FY 2018 and Beyond: What's at Stake for Small and Rural Transit Providers

Federal transit programs for communities of all sizes face unprecedented levels of cuts

Federal transit funding — including the funding on which small and rural transit providers rely — is once again on the chopping block. At risk for smaller cities and rural areas are funding reductions, phase-outs or the total elimination of Small Starts, TIGER and formula funding. Those who operate or depend on transit — whether in small, rural areas or large, urban ones — must band together to convince both Congress and the President of the vital nature of public transportation services.

What the President has proposed and the status of the current appropriations process

In outlining his proposed budget last May, President Trump clearly and bluntly stated that transit is an inherent local responsibility, and therefore, not a candidate for federal funding. Under the administration's proposal, new transit projects would be limited to a handful of major metropolitan areas that can tax themselves to pay for their own capital investments while everyone else will be left out in the cold.

Wrongly, this philosophy establishes an elite, small group of winners pitted against every other transit property in the nation — large and small. The approach is counter to a prevailing bipartisan funding arrangement the industry fought for, earned, and sustained over decades.

The administration is targeting Small Starts, TIGER and transit formula funding specifically for either cuts, phase-outs or total elimination. The administration's budget also calls for phasing out funding for New Starts and Core Capacity Programs once the currently funded projects are completed.

Figure 1: Federal Share of Transit Costs

Capital expenses

Population	Federal Share
<50,000	66%
50,000 – 200,000	56%
>200,000	42%

Operating expenses

Population	Federal Share
<50,000	33%
50,000 – 200,000	27%
>200,000	7%

Source: Community Transportation Association analysis of National Transit Database 2015

Transit properties risk not only losing a federal partner but also the very funding they rely upon to serve their communities well and to make future capital investments. Small and rural transit providers must let local officials and their representatives in Congress know that these cuts would take money from small communities across the country — not just from big cities.

We have been here before

In 2012 when the House Ways and Means Committee passed a bill to end all dedicated funding for transit, a broad-based coalition representing communities of all sizes, both sides of the political spectrum, business groups, civic groups and others, took immediate action to oppose the bill and ultimately killed it.[1] We can do it again!

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[1] See, e.g. this letter signed by over 600 organizations: http://t4america.org/wp-content/uploads/2012/02/HR3864-coalition-letter.pdf

Did you know? Many members of Congress are not aware that:

- Transit use is widespread in small and rural communities; when ranked by transit use per capita, seven of the top 20 cities have populations under 200,000.[2]
- Smaller transit systems are both a lifeline service and a powerful economic development catalyst in the communities they serve.
- Smaller communities are more reliant on federal investment than their larger urban counterparts. **As a result, reductions in federal funding have more adverse impacts in smaller cities and rural areas.**

What you should do today

- Tell Congress and the President that funding for all transit programs must be preserved — and if anything, should be increased, not cut.
- Tell Congress to reject the administration's proposals to reduce or eliminate funding for New Starts, TIGER, Small Starts and transit formula funding.

What you should do when you go home

- Keep the drumbeat of your own story alive.
- Invite members of your delegation to a "ride-along" on a local transit route or to tour a new transit capital project that was federally funded.
- Host a meeting in-district where your member of Congress can meet transit riders.
- Write a letter to the editor or an op-ed for the local newspaper about the importance of your transit system — and share it with your member of Congress once published.
- Speak with and educate local reporters about potential funding cuts and explain the impacts of those cuts for your riders and your community.

Formula transit programs

Figure 1 (on the first page) illustrates how rural and small-city public transportation services are more reliant on federal investment than their larger urban counterparts, so even relatively small reductions in these funds would have a dramatic impact. Most of this funding comes from formula-driven funds set aside exclusively for transit from federal gas tax proceeds flowing into the federal Highway Trust Fund (HTF). Since 2008, the gas tax has not generated enough revenue to fully fund authorized highway and transit programs. As a result, Congress has transferred $135 billion in general funds into the HFT to keep it afloat, but the latest transfer of funds will be depleted in 2020.

Unless additional sources of funding are identified by the end of the current transportation authorization that is set to expire in 2020, transit formula-funded programs could be cut. Because the

[2] Those cities are Athens, GA; Champaign, IL; State College, PA; Iowa City, IA; Gainesville, FL; Davis, CA; and Bellingham, WA. The full list is available at https://fivethirtyeight.com/features/how-your-citys-public-transit-stacks-up/

current authorization is also subject to the annual appropriation process, those cuts could come earlier. While the administration's budget proposal includes full funding for transit formula programs in FY2018, it also proposes cuts to these programs in the following two years, and drastic reductions after FY2020.

