are to consult with regional and local agencies to select CMAQ projects. “In practice . . . the extent of interagency consultation varies widely” (National Research Council, 2002, p. 95) however, and CMAQ program reviews have cited minimal regional involvement as a program weakness. Additionally, one third of CMAQ-eligible MPOs say it is difficult to get state authorization for their CMAQ projects, and one half say they have waited at least a year for states to release CMAQ funds (AMPO, 2003a). Other data suggest that states with the largest CMAQ apportionments—and those with the greatest air quality problems—have even more difficulty spending the funds than do smaller states (FHWA, 2007).

The STP urban and CMAQ dollars programmed in a region are modest compared with other federal transportation dollars (National Research Council, 2002), but MPOs’ experiences with them suggest key attributes desirable for future MPO-directed funding sources. First, the slowness of DOTs to suballocate federal funds to MPOs suggests that, particularly in states with such a history, MPOs should control the account into which any new MPO-directed funds would flow. Second, MPO discretion over expenditures is important. “In an era where budgets at all government levels are strained and transportation needs are great, the flexibility of STP and CMAQ programs are crucially important in enabling MPOs and the state to set priorities” (Lewis & Sprague 1997, p. 73). Hence, future funds decoupled from narrow uses or earmarks could give MPOs valuable flexibility to identify and address regional transportation policy goals.

A third desirable characteristic for MPO-generated revenue would be protection from subregional competition. As shown by this brief excursus on California’s experience with CMAQ and STP funds, subregional competition may threaten a new regional revenue source; particularly where an MPO serves multiple jurisdictions, aggressive attempts by individual MPO members to further their own projects can weaken the collective effort at the metropolitan level. In California, Senate Bill (SB) 45 requires MPOs with air quality troubles to suballocate CMAQ and STP funds to county transportation agencies. Los Angeles’s MPO suballocates the funds to 13 different county agencies in the region, based on population, and each crafts its individual spending plan, although the MPO can veto the plan by excluding county-chosen projects from the regional spending plan or TIP. Consequently, some research suggests that Los Angeles’s MPO lacks precisely the independent programming role that ISTEA sought to bolster through federal STP urban and CMAQ funds (Lewis & Sprague, 1997). Similar pressure to devolve regional spending to the county level is visible within the San Francisco Bay Area’s MPO (Chai 2002).

State funds. Formulae for allocating state transportation dollars to substate levels are not federally stipulated, and practices differ from state to state, yet “[t]he state fund allocation process is the most important factor in determining the amount of funding . . . to assist MPOs” (Dempsey, Goetz, & Larson, 2000, Vol. III, Sec. VI, p. 19). Here, we highlight existing research on state suballocation practices in Ohio, Colorado, and California, and their effect on metropolitan regions and MPOs.

MPOs’ experiences with state dollars suggest other lessons for creating regionally oriented transportation funds. The cases present a limited picture of state practices, but they do show how leaders in some states may face pressure to distribute funds to satisfy geopolitical equity more than need, thereby possibly disadvantaging urban areas. One benefit to raising transportation
revenues in metropolitan areas is that doing so may circumvent some of this pressure if funds are spent in the urban region where they are collected. Even so, MPO member counties, cities, and public agencies in a region may still vie for control over regionally raised funds. This concern may be greater in MPOs covering multiple counties and jurisdictions. Where such subregional tensions exist, the MPO’s ability to build regional consensus on transportation plans and priorities becomes all the more crucial.

OHIO: RURAL BIAS IN STATE ALLOCATIONS

Ohio distributes state gas taxes and vehicle registration fee revenues in equal shares among counties and townships, regardless of such measures of transportation need as population, numbers of vehicles, vehicle miles travelled (VMT), or jurisdictional responsibility for the road network. Hill, Geyer, and Puentes (2003) analyzed Ohio transportation spending from 1980 to 1998, comparing revenue collection and expenditure with need and demand indicators. They concluded that Ohio highway dollars flow disproportionately to rural counties and that those counties receive more funding relative to their transportation needs than urban and suburban counties do. The anti-urban allocation practices are attributed to the state history, as rural members—the “cornstalk brigade”—traditionally dominated the legislature. This case illustrates that MPOs’ transportation programs in urbanized areas may not receive any more state dollars than do programs in less populated or less congested areas.

