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Public Transit Program Issues in Surface Transportation Reauthorization

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Summary

As enacted in the Safe, Accountable, Flexible, Efficient Transportation Equity Act — A Legacy for Users (SAFETEA), federal public transit programs are currently authorized through September 2009. Reauthorization of the transit programs this time around, along with other major surface transportation programs, may take place in a constrained funding environment due to the inadequacy of receipts into the Mass Transit Account of the Highway Trust Fund (HTF), the source of approximately 80% of transit program monies. In the past three surface transportation authorizations, by contrast, federal transit programs received substantial funding increases. In nominal terms, SAFETEA authorized a 46% increase in transit spending over the Transportation Equity Act for the 21st Century (TEA-21), and more than double the amount authorized in the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA).

The two major transit funding programs are the Urbanized Area Formula Grants Program and the Capital Investment Program, which includes the "New Starts" program, the Rail Modernization program, and the Bus and Bus Facility Capital program. Of the nearly $53 billion authorized by SAFETEA for transit programs from FY2004 through FY2009, the Urbanized Area Formula Program accounts for 42% of the total ($22.2 billion), and the Capital Investment Program accounts for 43% ($22.7 billion). The remaining 15% ($7.7 billion) authorized by SAFETEA funds several other programs, such as the Rural Formula Program, state and metropolitan planning, research, and FTA operations.

With looming fiscal difficulties but growing demand on the transportation system, there may be significant debate about the overall funding level, the structure of the current transit program, its priorities, and the resulting distribution of federal support geographically and by transit mode. Three among many possible alternatives for restructuring federal public transit programs are outlined in this report: 1) focusing more resources on major capital expenses for rehabilitation and expansion of transit services; 2) supporting and rehabilitating existing services rather than major capital expansion; and 3) the elimination of capital improvement programs altogether to be replaced by a simple "block grant" that could be distributed based on transit ridership or population. Debate is likely to be particularly intense over the size and structure of the New Starts program that provides federal funding for expanding transit capacity and accounts for about 18% of total transit program funding.

This report begins with a brief background on the characteristics of the transit sector and ridership trends. This is followed by a description of the current structure of the federal transit program. The next sections focus on potential reauthorization issues: the overall funding and structure of the transit program; the size and shape of the New Starts program including funding level, types of transit modes funded, project evaluation criteria, the share of local matching funds, and distribution of New Starts funding; issues with the Fixed Guideway Modernization program; distribution of federal funds to rural and small cities; and federal support for paratransit.

Contents

Public Transit Program Issues in Surface Transportation Reauthorization

Introduction

Federal public transit programs are currently authorized through September 2009 as enacted in the Safe, Accountable, Flexible, Efficient Transportation Equity Act — A Legacy for Users (SAFETEA), P.L. 109-59. Their reauthorization this time around, along with other major surface transportation programs, may take place in a constrained funding environment due to the inadequacy of receipts into the Mass Transit Account of the Highway Trust Fund (HTF), the source of approximately 80% of transit program monies. A recent estimate by the Congressional Budget Office (CBO) suggests that with spending at current authorized levels, the Highway Account of the HTF likely will go into deficit in FY2009 and the Transit Account likely will go into deficit in FY2012.[1] In the past three surface transportation authorizations, by contrast, federal transit programs received substantial funding increases. In nominal terms, SAFETEA authorized a 46% increase in transit spending over the Transportation Equity Act for the 21st Century (TEA-21), as amended, P.L. 105-178 and P.L. 105-206, and more than double the amount authorized in the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA), P.L. 102-240.

With looming fiscal difficulties and growing demands on the various parts of the transportation system, there may be significant debate about the overall level of transit funding, the structure of the current federal transit program, its priorities, and the resulting distribution of support geographically and by transit mode. Debate is likely to be particularly intense around the discretionary elements of the program, such as the New Starts program. The New Starts program is a major source of federal funding for the development of new fixed guideway (typically rail) transit systems and the extensions of existing systems. New Starts funding has been in great demand nationwide, and the program underwent several significant changes in SAFETEA. Moreover, New Starts, more than any other federal transit program, embodies the overall federal stance toward transit and its future in the United States. Other program changes that may be of issue are distribution by formula of currently discretionary Bus and Bus Facility Capital Program funds, the distribution of funds for transit rail rehabilitation through the Fixed-Guideway Modernization Program, and federal support for transit in rural and small cities and paratransit nationwide.

This report begins with some brief background on the characteristics of the transit sector and ridership trends. This is followed by a description of the current structure of the federal transit program. The remaining sections focus on potential reauthorization issues: the overall funding and structure of the transit program; the

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[1] Estimates provided to CRS by the Congressional Budget Office, February 29, 2008.

size and shape of the New Starts program including funding level, the types of transit modes funded, project evaluation criteria, the share of local matching funds, and the distribution of New Starts funding; issues with the Fixed Guideway Modernization program; the distribution of federal funds to rural and small cities; and federal support for paratransit.

Background

Public transit (also known as mass transit, mass transportation, and public transportation) is defined in federal law as "transportation by a conveyance that provides regular and continuing general or special transportation to the public, but does not include school bus, charter, or sightseeing transportation" (49 U.S.C. §53). The main forms of transit service are bus, heavy rail (subway and elevated), commuter rail, light rail, paratransit (also known as demand response), and ferryboat. About 60% of transit trips are made by bus, followed by heavy rail (29%), commuter rail (4%), and light rail (4%). Demand response accounts for a little more than 1% of all transit trips, and ferryboat a little less than 1%.[2]

Since the end of the Second World War transit providers have struggled to maintain ridership due to a number of interrelated factors, particularly rising incomes, growing automobile availability and use, and residential and employment suburbanization. Despite these trends, transit ridership has risen over the past decade, topping 10 billion trips nationwide in 2006, a level not seen since 1957, when the population was about 60% the current size.[3] Nevertheless, transit accounts for only about 2% of all daily trips.[4] Even for commuting, which accounts for nearly 40% of all transit trips,[5] transit's share in 2005 was a modest 4.7%. Moreover, these transit commuters, like transit riders in general, are heavily concentrated in a few large cities. Half of all transit commuters live in 10 large cities — Baltimore, Boston, Chicago, Houston, Los Angeles, New York, Philadelphia, San Francisco, Seattle, and Washington, DC — a figure that does not include the outlying jurisdictions of these areas.[6] Together, these cities and their suburbs account for approximately 70% percent of all transit trips in the United States. The New York City urbanized area

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[2] American Public Transportation Association, *Public Transportation Fact Book 2007* (Washington, DC, 2007), table 6. [http://www.apta.com/research/stats/factbook/documents/factbook07.pdf].

[3] American Public Transportation Association, "Americans Take More Than 10 Billion Trips on Public Transportation for the First Time in Almost Fifty Years," *Transit News*, March 12, 2007. [http://www.apta.com/media/releases/documents/070312_ten_billion.pdf].

[4] U.S. Department of Transportation, Bureau of Transportation Statistics, *NHTS 2001 Highlights Report*, BTS03-05 (Washington, DC, 2003), figure 6.

[5] U.S. Department of Transportation, Federal Highway Administration, *Summary of Travel Trends: 2001 National Household Travel Survey* (Washington, DC, 2004), table 9. [http://nhts.ornl.gov/2001/pub/STT.pdf].

