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**City  
Club** of Portland

**BULLETIN**

Portland, Oregon

Vol. 56, No. 52

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*Printed herein for presentation, discussion and action on Friday, April 30, 1976.*

**REPORT  
ON  
AUTHORIZES VEHICLE TAX MASS TRANSIT USE  
(State Measure No. 4)  
AND  
AUTO REGISTRATION FEE/CREDIT FOR TRANSIT  
(Tri-Met Measure No. 26-1)**

*The Committee:* Robert P. Michelet, Charles E. Sikes, John Svicarovich,  
Marjorie G. Thomsen, Warren H. Marple, *Chairman.*

*For the Majority*

Nancy Bordwine, John Ulrich

*For the Minority*

Published April 22, 1976

Vol. 56, No. 52

(Special Edition)

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*"To inform its members and the community in public matters and to  
arouse in them a realization of the obligation of citizenship."*

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**REPORT**  
**ON**  
**AUTHORIZES VEHICLE TAX MASS TRANSIT USE**  
**(State Measure No. 4)**  
**AND**  
**AUTO REGISTRATION FEE/CREDIT FOR TRANSIT**  
**(Tri-Met Measure No. 26-1)**

Purpose, State Measure No. 4:

Amends constitutional provision relating to use of motor vehicle fuel taxes and taxes on ownership, operation and use of motor vehicles to permit a tax on ownership, operation and use of motor vehicles levied by a transit district to be used for transportation of passengers.

Purpose, Tri-Met Measure No. 26-1:

Approves Tri-Met ordinance establishing \$10 automobile registration and renewal of registration fee paid every other year to help Tri-Met improve services; makes effective \$10 credit towards one month's bus pass upon each fee payment; exempts certain commercial and farm vehicles, trucks, trailers and miscellaneous other vehicles; fee to be collected by Motor Vehicles Division; effective July 1, 1976.

To the Board of Governors,  
The City Club of Portland:

### **I. INTRODUCTION**

State Measure No. 4 (SM 4) if approved by the voters at the May 25, 1976 primary election, would amend the Oregon constitution to allow a motor vehicle tax to be used for "transportation of passengers" when the tax is imposed by a mass transit district.

Tri-Met Ordinance No. 26-1 (M 26-1) asks voter approval of a \$10 per biennial registration fee for passenger cars registered in the three-county Tri-Met service area. The measure also provides a \$10 credit toward a Tri-Met bus pass upon each fee payment.

Measure 26-1 is authorized under the provisions of HB 2432. The 1975 Oregon legislature enacted HB 2432 to authorize mass transit and mass transportation districts to impose an automobile registration tax, and the State Motor Vehicles Division to collect it, subject to favorable vote of the people of the district.

### **II. BACKGROUND**

Historically, state taxes on motor vehicles in Oregon have been tied to highway-related uses. As the 1974 City Club report on Highway Fund Use for Mass Transportation stated, from 1913 to 1942 statutes limited use of such taxes to construction, maintenance and policing of public highways, including retirement of related bonds. In 1925, use for acquisition, development, maintenance and publicizing of parks, recreational, scenic and historic places was added. In 1942, these restrictions were placed in the Oregon constitution. Their principal proponent was the Oregon Motor Association and its parent, A.A.A. The National Highway Users Conference was then conducting a national campaign for such constitutional amendments and eleven other states so amended their constitutions.

A City Club committee recommended passage of this 1942 constitutional amendment, but observed,

“The status quo will remain unchanged by the passage or defeat of the proposed amendment, since it is purely a precautionary measure . . .”<sup>1</sup>

The 1942 amendment has remained unchanged to the present. Opinions of the Attorney General have construed this amendment to permit use of motor vehicle taxes only for highways and related activities as they existed in 1942. For example, it would be constitutionally permissible for vehicle-related taxes to finance such mass transit projects as bus rights of way and park-and-ride facilities. Bus system operational costs or light rail facilities could not be financed by such revenues under existing constitutional provisions.<sup>2</sup>