COLORADO: BOUNDARY ISSUES AND COMPLEX ALLOCATION RATIONALES

The Colorado DOT distributes roughly one quarter of revenues to statewide priorities and the remaining 75% to its six engineering regions, bureaucratic subdivisions of DOT that do not align geographically with other substate jurisdictions, like metropolitan regions. Denver’s MPO, for instance, crosses three different DOT regions. This fact, along with the DOT’s complex formula for allocations to its engineering regions, “based loosely upon such measures as lane miles, geographical area and historical funding trends” (Dempsey et al., 2000, Vol. III, Sec. IV, p. 1), makes it difficult for Denver’s MPO to estimate its receipt of state funds for short- or long-term spending plans. Allocational complexity also comes from the State Transportation Commission, appointed by the governor to select statewide priorities. In 1998, Colorado’s DOT simplified funding by allocating the Denver region a fixed percentage of state funds, but further revisions to the calculations actually reduced what Denver received (Dempsey et al., 2000, Vol. III, Sec. IV, p. 8). The region generates 51% of state transportation revenues, represents 56% of the state population, and produces over half of statewide VMT; yet the DOT allocates only one third of its transportation budget to the region.

In some cases, more populated urban regions may need to subsidize larger rural regions to provide for statewide transportation system connectivity and coverage. Nonetheless, as shown by the wider Dempsey et al. (2000) comparison of state allocations to MPO regions in Dallas, Phoenix, and Seattle with proxies of regional need, metropolitan regions like Dallas and Seattle that received higher proportions of funding relative to need also reported greater satisfaction in meeting transportation needs. (See Table 1.) Phoenix, in contrast, is home to nearly 60% of the state’s population but receives less than one third of its transportation dollars.

CALIFORNIA: STATE ALLOCATION TO REGIONAL AND INTERREGIONAL PROGRAMS

California’s experience suggests that competition among subregional interests can complicate even deliberate state efforts to enhance metropolitan control of transportation funds. Senate Bill 45’s passage in 1997 divided California’s state transportation fund into two programs. The Regional Transportation Improvement Program (RTIP) takes 75% for projects in the state’s urban areas, and the remaining 25% goes to the Interregional Transportation Improvement Program (ITIP), programmed by the state transportation commission. The law
shifted transportation decision making downward from the state level, but because the regional program, or RTIP, is administered by county-level entities, the law has not necessarily enhanced the role of MPOs, particularly in multicounty regions.

On one hand, in such multicounty regions as the San Francisco Bay Area, Southern California, and Sacramento, where county agencies administer the state’s regional monies, county-level plans may trump regional ones. Indeed, Barbour concluded that SB 45’s “attempt to devolve transportation planning authority repeated a traditional pattern; SB 45 strengthened county agencies more than multi-county ones” (2002). Similarly, Chai called the county agencies’ spending practices “subvention, fragmentation and diversion” of the RTIP. The regional program is divided “among each county or city, which then often allocates RTIP funds for local streets and county roads, bus rehabilitation, and other projects instead of SHS [state highway system] projects” that presumably would better serve regional needs (Chai, 2002, p. 7). On the other hand, where county and metropolitan area boundaries may more closely coincide, county-level decisions and metropolitan interests may align more easily.

III. Regional Funds in Metropolitan Transportation: Glimpses of the Future?

Typically, MPOs are designated by states as planning organizations and not governing bodies, and as such they are rarely empowered to generate revenues themselves. However, some regions have found innovative ways for MPOs to raise money for transportation within their constitutional limits. This section examines regional funding models used in three places: Las Vegas, the San Francisco Bay Area, and the state of Texas. The three cases, intended as an analytical appraisal of recent experiences with metropolitan finance rather than an exhaustive survey of such experiences, show that institutional innovations are often necessary to empower MPOs with revenue-generating power. They also suggest that such innovations may take different forms and that no one model is practical or desirable for all MPOs. Furthermore, the cases suggest that institutional arrangements enabling new regional revenues must make explicit the desired link between the new funds and MPOs, existing regional plans, and decision processes, lest new revenue capacity be used at cross-purposes to ISTEA-era federal transportation policy.

