

# **Challenges and Opportunities For Sustainable Streams of Operating Support For Public Transit**

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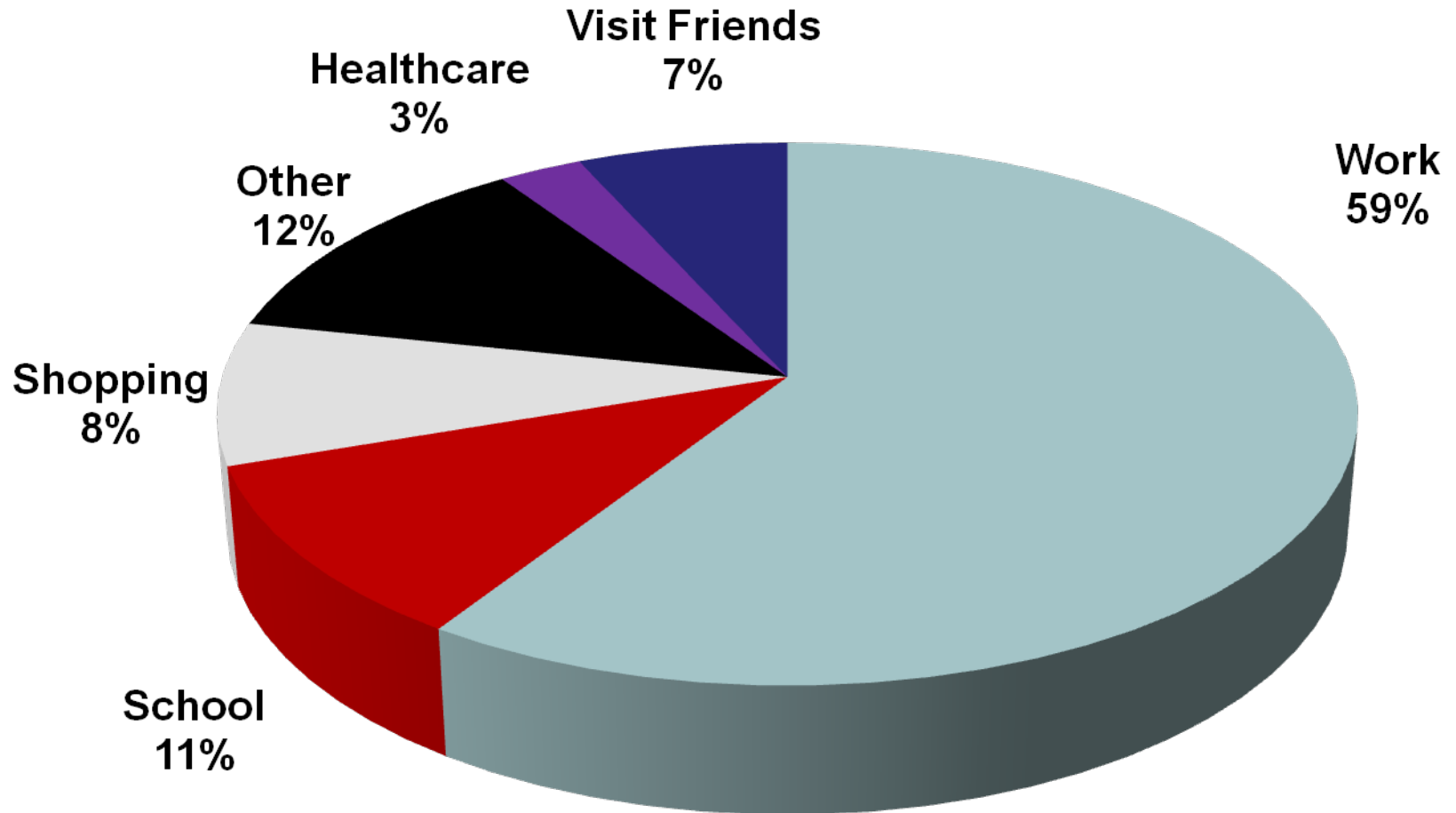
*Monterey, CA*