In 1973, in an effort to loosen constitutional restrictions on the application of the Highway Fund, Governor McCall, with the support of Highway Commission Chairman Glenn Jackson and Portland Mayor Neil Goldschmidt, asked the legislature to “submit to the people a proposal for reducing the fiscal rigidity of our highway trust fund” in order “to provide an integrated transportation system.”<sup>3</sup>

The 1973 legislature responded with State Measure No. 2 and HB 2276. SM 2 would have amended the Oregon constitution to permit motor vehicle taxes to be used for mass transportation. HB 2276 would have implemented the amendment by authorizing up to eight percent of motor vehicle tax revenues to be used for mass transit. SM 2 failed in the May 1974 primary and HB 2276 died with it. The City Club had recommended voter approval of SM 2.

Nevertheless, state and local officials (especially local officials in mass-transit-minded areas) continued to seek funding options for mass transit. The Governor’s Task Force on Transportation recommended to the 1975 legislature that auto registration fees be used for mass transit and that a higher gas tax and a large-vehicle weight-mile tax increase be used to meet the growing Highway Fund deficit.

Basically, the legislature adopted that recommendation. Through House Joint Resolution 18, it created SM 4 to address the constitutional barrier to use of vehicle taxes for financing mass transit services. It also enacted HB 2432, which would allow transit and transportation districts to propose and submit to their voters a measure that would authorize a vehicle registration fee of \$10 per biennium to be used for mass transit purposes. Without approval of SM 4, such revenues could be used only for road-related purposes. With voter approval of SM 4, they could be used for general mass transit purposes.

By placing Measure 26-1 on the primary ballot in Clackamas, Multnomah and Washington Counties. Tri-Met is the only transit district to take immediate advantage of the local financing option provided by HB 2432.

Unlike the 1973 proposals, 1975 legislation separates the constitutional measure from the financing measure and provides that the financing measure generate funds locally, rather than statewide through the Highway Fund. Those interlocking characteristics of the previous measures were regarded to be responsible for opposition to them during the 1974 election.

### III. MAJOR FEATURES

#### State Measure No. 4

SM 4 would amend the Oregon constitution to permit transit or transportation districts<sup>4</sup> to levy a motor vehicle ownership or use tax to finance mass transit services. The

<sup>1</sup>City Club of Portland *Bulletin*, Vol. 23, No. 23, Oct. 16, 1942, p. 7.

<sup>2</sup>City Club of Portland *Bulletin*, Vol. 54, No. 52, May 17, 1974, p. 230.

<sup>3</sup>Governor Tom McCall, Message to the 57th Legislative Assembly, p. 7.

<sup>4</sup>The term “transit district” designates a transportation governing authority for a metropolitan area of more than 50,000 people; and “transportation district” applies to areas with smaller populations. The measures under consideration apply to both.

new language which would be added to Article IX of the constitution is, ". . . and the proceeds of any tax or excise levied on the ownership, operation or use of motor vehicles, when imposed by a district formed primarily for the purpose of providing transportation of passengers, may be used for the transportation of passengers."

Under current constitutional provisions, taxes generated from motor vehicle ownership, operation, use or fuel marketing may be used only for street and road construction, improvement, maintenance and policing and for park and recreation area development and maintenance.

Current constitutional provisions may be construed to allow "road-related" application of vehicle registration fees levied by a transit or transportation district. Such a tax, should it be approved by voters in a district, could not, at present, be used to finance operational costs such as labor, fuel, equipment, and parts.

The major feature of this proposed constitutional amendment would be to allow a motor vehicle registration fee (approved by affected voters) to be used for *any* mass transit purpose, whether bus lane construction, bus maintenance, or personnel salaries and benefits. While SM 4 addresses *the manner in which vehicle-related revenues may be applied*, it is not a revenue measure itself. If passed, the amendment would be a dormant legal provision if it did not have a voter-approved, vehicle-related tax to govern.