LAS VEGAS QUESTION 10: BORROWING COUNTY AUTHORITY THROUGH THE BACK DOOR

With the passage of Question 10 in 2002, voters in Clark County, Nevada, opened the door to a new way to fund Las Vegas transportation improvements with regional revenues. Question 10 and the state law enacting it establish an indirect mechanism for metropolitan transportation funding through the County Commission. In essence, the Las Vegas MPO borrows the county’s taxing authority, an arrangement greatly aided by near-perfect jurisdictional overlap of the metropolitan area and Clark County and by the MPO’s dual role as transit

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Some regions have found innovative ways for MPOs to raise money for transportation within their constitutional limits.
provider and local road commission. The arrangement is also noteworthy because it requires
that county funds be transferred to the MPO support projects consistent with the MPO’s plan,
bolstering the established regional planning process.

Unlike most MPOs born in the 1960s and 1970s, Las Vegas’s MPO, the Regional
Transportation Commission (RTC), began as the county street and highway commission rather
than as a council of governments or state transportation study. Its enabling legislation refers to
RTC as a regional government, and it is also the region’s transit operator, giving RTC authority
to collect county-based motor fuel and sales taxes and making it different from most MPOs.

To fund transportation projects, Question 10, also known as the Southern Nevada Fair
Share Funding Program, increased existing county development, sales, and jet fuel taxes, and
redirected some existing property taxes. The funding measure directs development tax
receipts to the county, whereas the RTC receives the sales, property, and fuel tax revenues, an
arrangement that gave the County Commission incentive to enact taxes benefitting the RTC.
This innovative arrangement was also eased by the neat overlap of boundaries of the RTC and
Clark County.

Question 10’s statutory spine, Nevada State Regulation (NSR) 377, authorizes the County
Commission to levy the Question 10 taxes, and notably, it allows but does not require the
County Commission to allocate the tax revenues to RTC. However, once allocated to the RTC,
that money must be spent following the Regional Transportation Plan.

Thus, the county collects the sales, property, and fuels taxes and administers the account,
but the RTC—wearing multiple hats as MPO, transit operator, and highway commission—
decides how to spend the money, provided that funded projects are consistent with the
regional plan. Actual taxing authority lies with the county, and the county is authorized to
collect the funds for the MPO. However, once revenues are allocated to the MPO, the MPO
controls their expenditure. Thus, the law enables regional funding arrangements without
requiring them.

The San Francisco Bay Area MPO sought new funding opportunities by assuming responsibil- 
ity for a regional bridge toll authority.

The experience of the San Francisco Bay Area MPO offers two lessons for new regional
transportation funding. First, it suggests a way to create a new regional funding entity while
avoiding redundancy with established MPOs. In this case, the MPO sought new funding
opportunities by assuming responsibility for a regional bridge toll authority. Second, it shows
the complexity involved in linking new funds to projects supported by regional consensus.

In the San Francisco Bay Area, the Metropolitan Transportation Commission (MTC)
serves the nine-county metropolitan region as the MPO. Like most MPOs, the MTC tradition- 
ally has had limited authority to generate its own revenues for regional transportation
improvements. In 1997, however, the MPO had an opportunity to change this by assuming
new responsibility for regional bridges. The California legislature created a new regional
entity, the Bay Area Toll Authority (BATA), to share responsibility with the state for state
owned bridges in the region.10 Previously, the state DOT, Caltrans, was responsible for the
bridges. Under the new arrangement, Caltrans continues to collect the bridge tolls and to
operate and maintain the structures, but toll revenues are deposited in a BATA account, and
BATA decides how to spend them. After BATA meets bridge needs, it may use excess toll rev-
enee to fund projects from a voter-approved Regional Traffic Plan. BATA’s governing board
is the same as that of the MPO.