[6] U.S. Census Bureau, "Most of Us Still Drive to Work Alone: Public Transportation Commuters Concentrated in a Handful of Large Cities," *U.S. Census Bureau News*, June 13, 2007.

alone, an area that includes parts of New Jersey and Connecticut, accounts for almost four of every 10 transit trips nationally.[7]

Current Program Structure

There are two major transit funding programs administered by the Federal Transit Administration (FTA): the Urbanized Area Formula Grants Program and the Capital Investment Program. Of the nearly $53 billion authorized by SAFETEA for transit programs from FY2004 through FY2009, the Urbanized Area Formula Program accounts for 42% of the total ($22.2 billion), and the Capital Investment Program accounts for 43% ($22.7 billion). The remaining 15% ($7.7 billion) authorized by SAFETEA funds several other programs, such as the Other Than Urbanized Area Formula Program (commonly referred to as the Rural Formula Program), state and metropolitan planning, research, and FTA operations.

In addition to federal funding for transit from the transit programs themselves, federal funding is also available from several surface transportation programs that allow highway money to be spent on transit projects and vice versa. Most funds "flexed" to the transit programs come from the Surface Transportation Program (STP) and the Congestion Mitigation and Air Quality Improvement Program (CMAQ). Flexing funds is largely the decision of state decision-makers; hence the amount transferred can vary widely from year to year. In 15 years, from FY1992 through FY2006, a total of $13.1 billion has been flexed from highways to transit, ranging from $0.3 billion in FY1992 to $1.6 billion in FY2000.[8] Very little transit funding has been flexed from transit to highways.

Paratransit is another area in which funding is available from the federal government outside the transit program. Paratransit, also known as demand response or dial-a-ride, is non-fixed route service for people with disabilities and the elderly, and typically involves the use of small buses, vans, or passenger cars. In a 2003 report, the General Accounting Office (now the Government Accountability Office), or GAO, found 56 federal programs in seven federal agencies other than DOT that funded transportation services to transportation-disadvantaged populations.[9] The same report could not estimate the transportation spending in these programs because the money was often not tracked separately from other types of spending. Because of the complexity and overlapping responsibilities, the President issued Executive Order (EO) 13330 on Human Service Transportation Coordination on February 24,

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[7] CRS calculation based on U.S. Department of Transportation, Research and Innovative Technology Administration, Bureau of Transportation Statistics, *State Transportation Statistics 2006* (Washington, DC, 2006), table 4-3. [http://www.bts.gov/publications/state_transportation_statistics/state_transportation_statistics_2006/index.html].

[8] APTA, 2007, table 44; American Public Transportation Association, *Public Transportation Fact Book 2006* (Washington, DC, 2006), table 44.

[9] U.S. General Accounting Office (now the Government Accountability Office), *Transportation-Disadvantaged Populations: Some Coordination Efforts Among Programs Providing Transportation Services, but Obstacles Persist*, GAO-03-697 (Washington, DC, 2003). [http://www.gao.gov/new.items/d03697.pdf].

2004, directing 10 federal agencies to examine and improve the coordination of federal programs supporting paratransit.[10]

Urbanized Area Formula Grants Program (49 USC §5307)

The Urbanized Area Formula Grants Program provides funding to urbanized areas, places designated by the Census Bureau to have a population of 50,000 or more. Apportionments are determined by a number of different formulas, known as formula "tiers." Most of the tiers apply to urbanized areas with a population of 200,000 or more. These formulas are based on several factors including bus revenue vehicle miles, bus passenger miles, fixed-guideway revenue vehicle miles, fixed-guideway route miles, operating costs, population, and population density. In urbanized areas with a population of less than 200,000, funds are generally distributed according to population and population density.

In TEA-21 there were six formula tiers, to which SAFETEA added a seventh tier and two new programs that function as an eighth tier.[11] The seventh tier added by SAFETEA is the Small Transit Intensive Cities Formula program, which, beginning in FY2006, distributes 1% of Urbanized Area funds to urbanized areas with a population of less than 200,000 that provide a high level of service in relation to population size (49 USC §5336(j)). The two new programs added by SAFETEA that function as an eighth tier are the Growing States and High Density States Formula Programs (49 USC §5340). Both of these were also enacted to begin in FY2006. The Growing States apportionment is based on forecasted state population growth, and the High Density apportionment is to states with a population density greater than 370 persons per square mile. Most of the funds from the Growing States and High Density States programs are distributed as part of the Urbanized Area apportionment, but some funds are distributed through the Rural Formula Program, discussed below.

Capital Investment Program (49 USC §5309)

The Capital Investment Program is designed to help transit agencies fund large projects that cannot be met through the regular formula programs. The Capital Investment Program has three main elements: (1) Fixed-Guideway New Starts and Extensions, typically known as "New Starts"; (2) Fixed-Guideway Modernization; and (3) Bus and Bus Facility Capital. In TEA-21, the ratio of funding in the overall Capital Investment Program was 40% New Starts, 40% Fixed-Guideway Modernization, and 20% Bus and Bus Facility Capital. In SAFETEA, there was a slight shift toward the New Starts and Bus and Bus Facility Capital elements of the program, with 40.6% and 22.1%, respectively. Fixed-Guideway Modernization is authorized for 37.4% of Capital Investment Program funds.

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[10] The President, "Executive Order 13330: Human Services Transportation Coordination," 69 *Federal Register*, 9185-9187, February 26, 2004. [http://a257.g.akamaitech.net/7/257/2422/14mar20010800/edocket.access.gpo.gov/2004/pdf/04-4451.pdf].

[11] American Public Transportation Association, *APTA Primer on Transit Funding* (Washington, DC, 2007). [http://www.apta.com/government_affairs/policy/documents/primer_safetea_lu_long_06_02_22.pdf].

New Starts. New Starts funding is available primarily on a competitive basis for new fixed-guideway systems and extensions. While the majority of funding from this program over the years has gone to transit rail projects, the New Starts program has funded projects for busways and bus rapid transit, ferries, automated guideway systems, and vintage trolleys.[12] Congress enacted a new "Small Starts" program in SAFETEA to fund projects with a total cost of $250 million or less in which the federal share is $75 million or less. Small Starts projects are funded with $200 million annually from the New Starts authorization beginning in FY2007. In carving out Small Starts from the New Starts program, Congress also intended for these less costly projects to be subject to a less cumbersome approval process.

Fixed-Guideway (Rail) Modernization. Often referred to as Rail Modernization or "Rail Mod," these funds are for modernizing and rehabilitating infrastructure in all types of transit rail systems and exclusive busways. Funds are made available by formula to two different groups of systems: old areas and new areas. Old areas are the 11 urbanized areas with systems built largely without federal funding: Baltimore (commuter rail only), Boston, Chicago/northwestern Indiana, Cleveland, New Orleans, New York, northeastern New Jersey, Philadelphia/southern New Jersey, Pittsburgh, San Francisco, and southwestern Connecticut. The new areas are places with fixed guideways that are at least seven years old, other than those classified as old areas. In FY2006 this included 48 areas. SAFETEA authorized approximately 69% of Fixed-Guideway Modernization funds to go to old areas and 31% to new areas.[13]

Bus and Bus Facility Capital. Funds are provided to purchase buses and bus-related equipment, including the construction of buildings such as administrative and maintenance facilities, transfer facilities, bus shelters, and park- and-ride stations. Most of these funds are earmarked by Congress each year during the appropriations process.

Other Programs

Rural Formula Program. Formally known as the Other Than Urbanized Area Formula Program, this program provides funding to states for transit outside of urbanized areas. Federal funds may be used for both capital and operating expenses. This program was funded at $2.1 billion over the six years of SAFETEA, a significant boost in funding over TEA-21. Some of the Growing States Formula Funding is also apportioned through the Rural Formula Program. In FY2004 and FY2005, the formula to apportion funds is the rural population in a state as a percentage of the U.S. rural population. But beginning in FY2006, 20% of funds are distributed according to rural land area in state as a share of U.S. rural land area, and 80% by rural population. Rural Formula funds are provided to the state, and funding decisions within a state are made at the discretion of the governor.

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[12] Ibid.