Tri-Met has placed such a revenue measure, M 26-1, on the May 1976 Primary ballot; SM 4, if passed, would have immediate application in the tri-county area if M 26-1 also passed. No auto registration fee measure is on the ballot elsewhere in Oregon.

The primary impact of SM 4 outside of the Portland metropolitan area, should it pass, would be to give transit and transportation districts the future option to seek revenues through an auto-related tax. Presently those districts such as Medford, see payroll or income taxes as more viable revenue sources for their mass transit service needs.

### **Tri-Met Measure No. 26-1**

The 1975 legislature which passed HJR 18 authorizing SM 4 also enacted HB 2432, which authorizes a transit or transportation district to levy a motor vehicle registration tax of up to \$10 per vehicle every two years. The law also provides that the ordinance imposing the tax must be submitted to the voters in the district in which it would be implemented. Hence, Tri-Met has placed M 26-1 on the Primary ballot for voters in Clackamas, Washington and Multnomah Counties.

If approved, M 26-1 would permit the Department of Motor Vehicles to assess tri-county owners of passenger vehicles \$10 with each new vehicle registration and with each biennial renewal of registration, *effective July 1, 1976*.

The tax would *not* affect commercially registered vehicles, off-road vehicles, or recreation vehicles, or antique show cars. Revenue collected by DMV would be forwarded to Tri-Met. Because a vehicle's registration cycle begins at purchase, revenues from the registration fee would flow in at random intensities dependent on past and present vehicle sales rates.

As a condition of M 26-1, as indicated in the language of the measure, Tri-Met would give tri-county auto registrants a \$10 credit toward the purchase of a one-month bus pass (due to cost \$14 effective July 1) as an incentive for voters to approve the measure and to use the bus system.

If passed by tri-county voters, M 26-1 is expected to generate about \$4 million of revenue annually, but use of the bus pass credits is expected to offset that income by about \$500,000. The measure, therefore, would generate about \$3.5 million annually.

If M 26-1 passes but SM 4 fails, Tri-Met could use the funds for "road-related" purposes such as the Downtown Transit Mall, park-and-ride stations, suburban transit stations, bus lanes, or bus turnouts on state and county highways. It is expected that such projects would be exhausted after three to five years and, presumably, Tri-Met would then have a surfeit of funds from this source.

#### IV. ARGUMENTS ADVANCED IN FAVOR

##### State Measure No. 4

1. Passage of SM 4 would give mass transit and transportation districts greater flexibility in use of funds from auto-related sources. The 1942 constitutional provision now governs use of auto-related funds, but today's needs are different than those of 1942. Mass transit needs are expanding, so mass transit funding options have to expand as well.

2. This amendment would make available an additional source of income to meet future increases in demand for mass transit.

3. Revenues to be governed by the amendment would be levied only in districts where a majority of the affected voters give approval. Thus, only those districts which stand to benefit from mass transit would pay the tax (if approved locally). This would allow general, statewide funds to be used for projects of statewide benefit.

4. The amendment would encourage local responsibility in solving local transportation problems, and would tie the level of taxation more closely to the needs and desires of those taxed.

5. Passage of the amendment would not divert any funds now intended for highways and parks.

6. Motor vehicle fees are a reliable and largely untapped source of revenue.

7. Because mass transit alleviates some of the problems largely caused by the widespread use of the auto, taxing the automobile for mass transit is justified.

8. Passage of the amendment would give new transportation districts a tool (now or in the future) for use in creating or building a transportation system.

##### Tri-Met Measure No. 26-1

1. Revenue generated from passage of M 26-1 would contribute to the expansion of mass transit, among the benefits of which are:

- a. broader service capacity (e.g. to the handicapped, elderly, and young);
- b. reduction in traffic congestion and related problems, which benefits non-riders;
- c. conservation of energy resources;
- d. reduction of need for additional roads and highways;
- e. reduction of air pollution, which will allow industrial growth;
- f. contribution to the overall livability of the community.