BATA’s creation opened the door for the MPO to play a larger role in regional transportation
finance. Although a new entity, the toll authority is governed by the same appointed representa-
tives as MTC, avoiding redundant regional organizations. The BATA model enables transporta-
tion projects to be funded with toll revenues collected regionally. When spending bridge toll
revenues, BATA must prioritize bridge maintenance, but once those needs are met, BATA may
finance other regional improvements. Furthermore, the authority is empowered to issue bonds,
incure other obligations, and seek federal and state assistance. Thus, through BATA, the MPO can
leverage regional toll revenues to finance more ambitious regional projects.
These features suggest BATA as an institutional model for collecting tolls at specific facilities and spending the revenues across a region’s transportation system. However, BATA’s existing toll-backed bonds issued to support such improvements are linked to voter-approved project lists criticized by some as project grab bags designed to win voter approval among parochial rather than regional interests.

One report on the ballot measure commented that:

[a]t least 25 agencies and organizations are noted as project sponsors . . . , each representing Bay Area residents who care about certain projects on the list. There were also disagreements about which projects deserved to be included [in the measure], with most criticisms directed at the Caldecott Tunnel, the BART Warm Springs extension and new ferry service. These were seen as not being cost-effective, or . . . not sufficiently tied to congestion relief on the bridges where drivers will be paying the toll. (Stewart, 2003/2004, p. 1)

TEXAS: CREATING THE REGIONAL MOBILITY AUTHORITY

The regional mobility authority (RMA) is a new kind of transportation agency enabled in Texas by recent state law, and the Texas experience with these new organizations in the years ahead will draw the attention of students of regional planning. Unlike the institutional innovations in Las Vegas and San Francisco, Texas RMAs create new regional authorities rather than enhance the capacities of existing MPOs. As parallel transportation agencies, RMAs may impede or reinforce existing planning processes and priorities, depending on RMA features.

In 2001, Texas voters amended the state constitution with Proposition 15, enabling counties to form RMAs, new political entities in the institutional ensemble responsible for regional transportation. The state intends RMAs to generate revenue for transportation projects, increase local control over transportation planning, and speed project implementation (Texas Department of Transportation, 2004), and unlike MPOs, RMAs have broad authority to finance, acquire, design, construct, operate, maintain, or expand transportation projects. They may develop projects, issue bonds, establish tolls, acquire or condemn property, use surplus revenue for other projects, enter into development agreements, and apply for State Infrastructure Bank loans (Texas Department of Transportation, 2004). State regulations further allow RMAs to assume ownership of nontolled state highway segments and to convert them to tolled facilities, positioning RMAs as important agents of toll-based transportation finance in Texas.

On the one hand, RMAs could complicate or undermine metropolitan planning in Texas for several reasons. First, if RMA projects are successfully financed without federal funds, they need not be part of the MPO’s long-range plan. Although theirs was a small study (29 people contacted, 8 interviewed), Bruno and Stevens (2005) asked transportation professionals in Texas about MPO–RMA relationships, and MPO officials were concerned that RMA projects could circumvent regional planning. Second, RMAs lack organizational structures to ensure close working relationships with existing MPOs. RMA governing boards comprise appointees who have been selected by County Commissioner Courts and the governor, not elected officials, and some RMAs have come under fire as undemocratic (Wear, 2004). Also, RMAs answer to the state: the Texas Transportation Commission approves their creation or dissolution, their projects, and their applications for federal funds. Third, the addition of RMAs as a new agency atop existing jurisdictions could make it harder for MPOs to build consensus on metropolitan priorities. Any single county or two or more counties, even if not geographically contiguous, may form an RMA. Service boundaries of different RMAs may overlap. These provisions allow flexible RMA partnerships but may also frustrate shared planning. Finally, RMAs accommodate single-purpose subregional entities organized around a specific revenue-generating facility. The proliferation of discrete operational agencies per se does not challenge regional decision making, but it could.