If Congress does not raise the gas tax, find another funding source, or transfer additional general funds into the HTF by 2020, highway and transit programs will be cut back to levels equal to the revenue coming from the gas tax, roughly a $95 billion cut in federal spending over the next six years beyond 2020. Assuming, these cuts would be shared between highway and transit programs according to the historical 80:20 ratio, transit formula programs could suffer a $19 billion cut, or about 22 percent.

Impact of program cuts: Considering the Trump Administration's rhetoric on transit funding thus far, there could very well be an effort to make a disproportionate share of these cuts to transit or to remove transit completely from the HTF in order to avoid cuts to the highway program. Any reduction in the transit formula programs would adversely impact transit agencies' ability to conduct preventive maintenance, replace vehicles and equipment, and keep garages and passenger facilities safe and in a good state of repair. **Cuts to formula funding would bring greater impacts on the operation of smaller, rural transit agencies — agencies that are also permitted to use a portion of federal dollars on the day-to-day operations of their systems.** As state and county budgets also fall under pressure, it cannot be assumed that state or local funds would be available to cover the shortfall.

Small Starts

The Small Starts program within the broader transit capital construction program provides funding for bus rapid transit (BRT) and rail projects with a total cost under $300 million, and is the most practical source for small cities planning a major transit investment.[3] Smart Starts represents approximately 10 percent of the Federal Transit Administration's capital grant program, which also includes New Starts and Core Capacity grants. Despite the success and popularity of the Small Starts program, the administration's budget proposes to eliminate it, along with the New Starts and Core Capacity programs, once current funded projects are completed.

Small Starts was created in 2005 specifically for the purpose of giving smaller communities access to federal funds for major transit investments. Over the years, this program has funded dozens of projects, including three BRT lines in Eugene-Springfield, Oregon. Those two small cities had a vision for their future but could not have amassed enough capital at the local level all at once to construct what is now one of the most successful BRT systems in the country. The New Starts and Small Starts programs filled the gap, providing 75 percent of the funding for the system.

Examples of Small Starts projects

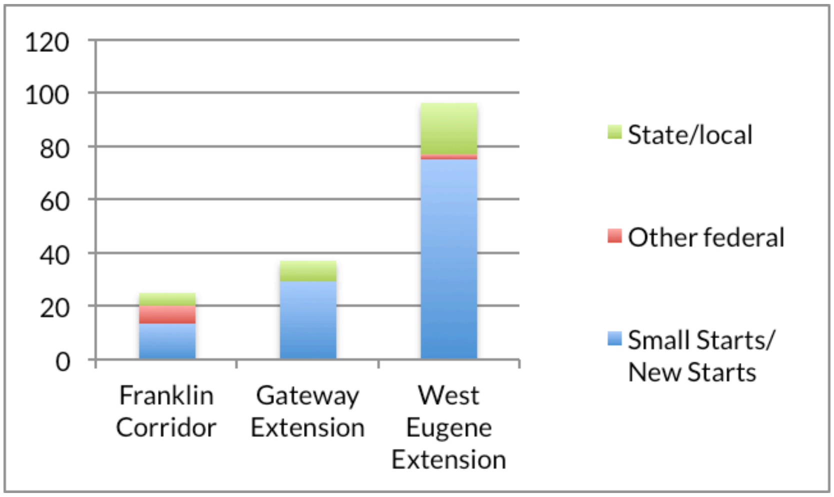
BRT in Grand Rapids, MI
BRT in Fresno, CA
BRT in Eugene, OR
BRT in Fort Collins, CO
BRT in Roaring Fork Valley, CO
BRT in Flagstaff, AZ
Commuter rail in Fitchburg, MA
Streetcar in Little Rock, AR*

**Funded as a New Start prior to creation of the Small Starts program.*

A complete list of Small Starts projects is available in FTA's annual reports: https://www.transit.dot.gov/funding/grant-programs/capital-investments/annual-report-funding-recommendations.

[3] MAP-21 increased these values from $75 million in funding and $250 million total project cost.