[13] Ibid., pp. 24-25.

Elderly Individuals and Individuals with Disabilities Formula Program. This program provides funds to states to provide transit for these groups. Funds are apportioned to each state according to its share of the elderly and disabled populations. Federal funds under the program may be used by public agencies or non-profit corporations. SAFETEA authorized a total of $674.7 million for this program over six years.

New Freedom Program. This new program provides funds by formula for the provision of new transit services for the disabled beyond those required by the Americans with Disabilities Act. Funds are apportioned according to the disabled population in a state, with 60% of funds directed to large urbanized areas (population of 200,000 or more), 20% to small urbanized areas (population of less than 200,000), and 20% to rural areas. SAFETEA requires these new services to be coordinated with similar activities funded by other federal agencies, such as those administered by the Department of Health and Human Services. Authorized funding for this new program began in FY2006, with a total of $339 million authorized for FY2006 through FY2009.

Job Access and Reverse Commute Program (JARC). This program is designed to help fund innovative transit service for low-income workers to get to jobs that are hard to reach by transit because of location, work hours, or other barriers. Formerly an allocated program, SAFETEA made JARC a formula program beginning in FY2006. Apportionments are based on the number of low-income residents and welfare recipients in a state, with 60% of funds going to large urbanized areas, 20% to small urbanized areas, and 20% to rural areas. The program is authorized at $851.5 million over six years.

Transit Program Issues

A key concern for Congress in the reauthorization of the transit programs will be the overall level of transit funding. Large increases in funding, as some are calling for, might allow Congress to continue the programs without substantial changes. However, no growth in the overall funding or even a funding decline might sharpen calls for program restructuring in order to focus on federal transit priorities. This section begins with a discussion of the overall funding level and broad options for program restructuring. That is followed by a more detailed examination of issues with the major funding programs, particularly the New Starts and Fixed Guideway Modernization programs, the distribution of federal funds to rural and small cities, and federal support for paratransit.

Overall Transit Funding Level

A number of interest groups, including the American Association of State Highway and Transportation Officials (AASHTO), the U.S. Chamber of Commerce, and the American Society of Civil Engineers, argue that America is underinvesting

in transportation infrastructure, including public transit infrastructure.[14] These groups contend that the physical condition and operational performance of public transit are suffering and will continue to suffer unless there is an increase in funding levels. In their view, federal infrastructure investment should be significantly increased to deal with the existing backlog of projects and future needs.

This view is bolstered, to some degree, by the most recent highway and transit "needs assessment" by DOT, which suggests that the capital cost to maintain the current condition and operational performance of transit systems in the United States from 2005 through 2024 is 25% more annually than is currently being spent by all levels of government.[15] DOT makes no recommendation about the shares of capital spending made by different levels of government in its estimates of capital needs. In the current ratio of capital spending, however, $6.2 billion annually of federal spending would be needed to maintain the system. In 2004, the federal government provided $4.9 billion for capital expenses (the remaining $2 billion in federal spending went for operating expenses).

It should be pointed out, however, as with any attempt to estimate current and future system conditions and performance, there are a host of simplifying assumptions, omissions, and data problems that influence the results. Nevertheless, this analysis suggests that if total government spending is not increased above current levels, the physical condition and operational performance of system elements may decline.

The congressionally created National Surface Transportation Policy and Revenue Study Commission (NSTPRSC), created under Section 1909 of SAFETEA, estimated significantly greater needs than DOT in its December 2007 report to Congress.[16] In comparison with current transit capital spending by all levels of government of about $13 billion (in 2006 dollars), the NSTPRSC estimated middle- and high-range capital spending estimates over 15-year, 30-year, and 50-year periods. The middle-range capital spending for transit by all levels of government over the next 30 years (2006 through 2035) was estimated to be in the range of $17 billion to $25 billion per year (in constant 2006 dollars) (an increase of between 31% and

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[14] See, for instance, American Society of Civil Engineers, "Report Card for America's Infrastructure 2005," [http://www.asce.org/reportcard/2005/page.cfm?id=34]; American Association of State Highway and Transportation Officials (AASHTO), *Surface Transportation Policy Recommendation* (Washington, DC, March 2007), [http://www.transportation1.org/tif2report/]; National Chamber Foundation, *Future Highway and Public Transportation Financing, Executive Summary* (Washington, DC, 2005), [http://www.uschamber.com/ncf/publications/default.htm].

[15] In 2004, transit capital spending by all levels of government in 2004 was $12.6 billion, $3.2 less than the $15.8 billion that DOT estimates will be needed annually over the next 20 years. See U.S. Department of Transportation, Federal Highway Administration and Federal Transit Administration, *2006 Status of the Nation's Highways, Bridges, and Transit: Conditions and Performance* (Washington, DC, 2007), p. 8-8.

[16] National Surface Transportation Policy and Revenue Study Commission, *Transportation for Tomorrow* (Washington, DC, 2007). [http://www.transportationfortomorrow.org/final_report/].

92%), and the high range was estimated to be $23 billion to $34 billion (in constant 2006 dollars) (an increase of 78% to 162%).[17]

An alternative view of the overall level of government transportation spending in general, and transit spending in particular, is that it has not been dramatically deficient. In terms of the nation's transit systems, the DOT needs analysis shows that total government spending on capital and operations (excluding farebox and other revenue) grew by approximately 80% between 1980 and 2004 (in real terms), much faster than passenger trips and passenger miles, which grew by 12% and 24%, respectively.[18] However, it is true that federal spending grew relatively slowly over this period, particularly compared with state and local spending, 4% and 129%, respectively (in real terms). Consequently, the federal share of total spending declined from 42% to 25%. The federal share of capital spending has also declined, from approximately 50% in the mid-1990s to 39% in 2004. Since 1995, federal spending has slightly outpaced state and local spending, growing by 43% and 39%, respectively.[19]

As a result of this increase in overall government spending, transit service has grown and the condition and performance of transit systems have generally improved over the past decade. Transit system capacity, measured in capacity-equivalent revenue miles, increased 30% between 1995 and 2004. With the opening of several new systems and extensions, light rail capacity more than doubled over this period. Bus capacity grew by a more modest 15%. The growth in ridership, on average, has generally lagged the growth in capacity; hence capacity utilization has slipped. Between 1995 and 2004, utilization, as measured in terms of passenger miles per capacity-equivalent vehicle, increased for heavy rail, decreased for commuter rail and light rail, and remained about the same for motorbus.[20] The overall physical condition of transit systems is a more complex picture. Nonetheless, conditions have generally improved, particularly in the bus fleet.[21]

A third view on the overall level of transit funding is that governments, including the federal government, spend too much on public transit relative to the

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[17] Ibid., Volume II, p. 4-12.

[18] U.S. Department of Transportation, Federal Highway Administration and Federal Transit Administration, 2007, exhibit 6-22; American Public Transportation Association, "Unlinked Passenger Trips by Mode, 1890-2004," [http://www.apta.com/research/stats/ridership/trips.cfm]; U.S. Department of Transportation, Research and Innovative Technology Administration, Bureau of Transportation Statistics, *National Transportation Statistics 2007* (Washington, DC, 2007), table 1-3, [http://www.bts.gov/publications/national_transportation_statistics/html/table_01_37.html].

[19] CRS calculation using GDP implicit price-deflator based on U.S. Department of Transportation, Federal Highway Administration and Federal Transit Administration, 2007, exhibits 6-20, 6-23.

[20] Ibid., exhibit 4-17.