Because issue-specific agencies have a single objective, such as the building of a road, it is unlikely that they will reevaluate or modify their objective in light of changing circumstances.
The inability of single purpose entities to reassess their goals within the broader context of regional tradeoffs—transportation development, environmental protection, and air quality—impedes regional governance. (Lewis & Sprague, 1997, p. 106)

On the other hand, RMAs may prove to be important metropolitan allies, helping to expedite projects in MPO plans by making new funds available. Although explicit provisions requiring RMAs to coordinate with MPOs are absent, the transportation professionals interviewed by Bruno and Stevens suggested that RMAs would likely work with MPOs as a matter of self-interest to tap their planning resources. Also, although RMAs add another institutional player in the region, positive MPO–RMA relationships may develop from the same inter-jurisdictional coordination that Taylor and Schweitzer (2005) find between states and MPOs.

Future experience with RMAs will suggest whether these new institutions in fact bolster or hamper regional transportation. In the meanwhile, the Texas approach may influence other states. Already, Arkansas has passed its own Regional Mobility Authority Act (SB 427), displaying what organization theorists call “institutional isomorphism,” or organizational copying (DiMaggio & Powell, 1983). If this mimetic process leads more states to borrow from Texas’s RMA, it is important to ensure that these new authorities, wherever enabled, possess the structural attributes and legal safeguards to serve the regional mobility needs for which they are named. Requirements that RMA projects be consistent with MPO plans and that affected MPOs approve RMA formation are two ways to attempt to do so.

IV. MPO-Collected and -Directed Transportation Funds: Institutional Considerations

This article has introduced the possibility for developing new metropolitan-level sources to fund MPO planning and operations and to implement regional transportation projects. Part I examined the current transportation funding context for metropolitan areas; Part II discussed lessons learned from MPO experiences with federal and state funds for metropolitan planning and improvements; and Part III described three new institutional arrangements in Las Vegas, the San Francisco Bay Area, and the state of Texas that could allow for, but do not guarantee, greater metropolitan-level involvement in generating and spending transportation dollars in urban regions. In Part IV, we outline practical considerations likely to confront an MPO seeking independent authority to generate and allocate money at the regional level. These include the degree of state and local county or city support for the expanded MPO role, as well as an MPO’s own organizational credibility and legal standing. Reflecting on the previous discussions of relevant scholarly work and on recent metropolitan transportation finance innovations, we offer a strategic assessment of MPO-led transportation finance for the practitioner community.

STATE RESISTANCE OR SUPPORT?

The MPO literature frequently invokes the importance of good state DOT–MPO relationships for effective regional transportation planning (General Accounting Office, 1996; Lewis & Sprague, 1997; McDowell, 1995), and state support is likely to be just as critical for any new MPO-based powers to generate or spend revenues. Although MPOs were largely subordinate to state DOTs in the past, federal policy since ISTEA has bolstered the MPO role. Research on state–MPO relationships has been mixed, suggesting that some states may resist enhanced MPOs and some may support them. After ISTEA, many states delayed suballocating funds to MPOs, hampering their ability to plan and pay for metropolitan projects. Additionally, “some states have proven unwilling to provide reliable estimates of future revenues to MPOs, thus hindering their ability to write fiscally constrained priority plans” (Lewis & Sprague, 1997, p. 67; see also Hoover et al., 2004). However, Taylor and Schweitzer (2005) found more recently that MPO and DOT staffs report cooperative relationships and mutual exchange of environmental, land use, and freight expertise.
As in the three cases presented, some states may actively support new regionally based transportation funds, especially where such innovations can reduce the state’s responsibilities for facilities or replace the state contribution to a regional project in the TIP. Still, it is reasonable to speculate that other states may perceive the financial empowerment of MPOs as a threat to their authority in transportation spending decisions. Even states that willingly devolve responsibility to lower government levels may prefer to distribute that authority to counties rather than MPOs. In either case, any attempt to vest MPOs with new funding powers is likely to require a purposeful effort by MPO proponents to secure state support. It is very likely, for instance, that such an attempt would require changes to the MPO’s state enabling language or memorandum of agreement, requiring the state executive and legislative support.