Figure 2: Funding for Eugene-Springfield EmX BRT ($ in millions)



Sources: https://www.nbrti.org/docs/pdf/EmX_%20Evaluation_09_508.pdf, https://www.transit.dot.gov/sites/fta.dot.gov/files/docs/FY09_Annual_Report_on_Funding_Recommendations.pdf, https://www.ltd.org/latest-news/regions-emx-transit-line-receives/.

At the time of publication, the Small Starts program is still in limbo for FY 2018. While the President has called for its elimination and the House Appropriations Committee recommended only enough funding to support projects that already have funding agreements ($182 million), the Senate Appropriations Committee recommended $168.4 million for new Small Starts projects in addition to $149.9 million to complete previously approved Small Starts projects.[4] The final funding amount will be negotiated in fall 2017.

Impact of program elimination: Thirty-five projects are currently in the Small Starts pipeline, and many other communities are in the planning stages.[5] Should this program be terminated, no new Small Starts projects would move forward again with federal funding, leaving communities to support these projects entirely on their own. (Most are already raising their own taxes or other revenues to pay a large share, as much as 50 percent of the full cost.) If TIGER is also eliminated (see below), the only source of federal funding for new such transit projects would be formula programs or the Bus and Bus Facilities program. In other words, these projects would be forced to share the same funding pots that transit agencies rely on for state of good repair and vehicle purchases.

[4] Both the House and Senate figures are below the amount that Small Starts has received in the past two years, but are fairly consistent with historical Small Starts funding levels. In FY2017, $407.8 million was appropriated for 10 specified Small Starts projects, and in FY2016, $353 million was appropriated for Small Starts.

[5] Available here: https://www.transit.dot.gov/funding/grant-programs/capital-investments/current-capital-investment-grant-cig-projects.

The TIGER competitive grant program

The TIGER program, created in the 2009 American Recovery and Reinvestment Act, was designed to fund economically beneficial transportation projects that are difficult to fund using traditional federal programs. **It's long been one of the only ways that smaller local communities can access federal funding for their priority projects, without having to go hat-in-hand to the state department of transportation.** As such, demand for the funds have always outstripped supply. In 2016, for example, USDOT received 585 applications requesting $9.3 billion from the $500 million program.[6]

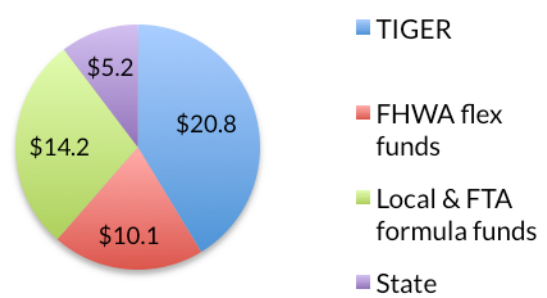
TIGER grants have been provided to both urban and rural areas, and are available for capital projects that can include new construction as well as state of good repair. For example, in 2015, the state of Texas received a $20.8 million grant to procure 325 buses and vans to replace aged vehicles and construct four transit centers in rural areas of central Texas. TIGER will cover 40 percent of the cost of the project, and they reward projects that bring significant local or state money to the table.

Examples of TIGER projects

- Transit center in Moscow, Idaho
- Replacement buses and transit facilities for rural providers in Central Texas
- CNG buses for Muskegon County (MI) transit
- New scheduling and dispatch services for rural transit systems in Ohio
- BRT in Reno, NV
- Transit facility, bus stop renovation, and hybrid buses for Brownsville, TX
- Intermodal hub in Oklahoma City
- BRT in Omaha, NE
- Intermodal hub in Ames, IA
- Transit facility in Hopkinton, RI

An interactive map showing all TIGER grants is available at http://t4america.org/maps-tools/tigermap.

Figure 3: Funding for Texas Rural Transit Asset Replacement Project ($ in millions)



Source: Texas Department of Transportation, https://ftp.dot.state.tx.us/pub/txdot-info/ptn/tiger-grant-app.pdf

Despite its success and popularity, the Trump Administration's budget for FY2018 proposes to eliminate the TIGER program. As of this writing, the House Appropriations Committee has also voted to eliminate the TIGER program in FY2018, while the Senate Appropriations Committee would provide $550 million (up from the $500 million appropriated for the program in FY2017). As with Small Starts, the final program total will be negotiated in fall 2017.

