

Metropolitan Transportation Commission Programming and Allocations Committee

May 12, 2021

Agenda Item 4b - 21-0563

Proposed Principles and Approach to the Distribution of Transit Funding from the American Rescue Plan Act of 2021

Subject: Update on MTC's Approach to the Distribution of Transit Funding from the American Rescue Plan Act and Proposed Principles to Guide the Distribution of Funds.

Background: On March 11, 2021 President Biden signed the American Rescue Plan (ARP) Act of 2021 into law. The APR appropriated \$30.5 billion to support public transit through the impacts of the COVID-19 pandemic. On March 29, 2021 the Federal Transit Administration (FTA) published its apportionment amounts for transit formula Section 5307 funds to urbanized areas across the country. 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. As the designated recipient of these funds MTC is responsible for programming the funds to eligible transit operators in the Bay Area.

The ARP funding comes after the Bay Area has **already received over \$2.3 billion** in emergency federal transit funding since the start of the COVID-19 pandemic in March 2020. Based on information provided by transit operators, MTC expects the federal emergency funds already allocated by the Commission from the CARES Act and the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) to be sufficient to cover current operating expenditure levels through at least the first quarter of FY 2021-22.

This provides a valuable window to shift from looking “in the rear-view mirror” of pre-pandemic assumptions, to looking “through the front window” into what restored or new transit service should be going forward beginning FY 2021-22—increased services for our most transit dependent and loyal transit riders most in need of those services, as well as enhanced capacity for customers returning to a restored economy. The process we propose today and for the next Committee and Commission actions in June and July are structured around that opportunity, in coordination with the region's 27 transit agencies.

Principles to Guide Distribution of ARP Funds

To provide transit operators with a level of financial certainty in the development of their Fiscal Year 2021-22 budgets MTC and transit operator staff have developed a set of principles to guide the distribution of ARP funds over the coming months. The principles are intended to allow operators to plan for service increases over the coming months and refrain from budgeting for FY 2021-22 with an assumption of austerity.

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.

Given the continuing fluidity and uncertainty about the economic, financial, and mobility impacts of COVID-19, these principles may be revised to respond to evolving conditions. The full detailed principles are included in Attachment A to this item.

Workshop Scheduled to Hear from Transit Operators

On June 9th, the Programming and Allocations Committee will host a workshop for Commissioners to hear directly from transit operators about the challenges that the pandemic has posed for their Bay Area transit operations, as well as on their outlook for service provision and financial sustainability in FY 2021-22 and beyond. Importantly, transit agencies will be asked to report on how CARES and CRRSAA funding allocated to date have been or will be used through the end of the fiscal year; as well as presenting their assumptions for ridership growth and related service needs going forward.

In addition to the principles described above, this workshop is intended to inform and guide the ARP fund distribution.

Issues:

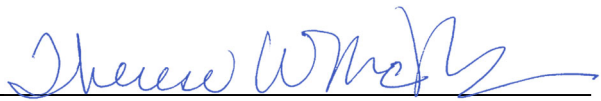
Given that the ARP is expected to be the final package of federal transit operating relief funding associated with the COVID-19 pandemic, it is critical that the allocation of these funds be carefully targeted to ensure that all Bay Area transit operators receive enough relief funding to support the robust restoration of transit service and protect the jobs needed to deliver that service. As each transit operator has a unique revenue mix,

each of which has been impacted differently by the economic impacts of the COVID-19 pandemic, the immediate need for additional relief funds varies considerably by agency.

Generally, transit operators that relied on fare revenue, parking, or toll revenues for a large share of their budget prior to the COVID-19 pandemic have continued to experience large decreases in revenue over the last year. As region-wide transit ridership this spring is still over 75% below pre-pandemic levels, this is not unexpected. Operators for which sales tax, State Transit Assistance, or property tax revenue form a major part of their operating budget have comparatively experienced more minimal reductions in revenue.

Recommendation: Refer the proposed Principles contained in Attachment A to the Commission for approval.

Attachments: Attachment A – Principles for the Distribution of Transit Funding from the American Rescue Plan Act of 2021
Presentation slides



Therese W. McMillan

Attachment A

Principles for the Distribution of Transit Funding from the American Rescue Plan Act of 2021 in the San Francisco Bay Area Region

- 1. Stabilize and Sustain Transit** – Funds should be used to ensure the financial stability of the region’s transit operators.
 - a. Distribute funds to operators with demonstrated financial need, where layoffs or furloughs would be likely without support. Adequate staffing is critical to the region’s ability to restore service. American Rescue Plan (ARP) Act funds were enacted with the intent that agencies preserve jobs to allow for transit service to be restored as demand begins to recover.
 - b. Recognize that there have been uneven revenue impacts, changes in ridership, and changes in expenses. Account for the fact that based on these uneven impacts and changes, some operators have received more federal relief funds from the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA) than their financial need indicates. As articulated through guiding principles and commitments from both CARES and CRRSAA, the distribution of ARP Act funds will seek to place each operator on an equal financial footing to facilitate a sustainable recovery during FY 2021-22.
 - c. In order to support an equitable, adaptable, sustainable, and customer-focused recovery of transit service across the Bay Area, MTC will make multiple allocations of ARP Act funds to transit operators over the course of FY 2021-22 and potentially into FY 2022-23, to assure operators that potential revenue losses due to the impacts of the COVID-19 pandemic do not limit the ability of transit operators to restore service in FY 2021-22. Specifically, operators should take action to swiftly amend budgets to accommodate allocations as they are made available, to address operating adjustments in a timely manner.

- 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.
 - a. ARP Act funds should be used to restore service and deploy operating staff in a manner that significantly reduces pass ups while physical distancing public health orders remain in place and eliminate persistent pass-ups entirely as soon as possible upon changes to physical distancing public health orders. We note that eliminating passenger pass-ups is of paramount importance to the traveling public, transit operators, and MTC. However, until physical distancing public health orders are lifted, the capacity constraints they impose on vehicle use

make it nearly impossible to fully eliminate pass-ups in some circumstances.

- b. Funds should be used to amend service levels to accommodate new ridership patterns, including increased demand for local service and the anticipated return to in-person school/community college/university in August/September 2021, as well as increased regional commute trips that require coordination among operators, as more workers return to workplaces.
 - c. While services levels should increase on aggregate, operators are encouraged to exercise flexibility, nimbleness, and creativity with where and how service is deployed. As ridership patterns and travel behaviors change, transit service must adapt and scale with these changes. Available resources, including ARP Act funds, should be deployed to maximize operators' ability to serve riders. To grow ridership in the long-run, transit must come back stronger and better than before the pandemic.
- 3. Improve Customer Experience** – Funds should be used to promote and sustain transit usage in the region. Transit needs to invest in welcoming 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.
- a. Funds should support the implementation of certain recommendations from the Blue Ribbon Transit Recovery Task Force that will increase value and enhance the experience for customers.
 - b. Funds should be made available to support creative, customer-oriented initiatives that support transit reliability and/or encourage ridership recovery.

Given the continuing fluidity and uncertainty about the economic, financial, and mobility impacts of COVID-19, these principles may be revised to respond to evolving conditions.