Recession Reinforced Federal Role

Executive Summary

- A new survey conducted by APTA indicates that over half of public transportation agencies are still reporting flat or decreased local or state funding.
- Despite service cuts and fare increases, public transportation still has a major impact on local economies. A study by APTA and the National Association of Realtors found that housing near transit outperformed regions as a whole by 41.6% during the recession.
- Without service cuts and fare increases, public transportation’s impact on the economy would have been greater. But for these service cuts, it is possible that an additional 2.2 million public transportation trips would have been taken every weekday, with that ridership contributing $1.3 billion in annual congestion relief benefits.
- The survey indicates that 45% of public transportation agencies cut service or raised fares in the previous year. An analysis of data from the National Transit Database indicates that service operated has fallen 2.1% from its peak in 2009.
- Meanwhile, two-thirds (67%) of agencies in regions with growing economies are approving or considering increased frequency, compared to 38% of agencies in other regions.
- The national economic downturn, which began in 2007, resulted in significant declines in primary sources of local revenue for public transportation, such as sales taxes and property taxes. Meanwhile, agencies explored new funding mechanisms, but these often provided inadequate yields.
- Cuts made to local and state funding show the importance of a stable federal source of transit funding. Since 1988, every $1 increase in federal funding for transit has been met with a $2.77 increase in state and local transit funding. The transit industry needs the stability of a multi-year, adequately funded federal transportation bill.

Funding Impact

In APTA surveys conducted throughout the recession, many agencies indicated that they faced flat or decreased local and state funding. In the 2009 survey, 55% of agencies indicated that they had decreased local funding, and an additional 25% said local funding was flat. Forty-eight percent of respondents indicated decreased state funding with an additional 34% indicating flat state funding. Nearly two-thirds of agencies (63%) had decreased state or local funding. In 2009, the average decrease in local funding as 12%, and the average decrease in state funding was 22%.
A new report examining the stability of transit funding sources during the recession explains that, “Local sales taxes are one of the most common sources of revenue dedicated to public transit” and that “Sales taxes, which have the highest yield among dedicated funding sources, were also the most volatile sources during recessionary periods (both the 2001 and 2008 recessions).” Declining consumer spending as a result of the recession led to declines in sales tax revenue. In 2011, transit agencies collected over $8.5 billion in dedicated state and local sales tax revenue.

The TCRP report on funding stability also found that property taxes were a stable source of revenue during previous recessions. Unlike those previous recessions however, the 2008 recession was fueled by a crash in the housing market, which meant property tax revenues were not a source of growth for transit agencies. This has implications for the transit industry as a whole, and suggests that general property taxes may not be a source of growth revenue for transit agencies. Since investment in transit can drive increases and stability in property values, specific value capture property taxes around transit lines can be very productive in those specific instances where market conditions are right. A recent APTA study found that property values close to fixed-guideway transit outperformed areas in the same regions not near transit by 41.6%; the fact that areas near transit hold their value better means that property tax revenues from those areas will be more stable.

According to the report, agency-generated revenue sources were more stable than revenues from sales or property taxes. These agency-generated revenue sources produce low levels of funding, however. Contracting with colleges or employers to provide targeted transit service resulted in a stable source of funding, but that funding usually only covered the subsidy for specific routes. Similarly, revenues from sources like advertising, parking fees, or investment income were stable, but those sources yielded low revenues.

Some agencies are being encouraged to pursue new sources of funding tied to transit projects and service availability, known as value capture. The TCRP report looked at four different types of value capture instruments. Tax increment financing (TIF) districts capture the increase in property taxes in a specific area resulting from infrastructure improvements. Special assessment districts levy an additional property tax in an area where owners have agreed to extra taxes dedicated to infrastructure improvements. Impact fees are one-time collections from developers usually used for infrastructure improvements. Joint development projects are public-private partnership usually used for transit oriented development near stations. Value capture revenue sources are highly applicable to transit, since they are directly connected to the costs and benefits of transit service. The TCRP report found that value capture streams were as stable as property tax revenues; however, the revenue yields were lower than those from other sources were, since they cover a smaller tax base. These value capture techniques can become a source of revenue for transit agencies, but are not yet large enough nor widespread enough to replace the most important revenue sources.