2. CRAG and state Department of Transportation studies project increases in traffic (with no major growth in highway capacity) and a tripling of transit trips by 1990. Increased revenue (both in the amount of money and number of sources) will be needed to meet the demand.

3. Passage of 26-1 would create an additional source of revenue to relieve pressure on the payroll tax, which most observers agree is in danger of being overburdened.

4. Each payment of the \$10 fee would be refundable as a \$10 credit on a one-month bus pass.

5. Since Oregon's auto registration fee is among the lowest in the nation, it is a good source for additional taxation.

6. The mechanism for collecting the tax is already in place (Motor Vehicles Division).

7. The legislature acted responsibly in limiting the auto registration transit tax to \$10.

8. Tri-Met's past performance and its published plans for future service justify continued support and additional funding through this measure.

#### V. ARGUMENTS ADVANCED IN OPPOSITION

##### State Measure No. 4

1. Safe, efficient movement of people requires good roads and highways, yet the state highway fund is increasingly unable to meet costs of maintenance and improvement. The road and highway system is of such fundamental importance to the major mode of transportation, the automobile, that revenues from all vehicle-related sources (such as registration taxes) should be reserved for meeting road and highway needs.

2. Revenues generated by road users should benefit road users through maintenance and improvements that *directly* create added safety and driving efficiency.

3. Passage of SM 4 would set a precedent for future assaults by mass transit or other interests not only on potential highway revenue sources, but perhaps on current highway funds as well. Highway funds are too important in the statewide transportation picture to be placed in such jeopardy.

#### **Tri-Met Measure No. 26-1**

1. A vehicle registration tax has too much potential usefulness for comprehensive statewide transportation needs for it to be pre-empted by a transit district. Also, it could generate larger revenues with greater efficiency at the state level.

2. Passenger vehicle costs are high and getting higher. Most people still need auto transportation more than bus transportation. The proposed auto registration tax in M 26-1 would bring the tri-county resident's cost of registration to \$35 every two years: \$20 for the state, \$10 for Tri-Met, and \$5 for the state emission inspection now required of tri-county residents.

3. Transit interests argue that one of the key benefits of mass transit to be derived from the vehicle registration tax would be cleaner air. Tri-county residents are already paying for *and contributing to* a cleaner airshed through the \$5 vehicle emission inspection required by the state.

4. Although Tri-Met is offering a "transit use rebate" through a \$10 bus pass credit to vehicle tax payers, the credit will not be useful to vehicle owners whose transportation needs cannot be met by Tri-Met. Thus, passage of M 26-1 would force people who do not or cannot use the transit system to subsidize those who do.

5. The tax contained in M 26-1 is regressive. That is, it is the same for everyone regardless of ability to pay. Thus, it would place a disproportionate burden on tri-county residents with limited incomes who depend upon their automobiles for transportation.

6. The \$3.5 million a year that passage of M 26-1 is projected to generate will not be terribly significant in meeting Tri-Met's financing needs. Tri-Met's deficits will grow as its costs rise and its operations expand. In fact, passage of M 26-1 may simply aggravate this financing problem by giving Tri-Met additional leeway to make capital expansions or service commitments that will, in years to come, lock it into higher operational costs which the taxpayer will be asked to support.

7. The vehicle registration tax contained in M 26-1 represents an additional, not a substitute, revenue source.

8. Although additional revenues can only be generated by tri-county voter approval of M 26-1, the electorate has no direct control over the use of such funds, because the Tri-Met Board is appointed by the governor.

## **VI. GENERAL DISCUSSION**

Although the two measures under study are designed to serve one broad purpose—the support of mass transit through use of automobile registration taxes—each would do so in a different way.

M 26-1 asks voters in Clackamas, Multnomah and Washington Counties whether they are willing to give Tri-Met added financial support by paying a \$10 mass transit tax every two years with the registration of their passenger vehicles. SM 4 asks voters *throughout Oregon* whether the State constitution should be amended so that voter-approved revenues from measures like M 26-1 can be used for mass transit purposes beyond those that are strictly road-related.

