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INSIGHT

Emergency Funding for Public Transportation Agencies Due to COVID-19

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Public Transportation Agency Budgets

The COVID-19 pandemic has reportedly resulted in a swift and large loss of public transportation ridership and fare revenue. Examples in the early days of the crisis include an 88% loss of ridership for New Jersey Transit, a 60% loss of subway ridership for New York's Metropolitan Transportation Authority, a 60% loss for Denver's Regional Transportation District, and a 90% loss for Bay Area Rapid Transit in San Francisco. Many transit agencies, including the Washington Metropolitan Area Transit Authority, have responded by cutting service, encouraging people to travel only when necessary, and requiring riders to enter buses through the rear doors without paying a fare.

Fare revenue losses are likely to be compounded by a less immediate decline in local tax revenue dedicated to transit agency budgets, particularly sales and property taxes. In 2018, fare revenue was 31% of operating budgets and 22% of overall transit agency funding (**Table 1**). Taxes dedicated directly to transit agencies were another 12% of overall funding. With both of these revenue sources under pressure, many transit agencies will likely find it difficult to meet current commitments, such as staff pay and benefits, and to restore service to previous levels once passenger demand rebounds.

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Table 1. Funding Sources for Public Transportation, 2018

(in millions of dollars)

	Operating		Capital		Total	
	%	$	%	$	%	$
Passenger fares	30.7	16,031	0.0	0	21.6	16,031
Other revenues	5.4	2,814	0.0	0	3.8	2,814
Dedicated taxes, tolls, bonds	6.1	3,196	25.6	5,616	11.9	8,812
Local government	26.5	13,857	23.1	5,077	25.5	18,934
State government	22.7	11,867	15.1	3,319	20.5	15,187
Federal government	8.6	4,513	36.2	7,947	16.8	12,460
Total	100.0	52,278	100.0	21,960	100.0	74,238

Source: American Public Transportation Association, *Public Transportation Fact Book 2020*, Appendix A, Table 95.

To compensate transit agencies for their losses, the American Public Transportation Association (APTA) has advocated for $16 billion in additional federal funding. This included $7.65 billion in lost fare revenue, $6.25 billion in lost sales tax revenue, and $2.1 billion for increased costs, such as extra cleaning of vehicles and facilities. The calculations are based on the assumption that revenue will be 75% below previous expectations through September 2020 and 40% below expectations from October through December 2020. It appears that APTA's calculations did not include savings that might come from service cuts. At the very least, this might include a reduction in spending on fuel, lubricants, and tires. According to APTA, transit agencies spent $4.3 billion on these kinds of materials and supplies in 2018. A 50% savings on materials and supplies for six months would be about $1 billion.

By comparison, the American Recovery and Reinvestment Act of 2009 (P.L. 111-5), a response to the deep recession that officially ran from December 2007 through June 2009, provided $8.4 billion for federal transit programs. Funds were primarily for capital assistance, and were distributed through the existing formula and discretionary programs managed by the Federal Transit Administration (FTA).

Emergency Federal Funding for Operations

Historically, the focus of the federal public transportation program has been on capital expenditures, but the program explicitly allows federal funding for operational expenses at a 50% federal share in urbanized areas of fewer than 200,000 residents and rural areas, and for small bus agencies in urbanized areas of 200,000 or more. On March 13, FTA issued a notice authorizing any transit agency in a state where the governor has declared an emergency to use federal formula funds for operational expenses with an 80% federal share. Transit agencies that do this, however, could have less money for capital expenses, such as purchasing buses and building repair garages.

The Public Transportation Emergency Relief (ER) Program can provide federal funding to service providers for damage to transit facilities or operations as a result of a natural disaster or other emergency and to protect assets from future damage. To be eligible for ER funding, an emergency must be declared by the governor of a state with concurrence by the Secretary of Transportation or by the President. FTA's ER program does not have a permanent annual authorization. All funds are authorized on a "such sums as necessary" basis and require an appropriation. Operating expenses are defined as evacuation activities, rescue operations, temporary transit service, and reestablishing, expanding, or relocating public transportation route service before, during, or after an emergency. Operating costs are eligible for reimbursement for one year beginning on the date a disaster is declared, although the Secretary of Transportation may extend that period to two years after determining a compelling need.

Legislative Issues

The revenue losses and cost changes that transit agencies face from the COVID-19 pandemic are likely to be disruptive. The magnitude of these effects on agency budgets is highly uncertain and may not be fully evident for some time. In response, Congress could provide immediate funding for several months of operational expenses to keep service running and workers employed, and later consider further support if losses exceed an initial appropriation. Alternatively, Congress might provide support for a much longer period of estimated losses, but reclaiming funds in the event that agencies' revenue losses are below initial estimates could be difficult and unpopular.

If Congress chooses to appropriate funding for the ER Program, it would face a determination of how the money would be distributed. FTA could allocate the funding on the basis of need claimed by transit agencies. This might target funds to areas and agencies most affected by the health emergency. To date, the New York City area, the most transit-dependent region in the country, has been hard hit by COVID-19 infections. An alternative method of distribution could be the existing formulas through which funds are distributed to urbanized and rural areas. The rural share of funds distributed through the urban and rural formula programs in FY2020 was about 13%. The formulas are weighted to the most populous places, particularly urban areas with bus and rail systems.