This trend of instability in state and local funding continued in a survey on the impact of the recession conducted in 2010. In that survey, 90% of agencies indicated flat or decreased local funding, and 89% indicated flat or decreased state funding. As the ongoing hardship of the recession continued, many transit agencies were still seeing decreases in their funding. In another follow-up survey conducted in 2011, a large portion of agencies were still not seeing their funding recover to previous levels. Seventy-one percent of agencies had flat or decreased local funding and 83% of agencies had flat or decreased state funding.
In the latest survey on the impacts of the recovery conducted by APTA in 2012, 53% of agencies still experienced flat or decreased local funding, and 62% experienced flat or decreased state funding. The lack of a full recovery in transit funding reaffirms the importance of a federal role in bringing stability to the federal-state-local partnership in transportation. The federal role in transit capital funding helps generate more support from state and local sources. Since 1998, for every increase in federal transit funding of $1 there was an increase in state and local funding for transit of $2.77.\textsuperscript{vi}

**Agency Responses to Funding Shortages**

In response to declining state and local revenues, transit agencies were forced to take action in order to balance their budgets. Surveys conducted by APTA as well as a new TCRP report, *Impacts of Cuts and Reductions in Public Transportation Funding*, detail the types of cost-cutting strategies used by transit agencies. Some strategies had major impacts on transit riders, while others had more impact on agency operations and the long-term health of the transit industry.

Coming off a series of lean years where cost-cutting measures were taken to their full potential, and with little else to turn to, the strategies most widely implemented by transit agencies focused on service cuts and fare increases. In the 2009 survey during the recession, nearly nine in ten transit agencies with funding decreases indicated that they cut service or raised fares to help balance their budgets. Over half of all agencies surveyed cut service or raised fares in the 2010 and 2011 surveys. In the latest survey, more than four in ten agencies cut service or raised fares. These service cuts and fare increases are coming on a year after year basis, with additional agency service being cut on top of cuts made in previous years. An analysis of NTD monthly service data indicates that transit service is still 2.13% below its 2009 level.

<table>
<thead>
<tr>
<th></th>
<th>Implemented Service Cut</th>
<th>Implemented Fare Increase</th>
<th>Implemented Either</th>
<th>Implemented Both</th>
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<tr>
<td>2009 Survey*</td>
<td>63%</td>
<td>74%</td>
<td>89%</td>
<td>48%</td>
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<tr>
<td>2010 Survey</td>
<td>44%</td>
<td>44%</td>
<td>59%</td>
<td>29%</td>
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<td>30%</td>
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<tr>
<td>2012 Survey</td>
<td>31%</td>
<td>28%</td>
<td>45%</td>
<td>14%</td>
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*2009: Among agencies that had funding decreases, other years among all agencies

In the surveys APTA conducted from 2009 to 2011, between 35% and 55% of agencies moved funding from capital projects to operations in the year prior to the survey period. Shifting funds from capital to operating budgets puts the long-term health of transit systems at risk. Transit agencies are forced to defer capital maintenance or keep older vehicles active longer. In the newest survey, 37% of agencies indicated they shifted funds from capital budgets to operating in the previous year. The federal interest in funding public transportation is extremely important to ensuring the stability of public transportation capital programs.

**Social Impact of Service Cuts and Fare Increases**

The impact of service cuts is wide reaching, according to the TCRP report *Impacts of Cuts and Reductions in Public Transportation Funding*. The largest impacts from transit service cuts and fare increases are Mobility and Access impacts and Economic and Financial impacts. The TCRP report includes five case studies of transit agency service areas: Clayton County, Georgia; Hammond, IN; Pittsburgh, PA; St. Louis, MO; and Tacoma, WA.
The TCRP study found that transit service cuts and fare increases had a wide range of effects on transit mobility and access, which refer to impacts on the ability of people to get around.

Transit cuts mostly focused on preserving core services while cutting service with lower ridership. This preserves service for many users but creates hardship for suburban transit-dependent riders and those who travel during off-peak hours, who face less frequent or completely cut service. In Tacoma, WA, “service cuts included major cuts in weekend and evening transit service, and riders traveling during those times had to find alternative transportation or forego their trip.”

Agencies cut back ADA paratransit service to the minimum requirement – ¾ of a mile from transit routes. Along with reduced coverage of fixed-route transit, this meant a greatly shrinking paratransit coverage area. The Regional Bus Authority in Hammond, IN estimated that northwest Indiana lost half of its regional paratransit trips due to service cuts. In St. Louis, a local independent living center said that some wheelchair users were traveling “long distances to wait in a stranger’s driveway to access Call-A-Ride service” due to reductions in the coverage area for paratransit.

Cuts and restructuring means many riders face longer trips to get to transit stops, and more transfers during their trips. Cuts to local transit services also made making connections to larger regional networks and services more difficult, according to the TCRP report. In Clayton County, Georgia, the complete shutdown of C-TRAN service led to a 15% drop in station entries at the MARTA Airport Station that C-TRAN had provided feeder service to.

