

Metropolitan Transportation Commission Programming and Allocations Committee

January 13, 2021

Agenda Item 3a - 21-0132

COVID – 19 Federal Relief Funding

Subject: Information on the COVID-19 federal relief package plus discussion of considerations and next steps for allocation of funds to transit operators.

Background: On December 21st Congress approved a combined \$2.3 trillion COVID relief package and FY 2021 Appropriations bill, which was signed by the President on December 27th, providing significant funding for public transportation in addition to other relief.

The COVID-relief portion of the bill provides \$14 billion in supplemental funding to public transit to offset the massive drop in revenue resulting from the pandemic. This will provide about \$975 million to the Bay Area to assist the region's transit operators. Importantly, because the bill caps funding to urbanized areas at the equivalent of 75 percent of their 2018 operating expenses, when funds from the bill are combined with prior funding from the CARES Act, only San Francisco-Oakland, San Jose, and Santa Rosa urbanized areas will qualify for funds from the large formula pot which comprises \$13.3 billion of the total amount. The specific amounts to those urbanized areas are as follows:

- \$819M for San Francisco-Oakland
- \$144M for San Jose
- \$15.4M for Santa Rosa

As a reminder, federal law requires funds to be expended on operators that serve these urbanized areas but determining the distribution to specific operators within each area rests with MTC. Operators eligible for funding in the San Francisco-Oakland, San Jose, and Santa Rosa urbanized areas are listed in Attachment A.

The bill also includes \$678 million in Section 5311 (Formula grants to rural areas) which are distributed directly to Caltrans and \$50 million for the Enhanced Mobility of Seniors & Individuals with Disabilities program, also distributed at the state level.

Funding Distribution

Given the serious financial need of several Bay Area transit operators, staff plans to bring a recommendation for an initial allocation of a portion of the funds to the Commission meeting in January. A second distribution, guided by input from the Commission, discussions with transit operators and stakeholders, and informed by thorough analysis of operator needs, is anticipated for February or March Committee and Commission action.

True-Up

When approving the final distribution of CARES Act funding last July, the Commission directed staff to apply a “true-up” of the CARES funding distribution to any future allocation of federal dollars for pandemic relief, that would compensate operators that received less CARES funding than they should have due to inaccurate revenue loss forecasts. As a reminder, the true-up was not contained in the MTC adopted CARES Act Principles, but rather in an amendment by Commissioner Liccardo to the motion approving the programming of the second tranche of funds. The related language from the July 22, 2020 meeting minutes is below:

“Revised with an amendment conditioned upon a “true up” of any negative differential between projected and actual sales tax and/or fare revenues with any future allocation of federal dollars for pandemic/economic relief. Such calculation shall be based upon the actual receipts for the periods March - August and September – December 2020, or appropriate time period for actual available data. In the event any transit operator received less than their adjusted share of CARES Act funding due to the inaccurate forecasts, such differentials shall be compensated with a future federal allocation of emergency funding. If Congress fails to appropriate any such additional dollars for transit operators, then MTC staff shall identify other new augmented sources of flexible new federal funding which can appropriately compensate operators for those shortfalls.”

We recommend this true-up be the basis for an initial programming recommendation at the January Commission meeting as it responds to prior direction and will direct funding to operators with immediate outstanding needs. Importantly, swift initial action will help justify to our Congressional delegation and our federal partners that this assistance is crucial and will be deployed. Once that increment is assigned, it will allow time to assess data and circumstances nine months into the pandemic, and how those considerations should be applied to the balance of funds remaining.

Other Factors for Consideration

During the programming of the CARES Act, the Commission adopted several principles to guide the allocation of funding. Our review of these principles show that they contain elements still relevant to the allocation of the new COVID relief funding. Based on this review in combination with practical experience gained from the CARES Act programming, staff recommends applying the following considerations in distributing the relief funding:

- Distribute funds to operators most in need – accounting for those still coping with significant budget deficits in FY 2020-2021.


- Distribute funds in a manner that recognizes operator budgets have been and will likely continue to be affected differently due to the pandemic's uneven impact on varied revenue sources.
- Work within the federal urbanized area framework to develop a "needs-based" distribution to the extent possible and consider supplemental funding for those operators that are ineligible for federal relief funds due to urbanized area constraints.
- Distribute funding in a way that prioritizes the needs of those most dependent on public transit service, with special attention paid to the pattern of ridership that has returned to different transit agencies to date, and how that reflects "demand on the ground" and agency ability to respond to those demands.
- As a condition of funding, require operators provide information on their financial status and operating budget scenarios for fiscal years 2020-21 and 2021-22.

Issues:

Item 3b on this Committee's agenda relates to last month's discussion of principles and opportunities to redirect funds to transit operations and now includes staff's recommendation to provide augmented flexibility to transit operators to shift capital funding to operating to assist with the revenue crisis caused by the COVID-19 pandemic. Irrespective of new federal relief funding, staff maintains its recommendation for increased flexibility due to on-going uncertainty about how long the pandemic's affects will persist.

Recommendation: Information Only

Attachments: Attachment A – Operators Eligible in SFO/San Jose/Santa Rosa Urbanized Areas


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