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American Rescue Plan Act Transit Formula Funds Policy Considerations



METROPOLITAN
TRANSPORTATION
COMMISSION

Programming and Allocations Committee
June 9, 2021
Agenda Item 4b

Principles to Guide the Distribution of ARP Funds

In May, the Commission adopted a set of principles to guide the distribution of ARP funding:

Stabilize & Sustain Transit

- As intended by legislation, use funds to prevent operator furloughs & layoffs;
- Smooth imbalances among operators in regard to financial footing;
- Allow for timely and proactive budgeting for increased service.

Restore & Reimagine Service

- Ensure service is available to loyal passengers who rely on it most;
- Encourage nimble and creative service planning;
- Distribute funds in tranches to preserve ability to pivot based on better information, changing economic environments, and ridership patterns;

Improve Customer Experience

- Build back better;
- Fund Blue Ribbon Transit Recovery Task Force recommendations and deliver on near-term improvements for the customer.

Special Programming & Allocations Committee Workshop – June 9th

- Afternoon workshop to provide context ahead of discussions related to the distribution of nearly \$1.7 billion in ARP funding.
- Commissioners will hear directly from transit operators on topics including:
 - Rider demographics
 - Response to the COVID crisis
 - On-going pandemic-related challenges
 - Current service levels
 - FY 2022 and beyond service plans, finances, and planning scenarios



Additional Considerations Ahead of ARP Funding Distribution

In addition to transit operator context and reports, Commissioners should consider several questions that relate to how and when ARP funds are distributed

1. *How can the distribution of funds promote a level playing field?*
2. *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?*
3. *Should distribution factors be standardized, measurable and verifiable?*
4. *How should ARP funding tranches be sized and timed?*
5. *Should there be consideration of funding for Blue Ribbon Transit Recovery initiatives? If so, how much and what should the timing be?*

Questions to Consider

1. *How can the distribution of funds promote a level playing field?*

- Principles approved last month related to ensuring operators were on similar financial footing as they begin recovery
- Some operators have received more federal COVID relief funds as a proportion of their actual revenue losses, than others
- Leveling the playing field within the distribution of the ARP could result in some operators receiving little to no additional funding

2. *How much attention should be given to the way the ARP funding was apportioned to Bay Area UZAs?*

- The FTA used federally designated UZAs as a vehicle for delivering funding to regions. Apportionments are based on pre-pandemic reported operating expenses, not need
- Past COVID relief funding distributions have prioritized financial need related to pandemic-related revenue losses rather than UZA apportionment factors
- Distributing funds based on UZA apportionment factors is not compatible with obtaining equivalent financial footing among operators

Questions to Consider (continued)

3. *Should funding distribution factors be standardized among operators?*

- Methodology used to base the distribution of ARP funds is critical to address operator revenue needs
- Building consensus as to how much ARP funding each operator will receive will be difficult without standardization of the inputs
- Forward-facing factors such as cost of service restoration or service improvements should be measurable and verifiable

4. *How should funding tranches be sized and timed?*

- Principles provided some level of certainty that operating revenue losses would be covered with ARP funding, however, more specificity in funding amounts is important for service planning
- Commissioners may consider a significant first tranche of funding this summer, followed by the release of a subsequent tranche(s) in the winter once recovery extent is more certain.
- The Commission may wish to condition the release of one or more tranches of funding on implementation of service improvements or on-going financial need


Questions to Consider (continued)

5. *Should ARP funding be set aside to fund BTRTF initiatives? If so, how much, and what should the timing of that be?*

- BTRTF is expected to finalize its Transformation Action Plan and conclude in July.
- Action Plan will include recommendations on near-term initiatives that can benefit post-pandemic transit recovery but that will need resources to implement



Next Steps / Timeline



June 9th (pm) – Programming and Allocations Committee Workshop – Presentation and updates from transit operators regarding service plans for FY 2021-22, financial status, and other challenges facing recovery

June 23rd - MTC Commission – Summary of themes from 6/9 workshop and discussion of policy considerations for initial distribution of ARP funds

July 14th - Programming and Allocations Committee – Possible action to allocate initial distribution of ARP funds

July 28th - MTC Commission – Possible allocation of initial distribution of ARP funds.

Fall 2021 - ARP status update and discussion of second ARP distribution.