# Topics Of Discussion

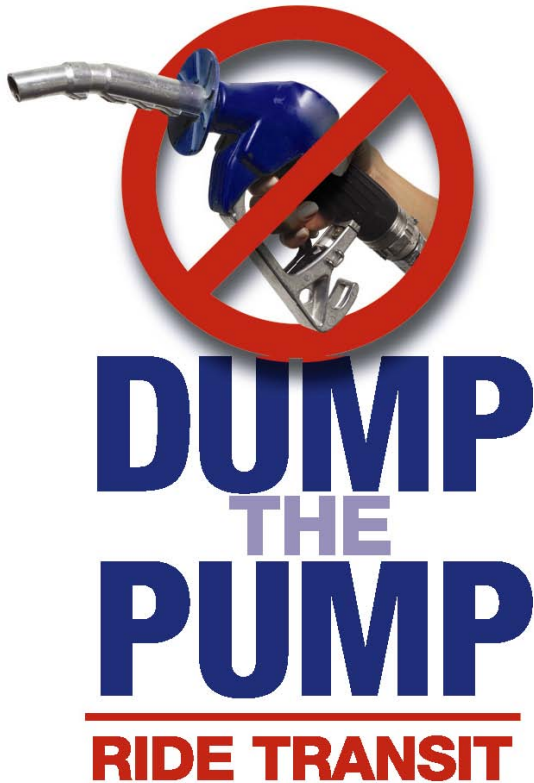
- ☐ **Does Transit Matter?**
- ☐ **Public Perceptions Challenges**
- ☐ **Funding Challenges**
  - Federal**
  - State**
  - Local**
- ☐ **Political Challenges**
- ☐ **Opportunities For Change**

***Why Do We Even Care?***

# 10.5 Billion annual trips on transit



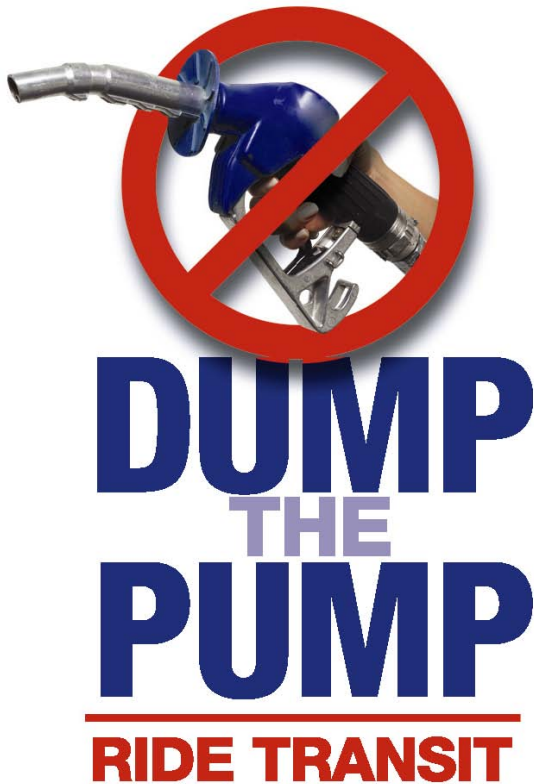
# Transit Reduces Pollution!



*Compared to private vehicles, transit produces:*

- *95% less carbon monoxide*
- *90% less ozone*
- *50% less CO<sub>2</sub>, and NO<sub>x</sub>*