[21] Ibid., chapter 3.

benefits it provides.[22] It is often pointed out that while transit spending amounts to about 16% of all government highway and transit spending and about 14% of federal highway and transit capital expenditure (in 2004),[23] only about 2% of all trips are made by this mode.[24] Even for commuting trips, for which transit is better suited, transit accounts for only 5% nationwide, a share that has changed little over the past two decades. Only in two cities, New York and Chicago, does the transit share rise above 10%.[25] The effect, according to transit critics, is to shortchange highway spending, thereby causing highway conditions and performance, including highway congestion, to be worse than they would be otherwise.[26]

A corollary to this view is that a significant proportion of transit funding comes from taxes paid by highway users. Currently, about 80% of federal transit spending is derived from the HTF, with the rest coming from the general fund. At the state and local levels combined, fuels taxes account for only 3% of transit funding (excluding system-generated revenue), with the biggest shares coming from sales taxes, general funds, and other public funds such as vehicle licensing and registration fees and lottery and casino proceeds.[27]

A counter-argument to these critics, and one in favor of increased transit spending, is that transit's worth must be analyzed in terms of economic value, not just transportation value.[28] The economic value argument includes economic development as well as mobility, such as mobility for non-drivers and congestion management. By this measure, according to proponents, transit investment is highly productive and often more productive than an alternative highway investment. The implication for transit's detractors is that "the reality that transit cannot as a rule make it financially seems to have created a belief in some quarters that it cannot make it economically either."[29]

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[22] Cox, W., "Transit's Limited Capability and Promise," in Wendell Cox, Alan Pisarski, and Ronald D. Utt, Eds., *21st Century Highways: Innovative Solutions to America's Transportation Needs* (Washington, DC, Heritage Foundation, 2005).

[23] U.S. Department of Transportation, Federal Highway Administration and Federal Transit Administration, 2007, exhibits 6-8, 6-20, 6-23.

[24] U.S. Department of Transportation, Bureau of Transportation Statistics, *NHTS 2001 Highlights Report*, BTS03-05 (Washington, DC, 2003), figure 6.

[25] U.S. Census Bureau, June 13, 2007.

[26] Cox, W. and R. O'Toole, "The Contribution of Highways and Transit to Congestion Relief: A Realistic View," *Heritage Foundation Backgrounder*, No. 1721, January 24, 2004. [http://www.heritage.org/Research/UrbanIssues/bg1721.cfm].

[27] U.S. Department of Transportation, Federal Highway Administration and Federal Transit Administration, 2007, exhibit 6-16.

[28] Lewis, D. and F.L. Williams, *Policy and Planning as Public Choice: Mass Transit in the United States* (Brookfield, VT, Ashgate, 1999).

[29] Testimony of David Lewis, Consultant, in U.S. Congress, House Subcommittee on Highways and Transit, Implementation of New Starts and Small Starts Program, May 10, 2007.

Federal Transit Priorities and Program Restructuring

If federal funding for transit remains flat or possibly even declines over the next decade, Congress may want to cut programs across the board. Alternatively, Congress may want to restructure the programs based on a reexamination of its priorities. Of course, transit funding may grow if the federal fuels tax is raised and some of this new revenue is dedicated to transit, if other types of dedicated revenues are created, or if Congress decides to fund transit programs at a higher level from the general fund.[30] Moreover, funding growth does not preclude Congress from making changes in the way the federal government supports public transit provision. Three broad ways of restructuring federal transit programs are suggested here, followed by a brief discussion of the Administration's proposal for changes during the last reauthorization that were predicated on a modest (nominal) increase in federal transit funding.

One way to reorder federal priorities would be to focus more resources on major capital expenses for the rehabilitation and expansion of transit service in places that are best served by this mode, primarily the densely populated parts of large and often heavily congested cities. This would require expansion of the programs that make up the Capital Investment Program — the New Starts Program, the Rail Modernization Program, and the Bus Capital Program — and cutting back on the grants that are spread more broadly and go for smaller and more routine types of expenses under the Urbanized and Non-Urbanized Formula Programs. This change would likely result in a concentration of resources in a few large cities where transit usage is already relatively high.

Alternatively, Congress may decide that the era of retrofitting large and medium-sized cities with new transit rail systems is largely over, and that resources should now go to supporting and rehabilitating existing services. This could entail a reduction in spending on the New Starts program, currently about 18% of the federal transit program, and more support for the other capital programs and the formula grants programs. The effect of these changes on the distribution of funds is likely to be more mixed, and would depend on the share of funds dedicated to the Rail Modernization program, a program that includes relatively few cities, and the share dedicated to buses and formula programs that include a much larger number of places.

A third alternative would be to eliminate the capital programs altogether, to be replaced with a simple "block grant" that could be distributed based on transit ridership or population. This would allow state and local governments to decide how best to allocate transit funding support among existing and new services. Funds distributed according to transit ridership would reward areas that commit their own resources successfully to providing transit service. The distribution of funding in this way would again depend on how this new program is structured, but it might also depend on how states and localities react to the changes in terms of how aggressively they promote transit ridership.

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[30] For more information, see CRS Report RL34183, *Public Transit Program Funding Issues in Surface Transportation Reauthorization*, by William J. Mallett.

The Administration's proposal in the reauthorization of TEA-21 for restructuring the transit programs was a mixture of these three broad alternatives. It may prove instructive during the reauthorization of SAFETEA, partly because it envisioned a constrained federal funding level. In terms of overall funding, the Administration proposed $46 billion over six years for public transit programs. Although this represented a 28% nominal increase in funding from the $36 billion authorized in TEA-21, some estimates at the time suggested that this represented no real increase when the amount was adjusted for inflation.[31] In the end, SAFETEA authorized approximately $53 billion in public transit spending, more than the Administration sought but less than others such as AASHTO and the American Public Transportation Association (APTA) had proposed. APTA's reauthorization proposal, for instance, totaled $66 billion.[32]

Program changes in the Administration's proposal included folding the Fixed Guideway Modernization program into the Urbanized Area Formula Program, eliminating the Bus and Bus Facility Capital program and distributing some of these funds by formula, and using the remaining funds to expand the New Starts program, whose criteria would be expanded to include all transit modes. The Administration argued that this would simplify the transit program, make the flow of federal funds more equitable and reliable, and their use more flexible. None of these major changes was undertaken, except for some broadening of the eligibility of the New Starts criteria. A relatively minor change that was enacted was the distribution of funds in the much smaller JARC program by formula rather than by the discretion of FTA. This, too, may be reexamined, given recent statements by the House Appropriations Committee.

With fixed guideway modernization funds already distributed by formula, the main argument for distributing these funds through the Urbanized Area Formula program is that it would give transit agencies more flexibility in how to use them. Although urbanized area formula funds are apportioned on the basis of modal characteristics such as miles of fixed-guideway infrastructure, among other things, these funds can be used for any transit mode. The main argument against this change, a position advocated by APTA, is that making rail modernization funds more flexible might divert funding from rail transit systems where the unmet funding needs are the greatest due to the age of the infrastructure and the number of passengers carried.

Distributing some of the Bus and Bus Facility Capital program funds by formula, the Administration argued, would make their distribution more equitable and allow communities to rely on some funds every year, instead of at irregular intervals through earmarking in the appropriations process. Regular and predictable apportionments, they argued, would allow transit providers to be able to make longer-term investment plans. Again, APTA argued against this proposal, noting that

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[31] U.S. Congress, Senate Committee on Banking, Housing, and Urban Affairs, *Hearing on The Administration's Proposal for Reauthorization of the Federal Public Transportation Program*, [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=108_senate_hearings&docid=f:96194.pdf], June 10, 2003.