COUNTY RESISTANCE OR SUPPORT?

Urbanized area counties may also support or resist the prospect of a new, MPO-administered regional funding stream. In many states, the recent erosion of transportation resources has led to a “quiet revolution” in transportation finance: a dramatic increase in the use of local option taxes to finance transportation investments (Goldman & Wachs, 2003).

As single counties and multicounty coalitions establish track records in raising revenue—most commonly, sales taxes—for transportation improvements and in choosing projects to finance, county governments and agencies may challenge or welcome expanded MPO funding powers. To date, the “quiet revolution” that has bolstered local option taxes has not formally included MPOs in decision making about how to direct these tax revenues.

Where county and MPO boundaries match closely, as in Las Vegas, county governments may be more accepting of MPO authority to raise and program new revenues. However, in large multicounty MPOs, individual counties may prefer local ballot initiatives preserving their ability to choose projects. Conceivably, an MPO that straddles two or more states may face even more resistance from constituent political jurisdictions in its pursuit of enhanced funding authority. Table 2 shows the population of MPOs by the number of urbanized areas served. Although urbanized areas are not drawn on county boundaries, the table uses urbanized area designations as a proxy for single jurisdictions to create a picture of jurisdictional complexity among MPOs.

POLITICAL LEGITIMACY / REPRESENTATIVENESS OF THE MPO

The contours of MPOs’ political representation seldom draw public attention, but this could change if more MPOs gained responsibility for regional revenues. Where an MPO is not viewed as representative of a region, its legitimacy to direct revenue may come into question.

Several existing studies show possible ways to evaluate an MPO’s legitimacy as a representative body. Lewis and Sprague used an index to quantify “the degree to which representation of the population is skewed on any MPO governing board” (1997, p. 143). For

<table>
<thead>
<tr>
<th>Urbanized Areas Served</th>
<th>No. of MPOs</th>
<th>% of MPOs</th>
<th>Cumulative %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>274</td>
<td>71</td>
<td>71</td>
</tr>
<tr>
<td>2</td>
<td>67</td>
<td>17</td>
<td>89</td>
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<td>3</td>
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<td>99</td>
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<tr>
<td>7</td>
<td>3</td>
<td>1</td>
<td>99</td>
</tr>
<tr>
<td>More</td>
<td>2</td>
<td>1</td>
<td>100</td>
</tr>
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Source: National Transportation Atlas Database 2006, Bureau of Transportation Statistics. MPOs = metropolitan planning organizations.
California MPO boards, they assessed proportionality between a member jurisdiction’s board power, measured in seats or votes, and that jurisdiction’s regional population share. The more an MPO’s board or voting structure deviates from proportionality, the less favorable its index score. McDowell (1995) used an index of “Central City Voting Power” to describe a small sample of MPOs. Those MPOs with a voting index of 1.00 give central city populations power in direct proportion to their share of regional population. MPOs with a score below 1.00 give too little power to central city representatives (Chicago & New York MPOs), and those with a score above 1.00 give central city members too much power. Nelson, Sanchez, Wolf, and Farquhar (2004) have also scrutinized the representativeness of MPO voting boards.

Although different regions may apply different standards to judge their MPO’s representativeness, all MPOs seeking more authority to raise and spend revenues are likely to face increased scrutiny in this regard. Often, MPOs are reluctant to revisit the agreements or memoranda of understanding that establish the composition and voting structures of their boards; any redistribution of board seats or votes upsets the status quo (Hoover, McDowell, & Sciara, 2004). However, if new regional funds were on the table, an MPO judged as not representative could face pressure to redesignate, forcing a reallocation of voting power on its board.

ORGANIZATIONAL CREDIBILITY

An MPO that has, through its planning and programming work, demonstrated to elected officials, local agencies, and the public that it has the staff, technical and administrative expertise, and public confidence required to program and administer regional revenues will have an advantage when seeking new transportation revenues and for authority to direct their expenditure. As one observer consulted in this study noted, “If other players—local governments, transit operators, etc.—haven’t concluded that the MPO is credible, that it can take on this function, then the MPO can’t raise its hand and say, ‘Oh! We’ll do this.’”