# Transit Saves Money!



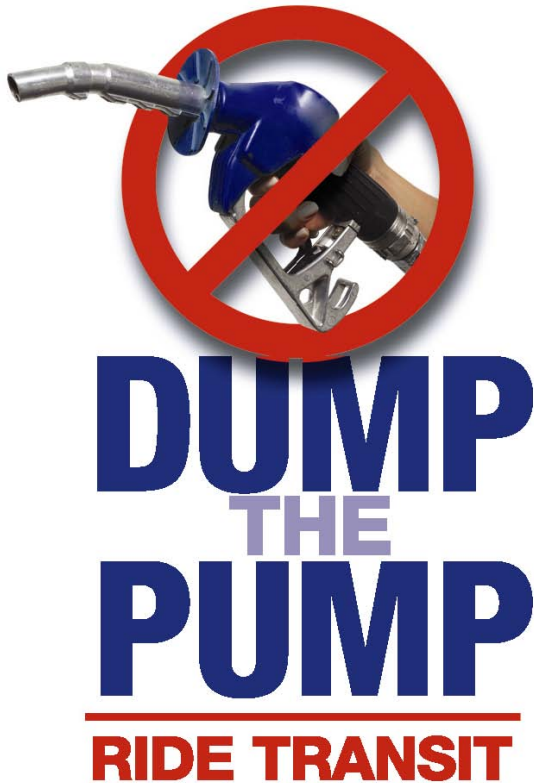
## **Commuting to work via bus:**

*Can save \$2,000 per year in reduced gasoline and parking fees*

## **Giving up one car completely:**

*Saves you over \$9,000 per year compared to the cost of owning, operating and insuring a car*

# Transit Helps The Economy!



*For every dollar invested in transit, four dollars are generated in economic return.*

*75% of transit trips are for work, school or shopping related activities.*

*Without transit, traffic congestion and time lost would be 15% worse.*

***Only 5% of commuters  
use transit as their  
primary mode***

***Why aren't we carrying a  
greater share?***

# ***Perception Challenges***



# Perception Challenges

**In 2008, Total US Spending On All Transit     \$ 9.5B**

**In 2008, US Auto Advertising Spending     \$15.6B**

# ***Funding and Political Challenges***

# Federal Funding Challenges

Today 80 cents out of every federal transportation dollar goes to highways, while 17 cents is used for public transportation.

*Transportation 4 America*

# Federal Transportation Spending

American Public Transportation Fact Book 2010 states:

Federal funds currently comprise about 40% of capital funds and about 7 % of operating funds

In 1988, the federal funds comprised 65% of capital funds and 6% of operating funds.

Since 1988, local funds have grown from 22% of the capital budget to 48%.

Local funds generally consist of sales taxes and fluctuate greatly with the economy.

# Federal Grants

**Formula Grants:** Allocations to transit based on population, density, employment, and performance statistics for capital equipment and maintenance. (Exception for small urban)

**Discretionary Grants:** Competitive grants for capital projects that meet Congressional and Administrative policy goals.(i.e. TIGGER, State Of Good Repair)

**Earmark Grants:** Allocated to specific projects that are priority for Congress or President.(i.e. LACMTA Red Line)

# State Transit Assistance

Historical Source is 4.75% state sales tax on gas and diesel fuel.

Disbursed to transit: 50% based on population; 50% based on transit operating revenues (FBR '79 & CPI).

Eliminated By Governor March 2010 and replaced with flat tax per gallon of diesel.

Constantly raided by the State and lacks protection.