[32] American Public Transportation Association, "TEA-21 Reauthorization Recommendations." [http://www.apta.com/government_affairs/tea21/tea21nov.cfm].

the Bus and Bus Facility Capital program serves an important role in periodic bus purchases that cannot be met with formula funding.[33] Moreover, the House Appropriations Committee in the 109th Congress argued against distributing Bus and Bus Facility Capital program funds by formula, noting that this would not necessarily make their distribution more equitable and would shift the control of federal funds from Congress.[34]

In the case of the JARC, the Administration similarly proposed to distribute program monies by formula to make it a more stable and reliable source of funds, of which every state would get something every year. As noted above, SAFETEA did remake the allocated JARC program as a formula program. The House Appropriations Committee in the 110th Congress, however, has expressed concerns about this change, arguing that this may have damaged the effectiveness of the program because funds are no longer "targeted on low income and transit reliant communities."[35] These concerns echo some of those made during the reauthorization debates, including those by APTA and labor groups. The committee has asked FTA to examine the issue and report to Congress in 2008.

Transit Expansion and the New Starts Program

A major focus of federal transit policy over the past few decades has been to support the development of new transit rail systems and extensions to existing systems. Much of this support has come through the New Starts program. In SAFETEA, New Starts authorizations amount to about 18% of all transit program spending. With federal support, a number of cities have opened entirely new transit rail systems. Since 1985, new rail systems have been opened in a number of cities, including Baltimore, Charlotte, Dallas, Denver, Los Angeles, Miami, Minneapolis, Portland (OR), Sacramento, Salt Lake City, San Jose, and St. Louis.[36] Several other cities are in the process of building new rail systems (e.g., Phoenix) or are in the planning stages (e.g., Norfolk, VA). Consequently, by 2005, rail transit route-mileage had almost doubled, with light rail mileage tripling, commuter rail mileage doubling, and subway mileage growing by 25%.[37]

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[33] Ibid.

[34] U.S. Congress, House Committee on Appropriations, *Department of Transportation and Treasury and Independent Agencies Appropriations Bill, 2004*, H.Rept. 108-243, July 30, 2003.

[35] U.S. Congress, House Committee on Appropriations, *Department of Transportation, and Housing and Urban Development, and Related Agencies Appropriations Bill, 2008*, H.Rept. 110-238, July 18, 2007.

[36] Richmond, J., "A Whole-System Approach to Evaluating Urban Transit Investments," *Transport Reviews*, 2001, Vol. 21, No. 2, pp. 141-179; Baum-Snow, N. and M.E. Kahn, "The Effects of Urban Rail Transit Expansions: Evidence from Sixteen Cities, 1970 to 2000," Brookings-Wharton Papers on Urban Affairs, 2005.

[37] U.S. Department of Transportation, Research and Innovative Technology Administration, Bureau of Transportation Statistics, *National Transportation Statistics, 2007* (Washington, DC), table 1-1. [http://www.bts.gov/publications/national_transportation_statistics/].

A number of issues surrounding the New Starts program may emerge in the reauthorization of SAFETEA. These issues include funding level, transit mode, project evaluation criteria, local matching shares, and funding distribution.

Funding Level. A number of transportation and transit advocates believe that the federal government ought to increase New Starts funding to deal with highway congestion, environmental problems, and growing transit demand. In its most recent policy statement on national transportation infrastructure, AASHTO argues that the current growth in highway travel is financially unsustainable, and thus a national policy goal should be to double transit ridership over the next 20 years. By AASHTO's estimate, this would require increasing overall federal transit assistance from $10.3 billion in FY2009, the amount authorized in the final year of SAFETEA, to $17.3 billion by FY2015, possibly the last year of the next authorizing legislation.[38] One way to boost ridership, according to AASHTO, is to provide more funding for the New Starts program.[39] By AASHTO's estimate, $35 billion is needed to fund the 36 projects that have moved beyond the initial planning stages. GAO, in a survey of transit project sponsors, found that there are another 141 projects planned, of which three-quarters are likely to request federal New Starts funding.[40] Under SAFETEA, the New Starts program is authorized at $1.8 billion in FY2009.

By contrast, a number of analysts contend that federal funds should no longer support the building of new transit rail systems.[41] Some have argued that most cities without rail systems are either too small or have residential and employment densities that are too low to make rail a viable option. Moreover, proposals to extend existing rail systems, often into the lower-density suburbs, may also suffer from such problems. In this view, the New Starts program ought to dramatically shrink or be redirected to smaller, mostly non-rail projects as partly begun under the Small Starts program instituted in SAFETEA. Another possibility is that New Starts funding be redirected to rehabilitating the existing transit rail systems. Those who advocate shrinking the transit program often suggest that resources be redirected to elements of the highway program that hold more promise for congestion mitigation.[42]

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[38] American Association of State Highway and Transportation Officials (AASHTO), *Surface Transportation Policy Recommendation* (Washington, DC, March 2007), p. 36. [http://downloads.transportation.org/tif2-1.pdf].

[39] AASHTO, *Future Needs of the Transportation System* (Washington, DC, February 2007), p. 45. [http://www.transportation1.org/tif1report/TIF1-1.pdf].

[40] U.S. Government Accountability Office, *Public Transportation: Future Demand is Likely for New Starts and Small Starts Programs, but Improvements Needed to the Small Starts Application Process*, GAO-07-917 (Washington, DC, 2007). [http://www.gao.gov/new.items/d07917.pdf].

[41] Orski, K., "The Future Federal Role in Transit Investment," *Innovation Briefs*, Vol. 17, No. 5, September/October 2006.

[42] Cox, W. and R. O'Toole, "The Contribution of Highways and Transit to Congestion Relief: A Realistic View," *Heritage Foundation Backgrounder*, Number 1721, January 24, 2004. [http://www.heritage.org/Research/UrbanIssues/bg1721.cfm].

Transit Mode. A major and continuing controversy surrounding the federal transit program, and the New Starts program in particular, has been between those who favor support for rail transit and those who favor bus and bus rapid transit (BRT).

Several rationales have been advanced by supporters for building new fixed-guideway transit systems with substantial federal support. First, fixed-guideway transit, particularly rail transit, provides the higher-quality service in terms of comfort and speed that is needed to attract discretionary transit users, travelers who have the option of driving. Attracting discretionary transit users is important because it is only by having travelers switch modes that transit can have an effect on highway congestion, parking problems, air pollution, and energy use. Second, advocates argue that fixed-guideway transit has the greatest potential for desirable land use effects and economic development. Rail transit supporters argue that, over the long term, rail stations encourage compact, mixed-use development, thereby counteracting urban sprawl and reducing motor vehicle travel. Third, supporters argue that where transit demand is high, the operating costs of rail are lower than those of bus transit, and with higher capital costs taken into account, the total cost of rail per passenger-mile is favorable. Fourth, rail advocates argue that it is easier to gain local public support for rail transit projects than comparable improvements in bus service.[43]

Critics of federal support for new rail transit systems contend that such systems are expensive to build and maintain, less flexible compared with regular bus transit, and ill-suited to today's low-density, dispersed metropolitan areas. Rail transit, these critics contend, may be worth the cost only in high-density corridors, and that few of these remain without rail service.[44] Moreover, critics contend that the building of new rail systems in search of discretionary riders, primarily suburban commuters, have been implemented to the detriment of bus-dependent populations in the central city. Overall, these critics argue, the effect has been to switch those riding buses to riding rail with little net gain in transit patronage.[45] Even the environmental benefits of new rail lines have been called into question because many new rail riders must drive to a station to access the system. Consequently, the reduction in emissions from building new rail lines has been found to be negligible in many cases.[46]

In the view of some, federal support for new transit capacity would be better spent on buses and, in some cases, BRT, in which express buses run over roads with some sort of priority system ranging from signal preemption to an exclusive busway. The main argument for BRT is its cost-effectiveness compared with new rail systems. GAO, for instance, found that although capital costs varied enormously from place to place depending on local conditions, on average, the capital cost per mile for BRT

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[43] Henry, L. and T. A. Littman, "Evaluating New Start Transit Program Performance: Comparing Rail and Bus," Victoria Transport Policy Institute, September 1, 2006. [http://www.vtpi.org/bus_rail.pdf].