[6] See https://www.transportation.gov/briefing-room/us-transportation-secretary-foxx-announces-tiger-awards-nearly-500-million-grants

Impact of program elimination: If TIGER is eliminated a major funding source for transit facilities and other system improvements will disappear. Transit agencies with one-time capital needs will have to turn to the Bus and Bus Facilities discretionary program, placing further pressure on that small program, or use formula funds. **Even if TIGER survives, the administration may establish new evaluation criteria, as they recently did for the freight-oriented Infrastructure for Rebuilding America or INFRA program, previously known as FASTLANE, which will now prioritize public-private partnerships and a higher local match.**

Future Outlook

The various proposals currently under consideration in the federal budget debate raise many questions for the future of the transit program. In addition to proposing the cuts discussed above, the Trump Administration has recommended a $200 billion federal infrastructure program focused on leveraging private capital.[7] (Note that there will be many claimants for that funding; according to the administration, the $200 billion is intended not just for transportation, but also for broadband and veterans hospitals, among other needs.) Given the challenges that transit agencies can face in attracting private capital, it is not clear to what extent transit will be able to access the $200 billion unless a portion of that amount is specifically set aside for transit needs.

The administration, however, has stated their belief clearly that transit is an inherently local responsibility and, therefore, not a candidate for federal funds. In explaining the proposed elimination of the Capital Investment Program, the budget states that the program:

> *Provides Federal funding for local transit projects that should be funded by States and localities that benefit from their use. Localities are better equipped to scale and design infrastructure investments needed for their communities. Several major metropolitan areas, including Denver, Los Angeles, and Seattle, have already begun to move in this direction by asking residents to approve multi-billion dollar bond measures to speed the delivery of highway and transit investments. These regions realize waiting for Federal grant funding is not the most efficient way to meet their local transportation needs. Federal resources should be focused on making targeted investments that can leverage private sector investment and incentivize the creation of revenue streams where possible.*[8]

Under the administration's proposal, new transit projects would be limited to the handful of major metropolitan areas that can tax themselves to pay for them. **While Congress thus far has not adopted this view, pressure from the administration to cut spending on domestic programs could eventually lead appropriators in that direction.**

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[7] See https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/fact_sheets/2018%20Budget%20Fact%20Sheet_Infrastructure%20Initiative.pdf.
[8] See p. 76, https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/msar.pdf.

With a smaller pot of transit funds and increasingly urgent repair needs at large agencies, Congress will face difficult choices, and may redirect funds from other programs to assist large urban systems.[9,10] With fewer "new" transit cities (as plans for new light rail and BRT systems are scrapped following the disappearance of New Starts and Small Starts), transit's political influence could decline, sparking a downward spiral for the program as a whole.

There are obviously many possibilities short of this worst-case scenario.

Thus far, House and Senate appropriators have opposed some of the administration's most drastic cuts. But with the administration pushing to cut federal spending and without a solution to the looming HTF shortfall, there is no guarantee that transit funding will continue to be protected.

Transit providers of all sizes, in all parts of the country, should band together and start making the strongest possible case for preserving the federal transit program.

Resources

The President's proposed budget: https://www.whitehouse.gov/omb/budget

House Appropriation bill:
https://appropriations.house.gov/news/documentsingle.aspx?DocumentID=395016

Senate Appropriations bill:
https://www.appropriations.senate.gov/news/majority/committee-advances-fy2018-transportation-hud-appropriations-bill

[9] E.g., in June of this year, New York Governor Andrew Cuomo declared that the Metropolitan Transportation Authority was in a state of emergency (https://www.nytimes.com/2017/06/29/nyregion/cuomo-declares-a-state-of-emergency-for-the-subway.html). In March 2016, the Metrorail system in Washington, D.C. closed for an entire day for an emergency inspection (https://www.washingtonpost.com/local/trafficandcommuting/washington-braces-for-full-day-of-metro-shutdown-to-deal-with-safety-concerns/2016/03/16/42324598-eb3f-11e5-b0fd-073d5930a7b7_story.html). In 2010, the seven largest rail systems accounted for more than 60% of the state of good repair backlog in the country (https://www.transit.dot.gov/sites/fta.dot.gov/files/docs/National_SGR_Study_072010%282%29_1.pdf).

[10] For example, the House Appropriations Committee seems to have used some of the savings from eliminating TIGER in its FY2018 budget bill to provide funding for the New York-New Jersey Gateway Program. See http://www.politico.com/tipsheets/morning-transportation/2017/07/11/house-thud-bill-drops-with-gateway-goodies-221266.