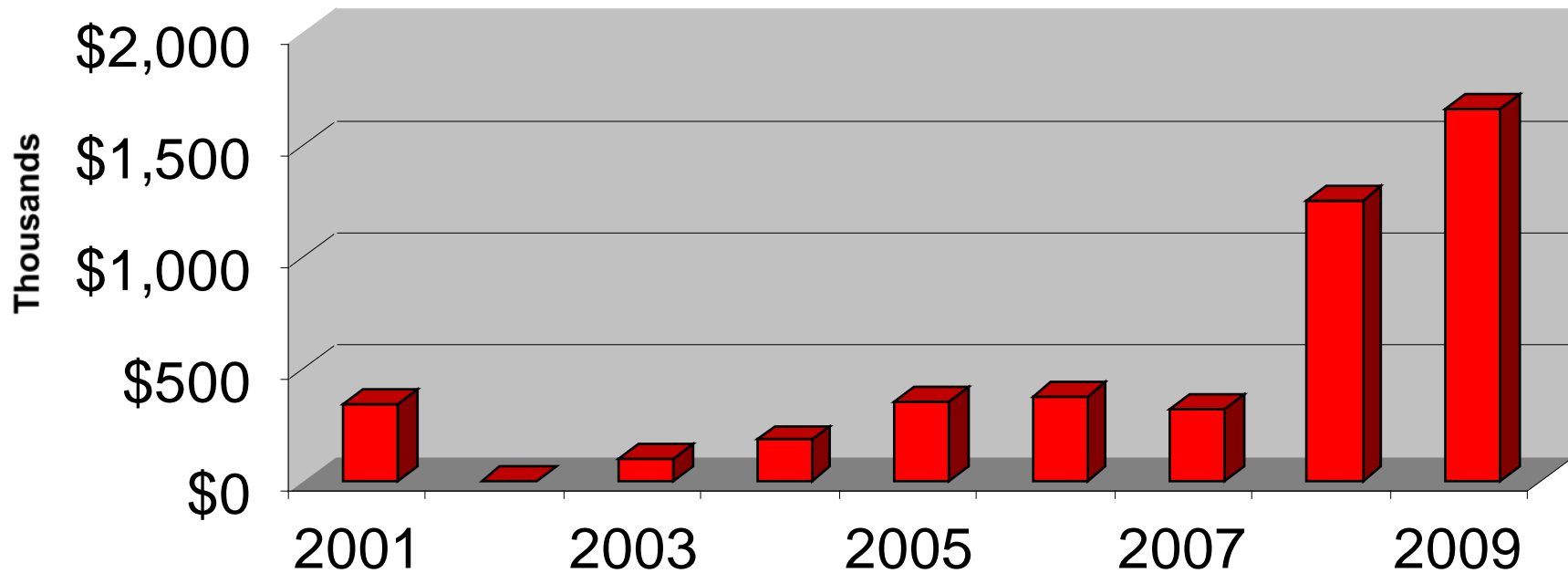
Public Transportation Account

Fund Diversions Since 2000-01

<u>Year</u>	<u>\$ Loss</u>	<u>Where PTA \$'s Went</u>
2000-01	\$ 70 million	Loan to Toll Bridge Seismic Retrofit Program
	\$ 275 million	Loan to the Traffic Congestion Relief Fund
2002-03	\$ 100 million	Loan to the General Fund
2003-04	\$ 88 million	Transfer “spillover” to General Fund
	\$ 93 million	Suspension of the PTA’s share of Proposition 42
2004-05	\$ 108 million	Divert revenue from sale of Caltrans property
	\$ 106 million	Suspension of the PTA’s share of Proposition 42
	\$ 140 million	Transfer “spillover” to other programs
2005-06	\$ 380 million	Transfer “spillover” to other programs
2006-07	\$ 200 million	Transfer “spillover” to the General Fund
	\$ 125 million	Transfer “spillover” to the Bay Bridge Toll Account
2007-09	\$1,805 million	<b>New permanent expense:</b> G.O. bond debt service
	\$ 688 million	<b>New permanent expense:</b> home-to-school transportation
	\$ 267 million	<b>New permanent expense:</b> regional center transportation
	\$ 166 million	<b>New permanent expense:</b> Prop. 42 loan repayment

# **\$4.6B OF STATE FUNDING RAIDS**

## **California State Diversions Of Transit Funding 2001 – 2009**





AAUGH!



# State Bond Funds

Approved By Voters In 2007

Funding For Capital Purchases Only

Funds Limited By Ability Of State To Sell Bonds

No Budget, No Bonds, No Funding

# Local Transportation Funds (LTF)

Largest single local source of revenue for many operators.

Generated from  $\frac{1}{4}\%$  of state sales tax.

Unstable and fluctuates with economy.

Vulnerable to raids by the State.