[44] Wachs, M., "U.S. Transit Subsidy Policy: In Need of Reform," *Science*, Vol. 244, pp. 1545-1549.

[45] Richmond, 2001.

[46] Ibid.

compared with light rail was 39% for buses run on exclusive busways, 26% for buses on HOV, and 2% for buses on city streets. GAO's analysis of operational costs showed no consistent advantage for BRT or light rail.[47] Another argument in favor of BRT is that it is more flexible, as starting, stopping, and modifying BRT service is a lot easier than with a fixed-in-place rail system. Detractors argue that this flexibility is the main reason why the economic development benefits around BRT stations and stops will be lower than those around transit rail stations. Because of the limited experience with BRT, no firm conclusion about its economic development benefits in comparison with transit rail can be drawn at this time. Some have suggested that with similar service characteristics and proper planning, there is no reason why the economic development benefits could not be similar to those of transit rail.[48]

Congress and FTA have made a number of efforts over the past decade to stimulate proposals for BRT, including a demonstration project that began in 1999. However, in 2001, the GAO found that, for a number of reasons, New Starts funding for BRT had been limited.[49] First, many communities had already built and operated rail systems that provided a wealth of experience with them and generated a number of proposals for expansion. Second, the New Starts program at that time tended to favor larger, more capital-intensive projects that could garner for a community significant capital funding from the federal government. Third, at that time, under TEA-21, the program required that, to be eligible, BRT projects had to operate on a separate right-of-way for the use of transit and high-occupancy vehicles. SAFETEA initiated several changes in the New Starts program that seem to have improved the environment for BRT, including setting aside funding for Small Starts and expanding the definition of fixed-guideway to include more BRT projects. Consequently, in FY2008, BRT projects became the most numerous in the New Starts funding pipeline, projects in preliminary engineering or final design, although they represent only 13% of the cost of those projects.[50] BRT projects in the New Starts pipeline include the New Britain-Hartford Busway in Connecticut, two projects in Houston, Texas, and phase 3 of the Silver Line in Boston, Massachusetts.[51] Some have

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[47] U.S. General Accounting Office (now the Government Accountability Office), *Bus Rapid Transit Shows Promise*, GAO-01-984 (Washington, DC, September 2001). [http://www.gao.gov/new.items/d01984.pdf].

[48] Transportation Research Board, *Bus Rapid Transit Practitioner's Guide*, Transit Cooperative Research Program, Report 118 (Washington, DC, 2007). [http://onlinepubs.trb.org/onlinepubs/tcrp/tcrp_rpt_118.pdf].

[49] Ibid.

[50] Siggerud, K., Director Physical Infrastructure, U.S. Government Accountability Office, Preliminary Analysis of Changes To and Trends in FTA's New Starts and Small Starts Programs, Statement Before House Subcommittee on Highways and Transit, May 10, 2007, GAO-07-812T. [http://www.gao.gov/new.items/d07812t.pdf].

[51] U.S. Department of Transportation, Federal Transit Administration, *Annual Report on Funding Recommendations: Proposed Allocations of Funds for Fiscal Year 2008, New Starts, Small Starts, Alternative Transportation in Parks and Public Lands* (Washington, DC, 2007). [http://www.fta.dot.gov/documents/FY2008_Entire_NS_Report.pdf].

suggested going even further to make projects for express toll lanes as part of a BRT network eligible for New Starts funding.[52]

Detractors argue that BRT projects, while cheaper than rail systems, are still more expensive and less effective than conventional bus service. For instance, one analyst contended that "modest improvements to basic bus services combined with an attractive fares policy have shown they can secure substantially greater ridership increases than capital-intensive projects involving either light rail or busway construction."[53] Others note that BRT projects favor suburban commuters over more centrally located transit such as streetcars, which are a lighter, cheaper, but slower type of light rail.[54] This may be an issue in reauthorization in terms of the evaluation criteria by which New Starts projects are selected.

Project Evaluation Criteria. In SAFETEA, Congress directed FTA to add both supportive land use policies and economic development effects as specific criteria in the project evaluation process. Mobility improvements, environmental benefits, operating efficiencies, and cost-effectiveness are some of the other main criteria. The main rationale for these additional criteria is that the benefits of transit service go beyond mobility and the minimization of environmental damage, and include the economic benefits of development around transit stations. Moreover, the benefits of transit are maximized if supported by appropriate land use policies that allow for high density around transit stations.[55] To date, land use has been added in the evaluation process, but economic development has not, as FTA considers the most appropriate way to measure this variable.[56] In a hearing on implementing changes in the New Starts program, the staff of the House Subcommittee on Highways and Transit noted that there is concern that FTA has not fully implemented the wishes of Congress as enacted in SAFETEA, a view shared by the House Appropriations Committee.[57]

Another concern expressed by some is that in the Small Starts evaluation process, cost-effectiveness is still considered a determining criteria, and thus the

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[52] Orski, 2006.

[53] Richmond, 2001, p. 161.

[54] Siggerud, 2007; Herrick, T. "A Streetcar Named Aspire: Lines Aim to Revive Cities, *Wall Street Journal*, June 20, 2007, B1.

[55] Lewis, D. and F.L. Williams, *Policy and Planning as Public Choice: Mass Transit in the United States* (Brookfield, VT, Ashgate, 1999).

[56] GAO, 2007.

[57] U.S. Congress, House Subcommittee on Highways and Transit, *Hearing on the Federal Transit Administration's Implementation of the New Starts and Small Starts Programs: Summary of Subject Matter*, May 10, 2007, [http://transportation.house.gov/Media/File/Highways/20070510/SSM_HT_5-10-07.pdf]; U.S. Congress, House Committee on Appropriations, *Departments of Transportation, and Housing Development, and Related Agencies Appropriations Bill, 2008*, H.Rept. 110-238.

program is biased against streetcars and toward BRT and traditional buses.[58] Cost-effectiveness is defined as the cost per hour of user benefits (that is, time saved) of a project added to the regional transit system. Because streetcar trips tend to be short and do not save significant amounts of time, even compared with traditional buses, streetcar projects tend score low on this important variable.[59]

Support for adding economic development and relaxing the focus on cost-effectiveness in the Small Starts process as justifications for federal funding support, however, is not universal. In the 109th Congress, the House Appropriations Committee expressed concern that these "positive secondary benefits" often provide justification for projects that are not cost-effective in transportation terms alone. In the view of the committee, the most important criteria for New Starts projects should be the potential of a new transit option to transport the most travelers at a lower cost in comparison with other transportation alternatives and to reduce highway congestion. As the committee noted "in evaluating projects, the direct transportation benefits need to be the most significant measurements."[60] Additionally, the Appropriations Committee expressed concern that the Small Starts program will divert resources toward "small, economic development type projects" and away from those that "will have a greater impact on congestion mitigation, environmental quality, and travel time."[61]

Concern has also been expressed about the complexity of the New Starts evaluation process that transit agencies must follow to gain federal support.[62] The New Starts process requires the preparation of a large number of detailed reports and other documents that are reviewed extensively by FTA. These requirements have been developed over the years to ensure that federal funding supports the best projects that are judged fairly, taking into consideration the differences in project location, type, and scope. However, some argue that these rules have become so onerous that many communities are willing to forego federal support if at all possible. One transit agency estimates that federal involvement can add an extra one to two years to a project and 10% to 15% extra in project costs.[63] Some have argued that the process for justifying new transit projects is much more onerous than that for

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[58] Testimony of P. Varga, Executive Director, Interurban Transit Partnership, in U.S. Congress, House Subcommittee on Highways and Transit, May 10, 2007.