As a practical objective, Tri-Met wants the \$3.5 million annual revenues sought in M 26-1 only for road-related capital expenditures currently allowed under the Oregon constitution. In the next five years, the transit system would use such funds to match federal funds for construction of the Downtown Transit Mall, suburban transit stations, park-and-ride stations, and bus lanes along existing arterials. Tri-Met is committed to

these projects and intends to finance them even if the measure fails. To begin generating the annual match required for federal construction money, Tri-Met raised the payroll tax from .4% to .5% effective January 1, 1976. That .1% increase is programmed to expire in July 1977. If M 26-1 passes, it is likely that the payroll tax will be allowed to automatically revert to .4% on schedule. However, if the measure fails, there is a good possibility that the Tri-Met Board will vote to extend the increase in order to continue financing match requirements on the construction projects.

Tri-Met has based its financial projections on citizen and legislative recommendations that support for Tri-Met come from one-third farebox revenue, one-third automobile-related taxes and one-third local tax revenues. Tri-Met has adopted as a policy goal that farebox revenue cover at least 40 percent of operations costs.<sup>5</sup>

Passage of SM 4 would have no immediate concrete impact because Tri-Met has earmarked potential revenues generated by passage of M 26-1 for road-related projects; and, unlike Tri-Met, no other transit system in Oregon has taken advantage of HB 2432 to ask voters for transit funds from an auto registration tax. Tri-Met and other transit systems throughout the state, however, would like to see SM 4 pass because it would give them broader funding and fund-use options should they be needed in the future. The Committee believes this funding option may be more important to fledgling transit systems in areas like Medford, which may need the flexibility to apply voter-approved auto registration taxes to operational uses. The fund-use flexibility in the amendment might someday prove useful to Tri-Met for light rail construction or other non-highway applications, but the time, variables and uncertainties that lie ahead make such possibilities purely speculative.

However, proponents and opponents of the two measures see numerous implications beyond the immediate outcomes discussed above, particularly in regard to M 26-1.

In asserting the importance of the measures, especially M 26-1, proponents cite the following premises to which the Committee agrees:

1. Mass transit is a beneficial, indeed indispensable, transportation mode that is here to stay. It not only transports large numbers of people efficiently, it enhances the overall livability and health of the community.

2. General public support for mass transit is not only absolutely necessary for it to survive, but it is also justifiable because of the system's broad public benefits. This is consistent historically with public subsidy for railroads, highways and airlines.

3. Mass transit in the greater Portland area must be expanded to meet anticipated growth in needs; and mass transit systems should be developed in other populous areas of Oregon where needs exist now and are expected to grow rapidly in the near future.

4. Because existing local revenue sources (fares and payroll taxes) for Tri-Met cannot feasibly be raised drastically, new public revenue sources are needed to help pay for expansion of the mass transit system. Other parts of Oregon should have similar new funding options in case their efforts to obtain transit funds through traditional sources fail.

Given these premises, the Committee addressed the central question of how justifiable an automobile registration tax is in meeting the need for supplemental transit revenue. The Committee concurs with Tri-Met's dismissal of such revenue sources as income and property taxes as politically impractical. The Committee agrees that an automobile registration tax is the most feasible new revenue source politically, in part because Oregon's registration fees are among the lowest in the nation.

But is it fair? The Committee concedes that no tax is entirely fair. There are only taxes that are more nearly fair, and the auto registration tax appears to fit this category, if for no other reason than that automobile owners, both as drivers and as citizens, benefit from general transit system improvements that affect the entire community. They

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<sup>5</sup>"A Report from the General Manager 1974-75, Tri-County Metropolitan Transportation District of Oregon," p. 7.

benefit from less congested roads, from cleaner air, from reduction in the need to build new roads that rob the public of both finances and land, and from reduction in the drain on overall energy resources. In effect, car owners benefit from mass transit by enjoying a more livable community. They also benefit by building a transportation system that can function on their behalf in the event of another gas shortage like the one which occurred in 1974. Finally, auto owners may recover the \$10 contribution to the transit system by using a \$10 credit from Tri-Met toward the cost of a one-month bus pass. Thus they benefit by direct access to what they have contributed; and they will benefit, in many cases, by their own introduction to the transit system and by the introduction of other new riders to the system.