# Other Local Funds

Fare Revenue

Advertising Revenue

Local Partnerships

Special Taxes and Fees

***So how's that  
working out so far?***

U.S. Department of Transportation's *2008 Status of the Nation's Highways, Bridges, and Transit Conditions and Performance* Report to Congress reports:

- 8,000 buses need to be replaced each year.
- 18 percent of the nation's bus fleet was in need of replacement immediately.
- over 36 percent of urban bus maintenance facilities were in marginal or poor condition in 2006, five percent higher than in 2004.
- nearly 50 percent of the nation's bus facilities were over 20 years old.

April 2009 *Rail Modernization Study* estimated a combined \$50 billion repair and replacement backlog in the bus and rail systems of the seven oldest and largest U.S. transit agencies.

In May 2010, the Federal Transit Administration allocated \$750 Million For “State Of Good Repair” purposes.

*Impacts of the Recession on Public Transportation Agencies report* shows that since January 1, 2009:

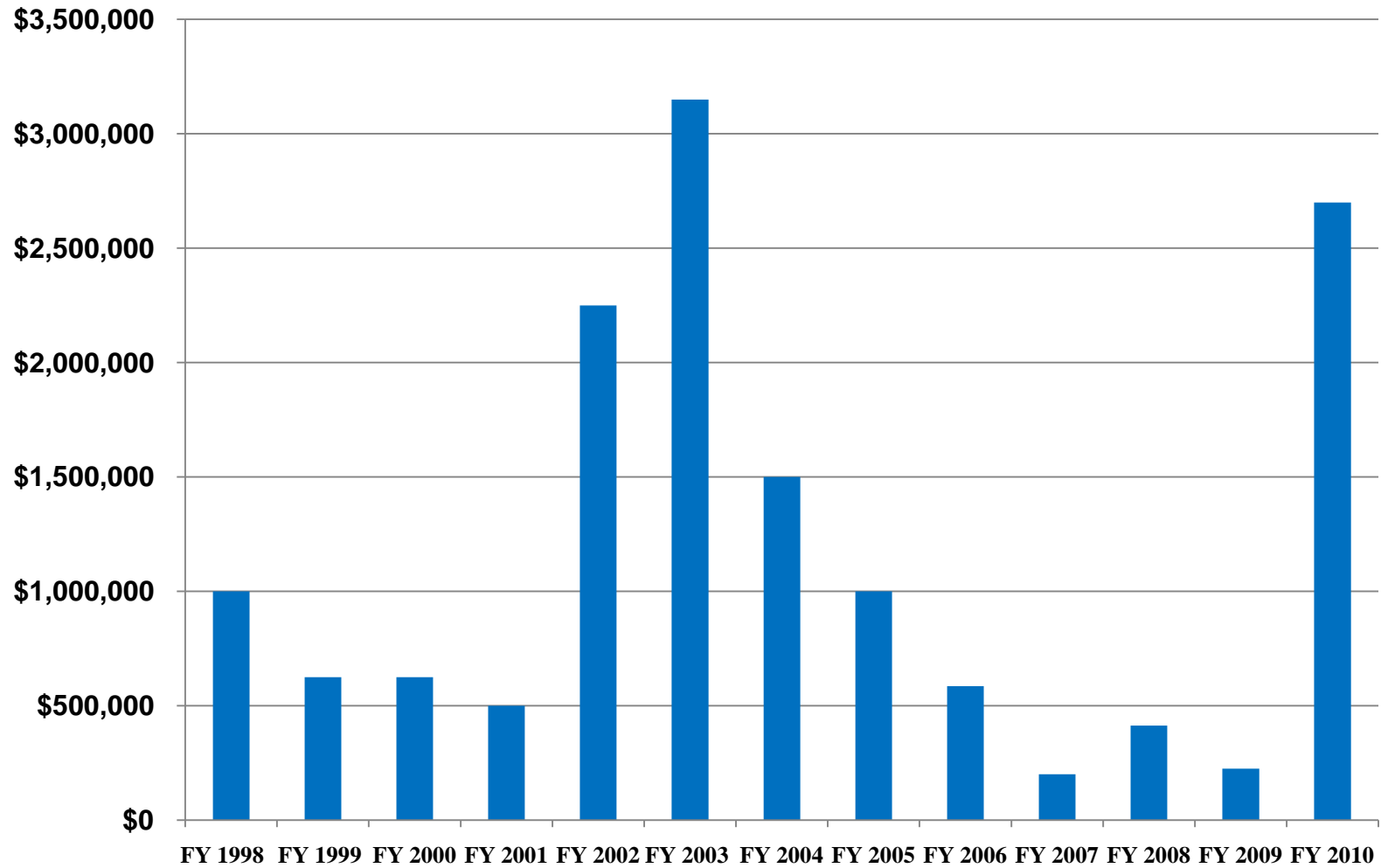
84 percent of public transit systems have raised fares, cut service or are considering either of those actions.