[59] Testimony of R. Gustafson, Executive Director, Portland Streetcar, Inc., in U.S. Congress, House Subcommittee on Highways and Transit, May 10, 2007.

[60] U.S. Congress, House Committee on Appropriations, *Departments of Transportation and Treasury and Independent Agencies Appropriations Bill, 2005*, H.Rept. 108-671, p. 91.

[61] U.S. Congress, House Committee on Appropriations, *Departments of Transportation, Treasury, and Housing and Urban Development, the Judiciary, District of Columbia, and Independent Agencies Appropriations Bill 2007*, H.Rept. 109-495, pp. 76-77.

[62] GAO, 2007.

[63] Testimony of R. Snoble, Chief Executive Officer, Los Angeles County Metropolitan Transportation Authority, in U.S. Congress, House Subcommittee on Highways and Transit, May 10, 2007.

highway projects.[64] Congress may want to consider using the rigorous New Starts process as a model for other transportation programs, something GAO has suggested.[65] Alternatively, Congress may want to consider ways to simplify the evaluation process without undercutting the goal of a fair process that funds the best projects.

Share of Local Matching Funds. From very early on, federal funding for highway and, later, transit infrastructure was conceived as providing support to programs run by state and local government. Consequently, most "federal aid" must be matched with state or local money in a ratio determined by federal law. These matching shares vary from program to program, and have occasionally been adjusted according to the goals of federal policy.

The oversubscription to federal funding in the New Starts program has led some to argue for lowering the cap on the federal share for such projects. Currently, the maximum federal share is 80%, equivalent to the federal matching share for most highway projects. Supporters of this view argue that lowering the cap would allow federal funding to be shared among more worthwhile projects. Moreover, supporters argue that a lower cap would encourage states and localities with more of their own money at stake to advance only the strongest projects. GAO found that more economic analysis of the costs and benefits of a project is typically done when more local funding is required.[66] In addition, supporters point out that although the maximum share prior to SAFETEA was 80%, it was FTA policy to rate a project as low if it sought a federal share of more than 60%. This policy was a response to Appropriations Committee reports that a lower share was warranted because demand for funding help was outstripping the available resources.[67] Provisions in SAFETEA now prohibit the Secretary of Transportation from requiring more than 20%, and FTA's policy, beginning in FY2007, no longer downgrades a project that seeks more than 60%.[68] Nevertheless, projects approved or with pending New Starts funding in FY2007 have a federal share ranging from 34% to 80%.[69] In FY2008, the federal

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[64] Beimborn, E. and R. Puentes, "Highways and Transit: Leveling the Playing Field in Federal Transportation Policy," in Bruce Katz and Robert Puentes, Eds., *Taking the High Road: A Metropolitan Agenda for Transportation Reform* (Washington, DC, Brookings Institution Press, 2005).

[65] GAO, 2007.

[66] U.S. Government Accountability Office, *Highway and Transit Investments: Options for Improving Information on Projects' Benefits and Costs for Increasing Accountability for Results*, GAO-05-172 (Washington, DC, January 2005). [http://www.gao.gov/new.items/d05172.pdf].

[67] See, for example, House Appropriations Report, Department of Transportation and Treasury and Independent Agencies Appropriations Bill, 2004, 108-243.

[68] U.S. Government Accountability Office, "New Starts Program Is in a Period of Transition," GAO-06-819 (Washington, DC, 2006). [http://www.gao.gov/new.items/d06819.pdf].

[69] Ibid., p. 13.

share of New Starts projects range from 28% to 80%, and in FY2009 the range is from 30% to 80%.[70]

Opponents of lowering the maximum federal share argue that lowering the cap might bias state and local decision-makers to favor highway projects that have an 80% match.[71] Others contend that lowering the match will result in a wider distribution of federal transit new starts investment, which will have the effect of diluting its effectiveness. Some also advocate reducing the federal share for both highways and transit, say to 50%, to encourage states and localities to focus on the most productive projects.[72]

Funding Distribution. A number of changes in the New Starts program, particularly the creation of the Small Starts program and a more favorable climate for BRT projects, are viewed as being likely to lead to the wider distribution of smaller grants. Some may view this as an appropriate transition away from the creation of new rail systems in large cities to the consolidation and enhancement of existing transit systems in a wider variety of settings.[73] Others may argue that this will dilute the effectiveness of the New Starts program at a time when many of the policy problems to which the transit program is directed — mobility for the poor and infirm, highway congestion, air quality and other environmental problems — are highly concentrated geographically. For example, the 10 largest urban areas by population account for nearly one-half of total highway congestion delay, though only about one-quarter of the U.S. population and the 20 largest urban areas account for about two-thirds of total delay and one-third of the population.[74] However, FTA has announced that it plans to give preference to projects that are a principal part of a congestion management strategy, particularly one that includes highway congestion pricing.[75] This may boost the chances of New Start proposals for federal funding from large cities.

Fixed-Guideway Modernization Program

The near doubling of fixed-guideway infrastructure over the past two decades undergirds concern with funding for rehabilitation and replacement provided through the Fixed-Guideway Modernization (or "Rail Mod") formula funds. For FY2008,

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[70] U.S. Department of Transportation, Federal Transit Administration, 2007; U.S. Department of Transportation, Federal Transit Administration, *Annual Report on Funding Recommendations: Proposed Allocations of Funds for Fiscal Year 2009, New Starts, Small Starts, Alternative Transportation in Parks and Public Lands* (Washington, DC, 2008). [http://www.fta.dot.gov/publications/reports/reports_to_congress/publications_7753.html].

[71] Beimborn, E. and R. Puentes, 2005.

[72] Luberoff, D., " The Triumph of Pork Over Purpose," *Blueprint Magazine*, September 10, 2001. [http://www.ndol.org/ndol_ci.cfm?contentid=3765&kaid=141&subid=299].

[73] Orski, 2006.

[74] See CRS Report RL33995, *Surface Transportation Congestion: Policy and Issues*, by William J. Mallett.

[75] U.S. Department of Transportation, Federal Transit Administration, 72 *Federal Register*, 30907-30914, June 4, 2007.

about 71% of "Rail Mod" funding, or about $1.1 billion, was apportioned to systems in 11 areas with older transit systems, with the remaining funds going to systems that are at least seven years old. The share of rail modernization funding apportioned to the older areas has declined from 92% in FY1996, although this represented approximately $600 million in that year.[76] This declining share of available funds may continue with time as the rehabilitation needs of the newer systems grow and, as currently structured, more of the systems built recently become eligible for Fixed-Guideway Modernization funding.

If program funding does not grow in the next reauthorization, then the amount of funds going to the older systems, as well as the share, may decline over time. Congress could decide to leave the current apportionment formula unchanged. Congress has several options, on the other hand, if it decides that funding for the older systems through this program should not shrink. First, it could decide to change the eligibility criteria or the program formula to restore funding to the older systems. Second, it could decide to expand program funds in an expansion of overall transit funding. Third, Congress may decide to divert funds from the other capital programs, such as the New Starts and Bus and Bus Facility Capital program, the Urbanized Area Formula Program, or the other smaller transit programs.

