

Metropolitan Transportation Commission Programming and Allocations Committee

June 9, 2021

Agenda Item 4b - 21-0692

American Rescue Plan Transit Funding Policy Considerations

Subject: Policy considerations to inform the upcoming Commission programming discussions and action for the \$1.68 billion in emergency funding for public transit from the American Rescue Plan (ARP) Act.

Background: The American Rescue Plan (ARP) Act of 2021 appropriated \$30.5 billion to support public transit through the impacts of the COVID-19 pandemic. The Bay Area will receive \$1.68 billion in transit funding from the ARP across the 12 federally designated urbanized areas (UZAs) that constitute the nine county Bay Area region. These funds are apportioned by the Federal Transit Administration (FTA) using the Section 5307 transit formula. As the designated recipient of these funds MTC is responsible for programming the funds to eligible transit operators in the Bay Area.

In May, the Commission adopted a set of principles to guide the distribution of ARP funding. These principles, in summary included:

1. **Stabilize and Sustain Transit** – Funds should be used to ensure the financial stability of the region's transit operators.
2. **Restore and Reimagine Service** – Funds should be distributed on the condition that operators take measures to restore service to at least match current demand, and to plan to deploy additional service in a way that advances equity and at a level necessary to support increased local and regional transit demand by September 2021. Although there remains uncertainty about financial sustainability in the medium to long term, transit must be there for riders now, or riders will not be there for transit.
3. **Improve Customer Experience** – Funds should be used to promote and sustain transit usage in the region. Transit needs to invest to welcome riders back or risk that habits and travel modes adopted during the pandemic will linger long after the public health risk has passed. To better compete with other modes of transportation, transit must be safe, reliable, affordable, and easy to use for riders.

In the afternoon of June 9th, at a special workshop of the Programming and Allocations Committee, Commissioners will hear directly from Bay Area transit operators about the challenges they face in coping with the impacts of the COVID-19 pandemic, and their outlook for financial sustainability and service provision in FY 2021-22 and beyond.

Ahead of the workshop and to accompany information provided by operators, MTC staff has developed the following questions and policy considerations in advance of Commission discussions related to the distribution of ARP funds, targeted for July.

Questions to Consider

- *How can the distribution of ARP funds promote a level playing field for recovery?* – One of the principles approved last month related to ensuring operators were on similar financial footing as they begin recovery. The pandemic has created uneven revenue impacts. Some operators have received significantly more relief funds from the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA), as a proportion of their actual revenue losses, than others. Attempts at “truing up” with CRRSAA relief funding did not fully alleviate all these disparities. Further, discretionary policy decisions related to the charging of fares and level of service provision varied among operators and further affect the financial footing of operators going into the recovery phase. Endeavoring to fully level the playing field within the distribution of the ARP could result in some operators receiving little to no additional funding.
- *How much attention should be given to the way the ARP federal relief funding was apportioned to Bay Area Urbanized Areas (UZAs) in the distribution of the funds?* – The FTA used federally designated UZAs as a vehicle for delivering funding to regions. MTC staff advocated to maximize the amount that would come to the Bay Area in all three relief packages irrespective of UZAs. That said, the FTA apportionments to the UZAs for ARP are capped at a percent of 2018 reported operating expenses, considering past apportionments of CARES and CRRSAA funding.

The past COVID relief funding distributions have prioritized financial need related to pandemic-related revenue losses rather than UZA apportionment factors. If getting operators on an equivalent financial footing is a policy objective, the UZA apportionment factors would need to be de-emphasized while honoring UZA eligibility.

- *Should funding distribution factors be standardized among operators?* – Determining the appropriate methodology on which to base the distribution of ARP funds is critical to properly address the revenue needs of transit operators. Building consensus among operators as to how much ARP funding each operator will receive will be very difficult without some standardization of the inputs that will be used. Forward-facing factors such as cost of service restoration or service improvements should be measurable and verifiable. Even then, differentiation in cost between operators could make reaching consensus challenging.
- *How should funding tranches be sized and timed?* – While the ARP funding distribution guiding principles adopted last month provided some level of certainty that at a minimum, pandemic-related transit operating

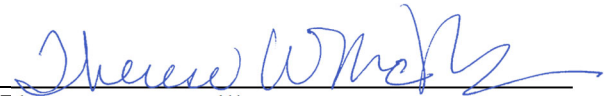
revenue losses would be covered with ARP funding, the specific amount of funding expected to be received will be an important factor in operators' service planning activities. Commissioners may wish to consider a significant first tranche of funding this summer, followed by the release of a subsequent tranche (or tranches) in the winter once there is more certainty about the pace and extent of the recovery. Further, a forward-looking distribution of relief funding requires a level of certainty that operators will work to fulfill commitments to use ARP funds to improve service provision. The Commission may wish to condition the release of one or more tranches of funding on implementation of these improvements and/or on-going financial need.

- *Should ARP funding be set aside to fund Blue Ribbon Transit Recovery Task Force initiatives? If so, how much, and what should the timing of that be?* – The BRTF is expected to finalize its Transformation Action Plan and conclude in July. The Action Plan will likely include recommendations on near-term initiatives to pursue that can benefit post-pandemic transit recovery but that will need resources to implement.

Issues: None

Recommendation: Information. No action required.

Attachments: Presentation


Therese W. McMillan