Fifty nine percent of public transit systems reported that they have already cut service or raised fares.

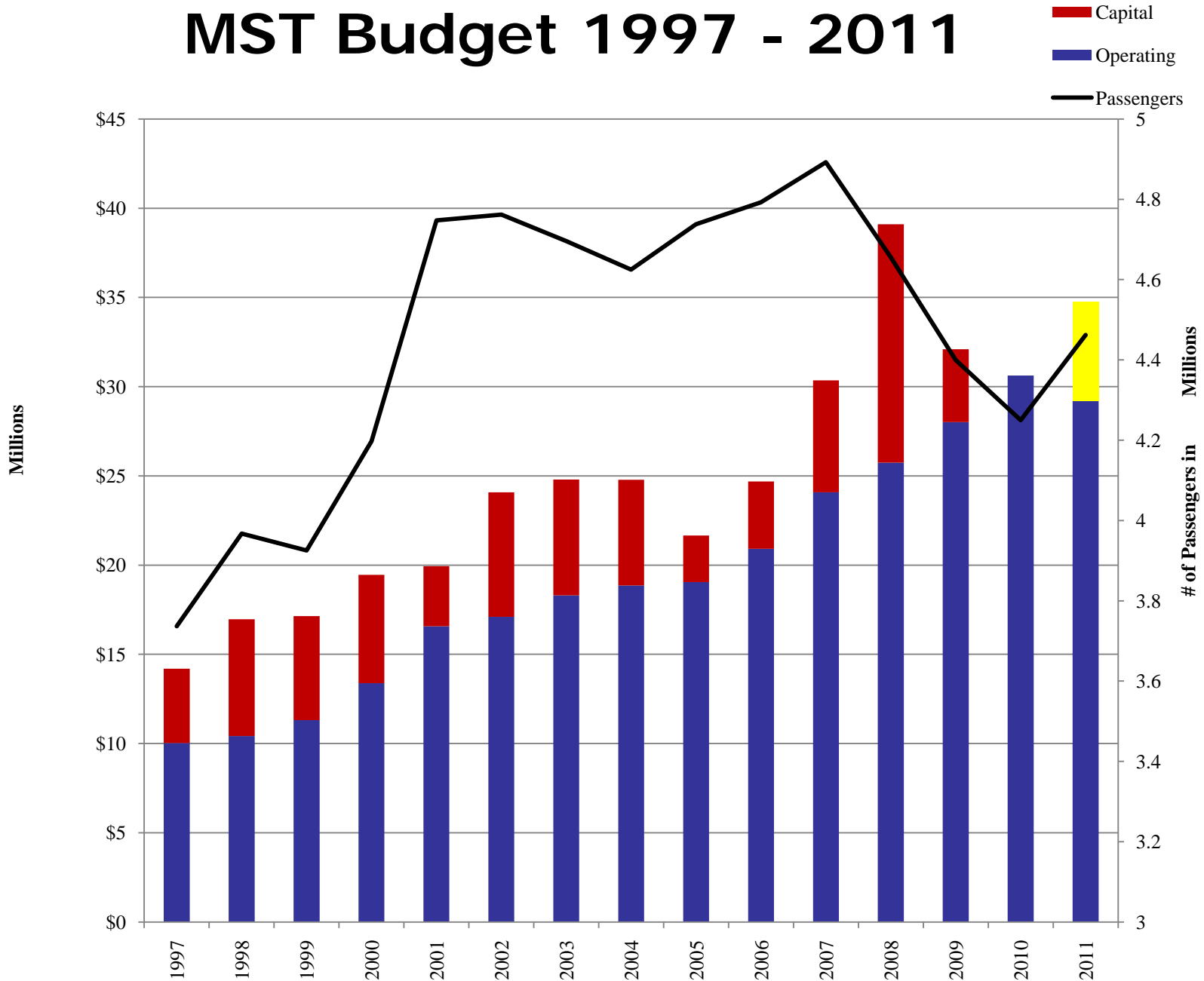
Service cuts that have been either implemented or will be considered for future action include: reductions in rush hour service (56%), reductions in off-peak service (62%), and reductions in geographic coverage (40%).