The next question to consider is the degree to which Tri-Met's use of the auto registration tax will affect the transit system through improved capability. Tri-Met witnesses and supporters believe that the Downtown Transit Mall, suburban transit stations, park-and-ride stations, and additional bus lanes will significantly improve Tri-Met services and stimulate increased ridership. If this projection is correct, your Committee feels that a \$10 tax every two years would be a small investment for such a large return. The Committee also feels that appropriate restraints have been placed on the tax by the legislature. It is limited to \$10; it must be approved by affected voters; and it cannot be increased without further approval by the legislature and affected voters.

In conjunction with HB 2432, SM 4 involves a large and fundamental question: whether a revenue source traditionally guarded for highway-related uses should be allowed to finance general mass transit needs.

The Committee feels that neither mass transit nor highways benefit by competing with one another for funding. The state needs a balanced transportation outlook based on concern for environmental quality and conservation of energy resources. The facts of the matter are that 1) automobiles will continue to have an essential role in Oregon transportation in the foreseeable future, but that 2) *exclusive* reliance on the automobile can no longer be afforded, especially in urban areas, in either dollars-and-cents, environmental, or energy resource terms. The Committee feels that mass transit's role is important enough and that mass transit benefits automobile owners enough to justify their paying a minimal contribution to mass transit services in their community. And if voters in a district see enough merit in mass transit to approve a levy of a registration tax, then there should be no restrictions on the use of revenues from that tax, most Committee members believe. Further, most members feel there would be no benefit in passing a tax with a road-related use restriction, particularly in areas like Medford, which may need the revenue for operations and for capital expenditures that are not road-related. However, while most of the Committee feel a road-related use restriction is detrimental, all Committee members feel that transit or transportation districts should be very specific in letting voters know what use is to be made of proposed auto registration taxes.

The Committee acknowledges that the Oregon highway fund is seriously short in its ability to improve and maintain roads and highways. The gas tax is no longer producing enough additional revenue each year to keep up with rising labor and material costs. Proponents believe that SM 4 and M 26-1 pose no real threat to highway needs. Nor do they feel that approval by transit district voters of an auto registration tax would effectively preempt statewide acceptance of such a measure if voters felt highways were really in desperate need of additional revenues. Opponents are concerned that the collection and application of auto registration taxes in a local transit district would damage the potential to raise the auto tax on a statewide basis to meet highway needs. Members of the Committee are divided on the validity of these arguments.

## VII. MAJORITY CONCLUSIONS

1. The majority of the Committee believes that philosophical support for M 26-1 is justified by 1) the broad public benefits of mass transit in the greater Portland area, 2) the need to expand the system to improve services and to keep pace with regional

growth, and 3) the need to more fairly distribute the tax burden for support of transit services.

2. The majority is convinced from a practical standpoint that support of an auto registration tax is justified by 1) the need for the projects it will finance, 2) its political feasibility as a revenue source, 3) its ease of collection and administration, and 4) the benefits that will be returned to the vehicle owners who pay it.

3. The majority feels that the proposed tax is a modest revenue measure in view of the benefits it will create. Further, the majority believes the tax proposal is sensitive to citizen control because it is limited to \$10 and because it requires voter approval for both its imposition and for future proposals to raise it.

4. The majority believes that passage of M 26-1, as a local measure, would have little, if any, detrimental bearing on Oregon's ability to solve its highway funding needs. On the contrary, the road-related improvements it would create in the Portland metropolitan area would contribute to the relief of highway funding needs.

5. The majority is convinced that Tri-Met's current policy goal of 40 percent farebox support is reasonable, and in line with established criteria around the nation. Large fare increases would be counterproductive to the effort to attract ridership and thus build a sound regional transit system. We have confidence that Tri-Met will raise fares as needed to meet this goal.