Organizational credibility also extends to an MPO’s political aptitude. When pursuing Question 10, the Las Vegas MPO appointed a community steering committee composed of transit advocates, citizens, environmental groups, developers, chamber of commerce representatives, and the gaming community to develop a measure that would receive broad support. In the view of one local expert, this public involvement effort gave elected officials political cover, enabling them to endorse tax increases as something the public wanted.

LEGAL AUTHORITY

Perhaps the thorniest issue affecting the potential for MPOs to collect and program new transportation revenues is the limited nature of many MPOs’ legal authority. MPOs are federally required in areas having more than 50,000 in population, and they must be officially designated by the state. However, many state constitutions neither establish MPOs as legal entities nor vest them with the authorities typically exercised by government entities. In New York State, for instance, MPOs exist only through memoranda of understanding signed by the participating local jurisdictions, and to receive federal PL dollars or to pay staff, MPOs must have a governmental host with those authorities. Also, recall that Las Vegas’s Question 10 relied on specific enabling legislation permitting, but not requiring, an indirect transfer of taxing authority from the county to the MPO.

In states with councils of government (COG), MPOs’ legal authority may present a lesser hurdle. When MPOs were first formed in the 1960s and 1970s, many were also COGs; metropolitan transportation planning was made a COG function. Because COGs are regional bodies vested with various authorities and responsibilities under state law, MPOs anchored within COGs may have different options for acquiring revenue authority.

Another means of vesting MPOs with legal authority to collect and program revenues may exist in older statewide substate districting acts. In the 1960s, many states passed legislation establishing statewide systems of substate or regional districts for planning purposes (Advisory Commission on Intergovernmental Relations, 1972). In some states, the regional...
districts could, through referendum or other mechanisms, establish a service district with the same boundaries to provide regional services such as waste removal. Where such substate districts still exist, a district serving the same area as the MPO could supply a vehicle for constituting MPOs with greater authority. How these older substate districting acts could be used to enhance MPOs’ authority requires further research.

V. Conclusion

Recent evidence suggests that, despite their legal and institutional constraints, some MPOs may be ready to pursue independent authority for raising and allocating transportation funds and that some states may support such moves. Question 10 in Las Vegas shows how, with the help of state legislation, one MPO borrowed county taxing authority to finance transportation investments with regional fuel, development, and sales taxes. Additionally, in the San Francisco Bay Area, state legislation created a regional bridge tolling authority to parallel the MPO; after meeting the maintenance and preservation needs of the region’s bridges, the authority may use remaining funds to finance other regional transportation improvements. Also, by enabling the formation of RMAs, Texas has acknowledged a need for substate institutions for generating transportation dollars, although it has not safeguarded metropolitan-level plans and decision making as well as it could have. These examples indicate that some states and regions are responding together to meet transportation needs with institutional innovations at the regional level.

These actions are consistent with earlier research on the responses of MPOs and other regional bodies to the changing resource environment of the 1980s. When federal support for regional entities shrunk, MPOs and regional councils became more entrepreneurial; they sought strategic relationships with local governments, other regional bodies, and private entities to build increasing support for regional initiatives (Gage, 1992; McDowell, 1984). Recent examples from Las Vegas, the San Francisco Bay Area, and Texas are different, however, in that the regional bodies in question have pursued revenue-generating authority, an authority reserved for qualified government entities. Three decades ago, a study of regionalism in the United States described the challenge facing regional governance efforts in any sector. Its observations ring true for MPOs today, particularly as they face widening resource constraints and pressure to develop regional funding sources.