54% of public transportation systems responding have transferred funds from capital use to operations.

# MST Federal Earmark History



# MST Budget 1997 - 2011



# **2004 University Transportation Research Center Impacts Of Deferred Investment On Capital And Operating Budgets Report Concluded:**

- Capital assets must be maintained in good repair for a transit system to operate efficiently, minimize costs, and achieve peak performance.
- Healthy budgets minimize lifecycle costs through normal, scheduled replacement of assets that reach the end of their useful lives. A certain level of this investment is essential in perpetuity.
- Under investing in normal replacement causes avoidable and disproportional operating and capital costs.
- Normal replacement optimizes total operating and capital costs based on the useful life of individual assets.

# Deferred Capital Investment

## Impacts on Operating and Capital Costs

- **“Reliability tax”** – Routine and emergency repairs become increasingly frequent as capital reinvestment is deferred (*e.g. bridge deck rehabilitation*).
- **“Efficiency tax”** – Work is needlessly complicated or resources wasted by obsolete facilities, equipment, and spatial constraints (*e.g. bus and rail car maintenance facilities and substation replacement*).
- **“Redundancy tax”** – Extra requirements for reserve capacity (larger fleet spare ratios, additional crews) are needed to keep the system operating at a given performance level (*e.g. rail car lifecycle maintenance*).
- **“Capital tax”** – The degree of disrepair accelerates over time, or repeated capital investments that otherwise might be avoided remain necessary (*e.g. bridge deck rehabilitation and concrete tie replacement*).
- **Cost escalation** – Inflationary pressures increase the cost of a project overtime, even if there is no change in its scope. These costs typically grow slightly faster than the CPI.

***So What's Gone Wrong?***

# Funding Challenges

Federal Funding Policies Place A Priority On Funding Things Over Funding Services To People.

Federal Programs Prefer Attracting New Customers Versus Maintaining Existing Customers.

To Raise Or Renew Local Funds For Operations Requires 2/3 Super Majority.

Not Enough Public Funding To Support Basic Infrastructure.

Unpredictable Capital Funds Leads to Unpredictability of Operating Funds, Service Cuts, Less Customers.

Transit Customers Lack A Political Champion.

*David Besser*



## ***FTA Administrator Peter Rogoff: May 8, 2010***

*At times like these, it's more important than ever to have the courage to ask a hard question: if you can't afford to operate the system you have, why does it make sense for us to partner in your expansion?*

*If you can't afford your current footprint, does expanding that underfunded footprint really advance the President's goals for cutting oil use and greenhouse gases?*

*Are we at risk of just helping communities dig a deeper hole for our children and our grandchildren?*

*Might it make more sense for us to put down the glossy brochures, roll up our sleeves, and target our resources on repairing the system we have?*