When public transportation service is cut, there is still demand for transportation services. According to the study, the private services that sprung up to replace cut transit routes and serve that demand usually had smaller service spans, less frequent service, and higher fares. “Several private van operators tried to provide an alternative to C-TRAN riders after the transit system closed... The van services charged $2 to $5 per one-way trip, a 33% to 233% increase above C-TRAN fares.”

A lack of access and less convenient service leads to more transit riders shifting their trips to autos. This means increased traffic congestion and pollution. Congestion increases from former transit riders switching to driving impose costs on individuals, businesses, and regional economies. Based on numbers from the Texas Transportation Institute, APTA calculates that each transit trip saves Americans $2 in congestion costs. The congestion costs of the lost trips due to service cuts and fare increases are estimated to be over $1.3 billion – this is detailed later in this report.

Transit service cuts and fare increases also have impacts on the greater economy, government budgets, and personal financial situations. When public transit service is no longer available, some residents may lose access to their job and have to leave that job. Others may not be able to secure a job due to lack of transit access. Businesses that employ transit-dependent workers lose employees and sometimes shut down entirely because their employees did not have dependable transportation to work. In St. Louis, “One particular restaurant owner reported that all of his employees had called in to say that they could not come to work because the bus route to the restaurant had been cut.”
Transit agency employees lose their jobs when transit service is cut. In Pittsburgh, 180 Port Authority employees were laid off and those and 75 other positions were eliminated. Higher unemployment means more stress on state and local budgets as well as ripple effects from decreased spending in the local economy.

Metro areas may lose some population due to transit cuts. People who moved to an area due to convenient transit service may move to another area with better service, taking their taxable income and business spending with them. “An apartment management company with six properties in Clayton County reported that vacancy rates increased to 17% six months after C-TRAN closed. In contrast, properties served by MARTA have vacancy rates less than 10%.”

Recent research from U.S. PIRG shows that attitudes are changing among younger generations, and these young people are driving less and using alternatives more. In the coming years, regions will be competing to attract this new generation, and those with less convenient transit service will lose out on attracting those residents, their skills, spending, and taxable income.

Transit cuts may result in the overall community cost of transportation increasing when costs are shifted from transit agencies to other providers. Human service agencies have to spend more resources organizing transportation for clients and less time on their actual missions. According to the TCRP report, “With the majority of Medicaid trips in Pierce County [Washington] scheduled on public transit, the Medicaid Broker incurred additional costs for trips that could no longer use public transit due to the service cuts. In scheduling trips on other transportation modes, the Medicaid Broker had to pay on average ten times the cost for trips previously taken on fixed routes and 21 times the cost for trips previously taken on ADA paratransit service.”

School budgets were impacted when the cost of bus passes for students increased. Costs for busing also increased as transit coverage shrank. In Tacoma, WA, the public school system reduced the percentage of students receiving bus passes from 50% to 39%. The school system also had to begin spending $100,000 annually to provide bus service to a magnet school due to transit service cuts.

Service cuts make transit more inconvenient, which can cause choice riders to shift to driving, costing those people more money for their travel. APTA estimates that households that use transit instead of owning an additional car can save over $9,700 a year. More cars on the road means more pollution and more congestion costs. Those who work non-traditional hours may not be able to work nights, weekends, or holidays due to reduced transit service during those times. Often, cuts to transit service “at the margins” ends up affecting those who rely on transit service the most. In a poll taken before the transit agency stopped all service, more than half of the students using C-TRAN in Clayton County, GA said that they might quit school if the transit system shut down. The transit agency did end service in March of 2010.

Riders who could no longer choose transit to save money were forced to spend more on other modes, shrinking the amount of money they can spend in the local economy. In Tacoma, WA, “Reduced transit service on weekends and evenings has impacted service industry employees who can no longer use transit to get home from work. Many are now forced to pay for a cab ride home, which cuts into their earnings significantly.” According to the report, “One-third of C-TRAN riders indicated they would buy a car.” APTA’s transit savings report estimates that transit riders in Atlanta who forego a car save over $9,500 per year in transportation costs.
Cuts to transit service often affect those who rely on transit the most; these are impacts on social equity. In Tacoma, “Transit service cuts impacted a highly transit dependent population. More than one-quarter of riders have no licensed drivers in the household, and nearly half of riders do not have a working vehicle. Nearly one in five riders also reported that they would not take their trip if their regular route was unavailable.”

In Clayton County, “65% of C-TRAN riders had no car available,” and welfare to work recipients were affected: “the DHS reported that they have a difficult time helping Clayton County Temporary Assistance for Needy Families Program (TANF) clients find jobs without a public transportation system in place.”