6. As a basis for rejecting support of M 26-1, opponents have tried to make a case that Tri-Met planning, management, and operations have not been fiscally sound. The majority rejects this argument as unfounded by evidence and irrelevant to the focus of this study.

7. The majority concludes in regard to SM 4 that limitation of vehicle revenues to highway-related use is contrary to the wisdom of a balanced transportation system in Oregon. The merits of harboring motor vehicle revenues for highway-related purposes belong to an era that has passed. Thus it believes this constitutional restraint should be removed.

### VIII. MINORITY RECOMMENDATIONS

The majority of your committee recommends:

1) That the City Club of Portland go on record favoring a YES vote on State Measure No. 4 in the May 1976 primary election.

2) That the City Club of Portland go on record favoring a YES vote on Tri-Met Measure No. 26-1 in the May 1976 primary election.

Respectfully submitted,

Robert P. Michelet

Charles E. Sikes

John Svicarovich

Marjorie G. Thomsen

Warren H. Marple, *Chairman*

*For the Majority*

### IX. MINORITY DISCUSSION

The minority feels that the key issue is that Tri-Met is not presently making prudent use of existing revenues and revenue sources.

The minority feels that the question being researched is not whether mass transit is needed or whether its fringe benefits (air quality, energy savings, etc.) are worth the taxpayers' concern and support; but whether the additional revenue and application of revenue as dictated by passage of SM 4 and M 26-1 are really necessary. As recognized earlier in general discussion, passage of SM 4 could benefit other transit or transportation districts in the State. Our research shows, however, that no other district plans at this time to try to obtain an auto registration tax. The provisions of SM 4, if passed, would merely lie dormant, available for later application. It is for these reasons the

minority feels prudent management of Tri-Met is the issue. At this time, Tri-Met is the sole beneficiary if both measures pass.

The minority agrees that a transit system, whether government controlled or in the private sector, cannot operate on farebox revenue alone. Both Rose City Transit and Tri-Met have found this true. However, we question Tri-Met's goal of 30-40 percent of total revenues coming from the fare box. We feel the user should support a greater percentage of the operating costs. Fares should be commensurate with the service rendered. It does not seem prudent to ride from Forest Grove to Portland (or even on to Gresham) for only 35¢. The minority feels that fares could be increased considerably without a substantial loss in ridership.

The minority feels that these are the key areas of concern with Tri-Met's use of funds and resources:

1. Projections for a 51.7 percent increase in farebox revenues are based solely on increased ridership and the average fare per rider is not projected to increase from July 1, 1976 through June, 1981. In that same period operating expenses are projected to increase 59.1 percent.<sup>6</sup>

2. Present bus schedules should be adjusted to increase the number of riders per bus per mile. This is especially true of lines which serve the outlying cities in Tri-Met's service area.

3. Federal matching funds for capital improvements are used with no apparent thought given to the increased cost of operation and maintenance that such improvements create.<sup>7</sup>

Many people are concerned over the autonomy of Tri-Met and its lack of direct accountability to the taxpayers. Even understanding why this type of transit authority was created at the time of the Rose City Transit crisis, there is question as to whether a single purpose government of this type is in the best interest of the citizens.

To continue to support Tri-Met as it now stands indicates our compliance with its autonomy, management, policies, and financial prudence. It is the dissenting members' opinion that continually subsidizing the present level of operating losses will not bring about the changes needed for responsible fiscal operation.

Information received from the witnesses indicates that eventually the vehicle tax will have to be increased statewide to accommodate much needed highway maintenance. If SM 4 passes, the minority is concerned that a *source of funds* for this necessary highway maintenance will be taken from the Department of Transportation. For the sake of human safety this maintenance must be funded in a timely manner. In the very probable event of an increased statewide vehicle tax, said tax in the Tri-Met area would be out of proportion to the rest of the state. The Tri-Met area vehicle owners are already "fighting pollution" with the controversial DEQ test and \$5 fee.