***Opportunities For Change?***

Transportation for America

## Preference to Reduce Traffic Congestion

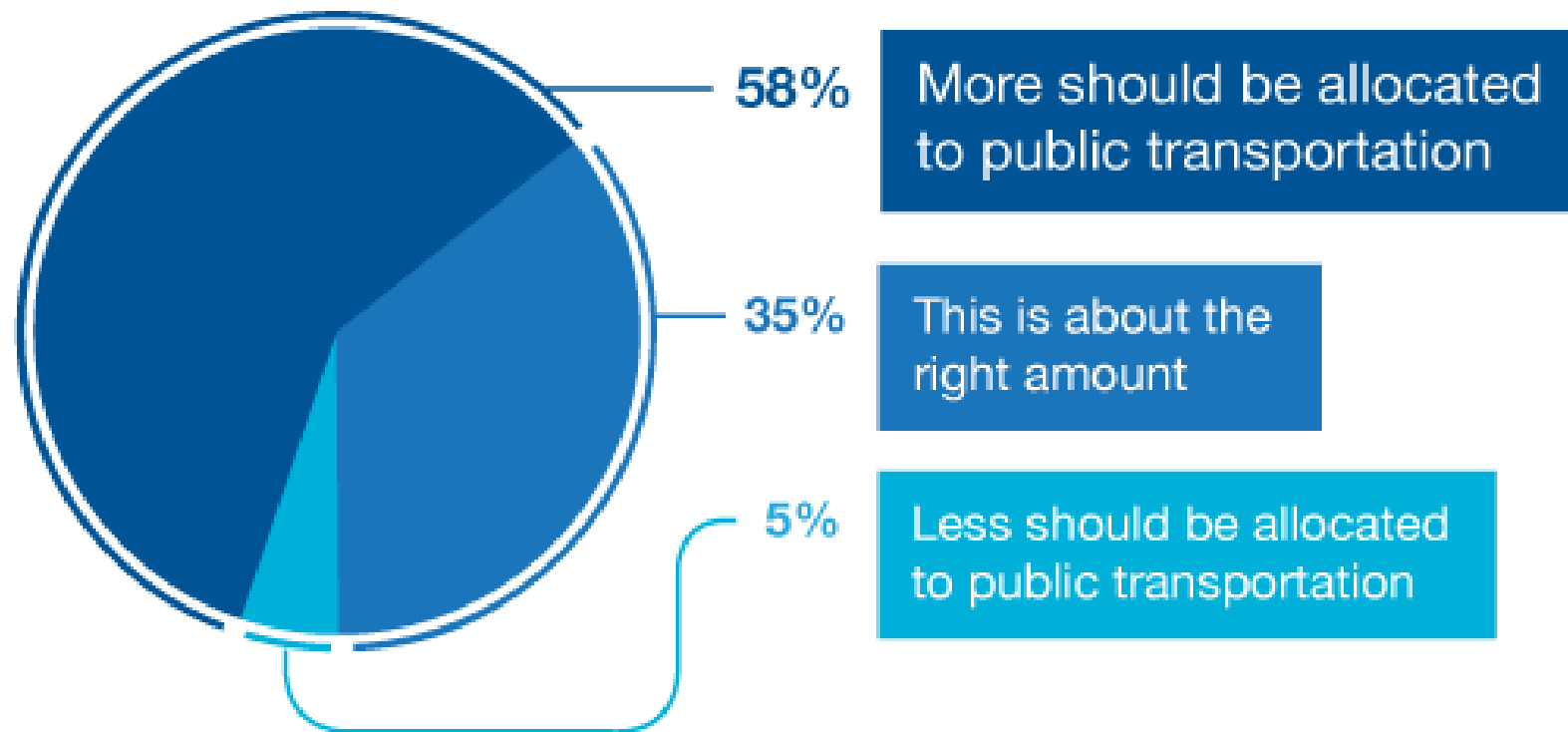
Future of Transportation National Survey



Transportation for America

# Allocation of Federal Transportation Spending

Future of Transportation National Survey



# Opportunities For Change

Transit Ridership At 50 Year High.

Studies Indicate Support For Increased Transit Funding.

Transportation Reauthorization Bill Offers Opportunity To Correct Funding Inequities/Unpredictability Through Increased Formulization.

Proposition 22 Offers Relief From State Raids.

FTA Understands That Existing Infrastructure Needs To Be Maintained Before New Investments Are Made.

National Infrastructure Bank Being Considered.

Thank you

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