Treatment of Small City and Rural Transit in Formula Programs

With the concentration of transit ridership in a few large cities, most formula funding goes to the largest urbanized areas. Through the Urbanized Area Formula Grants Program in FY2008, for instance, $3.0 billion was apportioned to urbanized areas of 1 million people or more, $0.8 billion to urbanized areas of between 200,000 and 1 million, and $0.4 billion to urbanized areas of between 50,000 and 200,000. The same year, $0.5 billion was apportioned to rural areas through the Other Than Urbanized Area (Rural) Formula Program. Using population data from the 2000 Census, this amounts to federal assistance of approximately $26 per capita annually in the largest urbanized areas, $16 in medium urbanized areas, $15 in small urbanized areas, and $6 per capita in rural areas.[77]

Because of these disparities, small city and rural advocates argued for a boost in funding in SAFETEA and, despite some success, may do so again in the reauthorization of the programs. During the reauthorization debates, rural advocates focused on the fact that rural areas have a larger share of poor, elderly, and disabled residents than urban areas for whom public transit provides very important trips for work, social, and medical purposes. These advocates also pointed out that approximately 40% of rural counties have no access to transit, and that many other rural counties have very limited service. As a result of these efforts, the share of

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[76] U.S. Department of Transportation, Federal Transit Administration, "Annual Apportionments." [http://www.fta.dot.gov/funding/grants_financing_38.html].

[77] Calculated by CRS based on FTA FY2008 apportionment and 2000 Census data. While these data are indicative of the relative level of per capita federal assistance, it should be noted that there a number of other formula and discretionary programs that would need to be included to arrive at a complete assessment.

funds going to the Urbanized Area Formula program declined from 47.9% in TEA-21 to 44% in SAFETEA, and funds going to the Rural Formula program increased from 3.3% to 5.2%.[78]

Advocates for small cities, places that usually have transit service, focused on the fact that some small urbanized areas provide a relatively high level of transit service, but are not rewarded appropriately for their efforts, as are large urbanized areas. This resulted in the creation of the Small Intensive Cities program that shifted approximately 1% of Urbanized Area Formula funding from urbanized areas over 200,000 to urbanized areas under 200,000.[79]

Despite the perceived need for public transit in small cities and rural areas, providing service in those places is relatively costly when measured per trip or per passenger-mile. In 2006, for instance, federal capital and operating assistance per trip in large urbanized areas (1 million or more) was $0.81, compared with $1.15 in medium-sized urbanized areas (200,000 to 1 million) and $1.66 in small urbanized areas (less than 200,000).[80] Comparative data for rural areas is not available, but would most likely show a federal operating subsidy greater than $1.66 per trip. Consequently, some argue that transit funding needs to be concentrated in large urban areas where ridership is concentrated and where transit provides a relatively cost-effective mode of transportation. In addition, they argue that these also tend to be the places where highway congestion and air quality issues predominate, and the economic development benefits of transit investment are highest.

Rate of Return. In a somewhat related issue, reauthorization of the transit programs may also involve greater debate about each state's "rate of return" from the Highway Trust Fund (HTF), the so-called "donor-donee" issue. This issue concerns the amount of funds each state receives from the HTF relative to the amount paid in by the state's drivers. A state that pays in more than it receives is known as a donor state; a state that pays in less than it receives is known as a donee state. Highway legislation at least as far back as the Surface Transportation Assistance Act of 1982, P.L. 97-424, has been marked by such concerns. Transit funding, on the other hand, has generally been immune to this issue, mainly because of the heavy concentration of transit service and ridership in just a few states, and because such concerns have been assuaged with relatively large increases in transit spending. In an era of fiscal austerity, however, the debate surrounding each state's share of transit funding may appear as an issue.

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[78] CRS Report RL33119, *Safe, Accountable, Flexible, Efficient Transportation Equity Act — A Legacy for Users: Selected Major Provisions*, coordinated by John W. Fischer.

[79] Ibid.

[80] Calculated by CRS based on data from U.S. Department of Transportation, Federal Transit Administration, National Transit Database 2006, tables 3, 7, 19. [http://www.ntdprogram.gov/ntdprogram/data.htm].

Paratransit Funding

SAFETEA reauthorized the Elderly Individuals and Individuals with Disabilities Formula Program with a total of $675 million over six years, and created the New Freedom program, which authorized another $339 million over four years. However, as service demand rises and costs rise even more, transit agencies are likely to ask for more federal help in providing paratransit service.

Paratransit, also known as demand response or dial-a-ride, as noted earlier, is non-fixed route service for people with disabilities and the elderly, and typically involves the use of small buses, vans, or passenger cars. Because of the specialized nature of paratransit, the cost per passenger mile is the highest of any type of transit, and farebox recovery the lowest. In 2004, operating expenditure per passenger mile for paratransit was $2.70 per passenger mile compared with $0.73 for motor buses, and $0.55 for transit service on average.[81] The same year, farebox recovery was only 10%, compared with 27% for buses and an overall average of 35%.[82]

The demand for paratransit has grown relatively rapidly since the passage of the Americans with Disabilities Act of 1990, P.L. 101-336, required that transit agencies with fixed route service provide "complementary paratransit" to people unable to use fixed-route service due to a disability. Between 1995 and 2004, paratransit ridership increased by 30% and passenger miles by 58%.[83] Over the same period, operating expenditures for paratransit more than doubled, growing at an annual average rate of 11% (in nominal terms).[84] As a result, by 2004, demand response constituted 7.5% of total transit operating expenditures, up from 4.6% in 1995.

Despite the growth in service provision and costs, research on people with disabilities has found that there remain significant gaps in paratransit service provision and large unmet needs, due, it is argued, to "a chronic lack of funding."[85] Additionally, many believe that the demand for paratransit service will grow, partly as a result of the general aging of the population. Advocates for paratransit funding argue that good transportation provides the opportunity for people to engage in a full range of economic and social activities, including work, and for many a chance to live at home. This, advocates believe, provides a higher quality of life and less reliance on government funding because of a reduced demand for income support and institutional care. It is hard to argue against better transportation for those with few, if any, other mobility options. However, some have noted that the growth in funding

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[81] U.S. Department of Transportation, Federal Highway Administration and Federal Transit Administration, 2007, exhibit 6-30. [http://www.fhwa.dot.gov/policy/2006cpr/index.htm].

[82] Ibid., 6-31.

[83] American Public Transportation Association, *2007 Public Transportation Fact Book* (Washington, DC, 2007). [http://www.apta.com/research/stats/factbook/index.cfm].

[84] U.S. Department of Transportation, 2007, exhibit 6-26.

[85] National Council on Disability, *The Current State of Transportation for People with Disabilities in the United States* (Washington, DC, 2005), p. 13. [http://www.ncd.gov/newsroom/publications/2005/pdf/current_state.pdf].

for paratransit is reaching a level where it may significantly affect resources for fixed-route service.[86]

A number of ideas on how to rein in the costs of paratransit without affecting the quantity or quality of service have been proposed. These include making fixed-route service as accessible as possible; improving the coordination of all paratransit and human services transportation; encouraging greater privatization, such as increasing the number of wheelchair accessible taxicabs; and greater use of advanced technologies, such as computer-aided scheduling and dispatch.[87] It is thought that fixed-route transit could be made more accessible by making vehicles and stops as accessible as possible, using paratransit as a feeder service in some circumstances, providing in-depth training on disability issues to all transit employees, and allowing disabled riders to use the fixed-route system for free. As it currently stands, however, it is not clear, if fully implemented, what effect these changes will have on funding requirements over the long term. Consequently, governments at all levels will likely be grappling with this issue for some time to come.

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[86] Parker, T. "Paratransit Funding: Is There A Silver Bullet?," *Mass Transit*, July/August 2007.

[87] Transportation Research Board, *Guidebook for Attracting Paratransit Patrons to Fixed-Route Services*, TCRP Report 24 (Washington, DC, 1997), [http://onlinepubs.trb.org/onlinepubs/tcrp/tcrp_rpt_24-a.pdf]; Metropolitan Washington Council of Governments, *Improving Demand Responsive Services for People with Disabilities in the Washington Region* (Washington, DC, 2006), [http://www.mwcog.org/uploads/pub-documents/9FpbXQ20060221102158.pdf].