It is difficult to establish and nourish public regional machinery. . . . Our three-tiered governmental structure may not accommodate all the problem solving and service rendering we demand, but the heavy presumption is in favor of performance or attempted performance by a single city or county, a single State, or an agency of the National Government. Those who would have it otherwise must bear the burden of inventing a new creature and explaining why the more familiar and already entrenched mechanism cannot or will not do the job. They must make their explanations to bureaucracies which sometimes view a newly proposed agency as a potential competitor; to legislatures who look upon it as a new mouth to feed; and to a public that constantly wonders whether the burdens and restrictions lurking in the new creature’s organic act will be sufficiently compensated by the yet-unproven benefits. In light of these obstacles, it is not surprising that only a small percentage of regional compacts . . . have yet come into being. Indeed the circumstance is similar for each of the mechanisms that might be used to operate major regional undertakings on an intergovernmental basis. (Advisory Commission on Intergovernmental Relations, 1972)

This article has reflected on the trend in federal and state governments to push responsibility for transportation finance and decision making to lower levels of government, and it has considered the role that some MPOs may play in this era of devolution. If MPOs are well suited to making long-range transportation choices and near-term investment decisions, perhaps some could also be empowered to raise the revenues that would support these decisions. For many reasons, however, empowering MPOs to raise revenues is not a straightforward project. Given the diversity of MPOs and the regions they serve, it is impractical universally

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to advocate such authority or to propose a single model for achieving it. Regional circumstances as well as relationships between states, MPOs, counties, and cities will shape an MPO’s prospects and choices for acquiring this authority.

Appendix

The Soft Match: In-Kind Services Given by States to Metropolitan Planning Organizations

<table>
<thead>
<tr>
<th>Insurance</th>
<th>Site hosting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchasing</td>
<td>Staff payroll / salaries</td>
</tr>
<tr>
<td>Engineering services</td>
<td>Staff benefits</td>
</tr>
<tr>
<td>Office space / rent</td>
<td>Utilities</td>
</tr>
</tbody>
</table>

Notes

1. The U.S. Bureau of the Census defines an urbanized area as having 50,000 or more residents. Here, we use the terms urbanized and urbanized area in contexts in which this official designation is important for funding policies or planning requirements. We use the term urban more generally to denote places that are citylike or metropolitan in character.

2. Intermodal Surface Transportation Efficiency Act, pronounced “ice tea.”

3. Transportation Equity Act of the 21st Century, pronounced “tea twenty-one.”


5. National Surface Transportation Policy and Revenue Study Commission. One appointee to this 12-member commission directs a prominent metropolitan planning organization.

6. The amount of PL funds available to a state is calculated as a 1.25% of the total funding received under the five “core programs” in transportation spending. The federal transportation funding categories known as the core programs are Interstate Maintenance (IM), National Highway System (NHS), Bridge Repair and Rehabilitation, Congestion Mitigation and Air Quality Improvement (CMAQ), and the Surface Transportation Program (STP). The minimum guarantee is not used to calculated PL funds distributed to MPOs.

7. Figures are rounded to the nearest thousand.

8. The U.S. Census defines a large urbanized area as having a population of 200,000 or more.

9. Of all STP funds allocated to a state, 10% is earmarked or dedicated for transportation enhancement projects and another 10% for safety projects; in areas under 200,000 in population, the DOT may decide how to program or spend these funds. The 80% remaining in a state’s STP allocation is divided into a statewide share (37.5%), over which the DOT has discretion, and an urban share, or “metropolitan suballocation” (62.5%), which goes to urbanized areas and small non-urban areas.

10. They are the Antioch, Benicia-Martinez, Carquinez, Dumbarton, Richmond–San Rafael, San Francisco–Oakland Bay and San Mateo–Hayward bridges.

11. A base $1 auto toll was enacted by Regional Measure 1 in 1988. In 2004, Regional Measure 2 added a second toll dollar for disposition by BATA, as well as a third dollar to be administered by Caltrans specifically for seismic retrofit bridge projects. The current toll is currently $4: a $2 base toll and a $2 seismic retrofit surcharge.

12. To date, only one Texas city, El Paso, has been granted state approval to form an RMA.


14. We thank Bruce McDowell of the National Academy of Public Administration for this insight.

References