The second area of concern is that amendment of the constitution would allow the collection of a vehicle tax by a transit district but in no way controls how that money would be spent. This brings the minority back to its concern over Tri-Met's prudent financial management.

## X. MINORITY CONCLUSIONS

1. The minority cannot support SM 4 because it would permit diversion of a possible source of highway division maintenance funds and it does not specify control over how the money raised by transit or transportation districts would be spent. The minority feels that revenue derived from a vehicle tax should not be applied to mass transit operating deficits.

<sup>6</sup>"5-Year Projection Based on 1975-1976 Budget Adjusted to Include Supplemental Budget," provided by B. J. Seymour, Tri-Met.

<sup>7</sup>"A Report from the General Manager 1974-75, Tri-County Metropolitan Transportation District of Oregon" containing Fiscal Year End Balance Sheet and Profit and Loss Statement, June 30, 1974 and 1975.

2. Revenues presently available to Tri-Met could be more prudently used. The fare box could and should contribute more to the total operating costs. Additional taxes imposed by passage of M 26-1 would be unfair and unnecessary, since the present payroll tax is paid indirectly by all residents of the Tri-Met district.

### XI. MINORITY RECOMMENDATIONS

The minority of your Committee recommends:

- 1) That the City Club of Portland go on record in favor of a NO vote on State Measure No. 4 in the May 1976 primary election.
- 2) That the City Club of Portland go on record in favor of a NO vote on Tri-Met Measure No. 26-1 in the May 1976 primary election.

Respectfully submitted,

Nancy Bordwine

John Ulrich

*For the Minority*

Approved by the Research Board April 8, 1976 for transmittal to the Board of Governors. Received by the Board of Governors April 12, 1976 and ordered published and distributed to the membership for consideration and action.

### APPENDIX A — SOURCES

The Committee interviewed or received testimony from the following sources:

- Harvey Akeson, State Representative, East Multnomah County
  - Associated General Contractors (written survey data)
  - George Baldwin, Director, Oregon Department of Transportation
  - Al Densmore, State Representative, Medford
  - Thomas C. Donaca, Counsel, Associated Oregon Industries
  - Richard Etherington, Director, Transportation Planning, CRAG
  - Charles H. Frost, Member, Board of Directors, Tri-Met
  - Rick Gustafson, State Representative, Portland
  - Fred W. Heard, State Senator, Klamath Falls (written testimony)
  - Glenn L. Jackson, Chairman, State Transportation Commission, Oregon Department of Transportation
  - L. R. Knepper, Manager, Automobile Club of Oregon (written testimony)
  - Wayne Kuni, President, Automobile Dealers Association of Portland
  - Donald F. Mazziotti, Chief Planner, Program and Policy Analysis, Bureau of Planning, City of Portland
  - Stephen McCarthy, Assistant General Manager, Tri-Met
  - B. J. Seymour, Public Information Officer, Tri-Met
  - Julie A. Williamson, Coordinator, Committee for Better Transit Funding, Portland
- We are grateful to City Club member Charles McGinnis for acting as our legal advisor.
- The Committee reviewed the following material:
- City Club of Portland *Bulletin*, "Highway Fund Use for Mass Transportation," Vol. 54, No. 52, May 17, 1974.
  - "A Report from the General Manager 1974-75, Tri-County Metropolitan Transportation District of Oregon."
  - "The Cooperative Transportation Planning Process in the Portland Metropolitan Area: Final Report of the Governor's Task Force on Transportation." Prepared by Systems Design Concepts, Inc., January 1975.
  - Tri-Met. "5-Year Projection Based on 1975-76 Budget Adjusted to Include Supplemental Budget."
  - Minutes of the House Transportation Committee concerning HJR 18 and HB 2432, Oregon Legislative Assembly, 1975.
  - Minutes of the Joint Ways & Means Committee concerning HJR 18 and HB 2432, Oregon Legislative Assembly, 1975.