Local communities are also forced to make up some of the difference when transit service is cut. In November 2010, voters in Clayton County, Georgia passed a non-binding referendum to impose a 1% sales tax and join MARTA, in order to restore transit service that was cut. The local Board of Commissioners has yet to pass a binding resolution so voters can have another referendum to join MARTA.

Transit cuts have specific real impacts to communities – an examination of bus cuts in Milwaukee found that “more than 40,500 jobs are inaccessible to transit-dependent persons as a result of bus service cuts.” The termination of transit service in Clayton County, Georgia meant that “two of the county’s largest employers (university and hospital) became inaccessible by transit” These cuts have impacts on a wider section of local economies as well; in St. Louis, transit service cuts impacted Cardinals games. “50% of game-day employees and 20% of fans utilize transit to get to the stadium.”

The Situation Now

A survey conducted by APTA in 2012 indicates that the situation at agencies has improved somewhat but funding and service levels have not risen back to the level they were at before the recession. Additionally, the data shows that certain regions of the country are showing improvement, but others are still experiencing difficulties. Transit agencies in regions with growing economies are less likely to be projecting budget shortfalls by a margin of 39% to 63%. Those agencies in regions with growing economies are also less likely to be deferring service increases, 50%, to 75% of other agencies. Meanwhile, two-thirds (67%) of agencies in regions with growing economies are approving or considering increased frequency, compared to 38% of agencies in other regions.
An analysis of the effects of the fare increases and service cuts over the past 4 years indicates that transit agencies could have had 661 million more trips in 2012 without these service cuts and fare increases, or about 2.2 million additional transit rides every weekday. That’s sixteen times as many trips as cross the golden gate bridge every year. Or ten times the number of cars that travel on Washington’s capital beltway every day, or eight times the number of vehicles traveling the 405 freeway in Los Angeles each day. Transit service has dropped 2.13% since a peak in 2009, and fares per trip have increased nearly 13%. Combining those figures with the effects those changes have on transit ridership means ridership could be 5.9% higher than it was in 2012. Those additional transit trips add up to potential traffic congestion savings of $1.3 billion.

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<tr>
<th>2012 Ridership (Millions of Trips)</th>
<th>Impact of Service Cuts and Fare Increases</th>
<th>Potential Ridership (Millions of Trips)</th>
<th>Potential Extra Trips (Millions)</th>
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<tbody>
<tr>
<td>10,516</td>
<td>-5.92%</td>
<td>11,178</td>
<td>661</td>
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**Conclusions**

Many public transportation agencies continue to face budget challenges but the picture is improving along with the nation’s economy. The cycle of service cuts and fare increases has slowed, but many agencies are still experiencing difficulties. Over half of the transit agencies surveyed in 2012 indicated that their state funding decreased or remained the same, and half indicated that their local funding decreased or remained the same. Nearly half of the agencies recently surveyed cut service or raised fares in 2012.

The effects of those service cuts and fare increases still have an effect on the service agencies provide and ridership on their systems. But for these cuts to transit service and increases in transit fares over the last three years, there could have been an additional 2 million transit trips per day, creating $1.3 billion in public benefits from traffic congestion relief alone.

Cuts to transit service have had serious impacts on riders and communities. Those riders who rely on transit the most are often disproportionately affected by cuts to transit service they depend on. Transit riders may not be
able to get to their jobs when service is cut and face losing their job or spending more of their income on other modes of transportation. Schools, human service agencies, and other organizations that rely on public transportation for student and client mobility shoulder the burden of extra transportation costs. Regions may find that a portion of the “savings” from transit cuts are lost in costs to other agency budgets.

Despite these service cuts and fare increases and the resultant lost transit ridership, properties near fixed-guideway transit performed 41.6% better than homes in the same region not near transit. Empty nesters and millenials seek communities with high quality public transportation. Those communities that invest in transit have reaped economic benefits. However, this recession proved that a strong federal partnership is extremely important. The federal role in funding transit has helped generate more funding from state and local sources. Since 1988, every $1 increase in federal transit funding has been met with a $2.77 increase in state and local funding for transit. Certainty in funding is necessary to ensure that transit agencies can serve America for the decades to come. A multi-year federal transportation bill with adequate funding to back it up can provide that certainty for the future of America’s transit program.

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i TCRP J-11 Task 14, p 22  
ii TCRP J-11 Task 14, p 66  
iii National Transit Database 2011  
iv TCRP J-11 Task 14, p 76-77  
v TCRP J-11 Task 14, p 79, 15-16  
vi APTA Public Transportation Fact Book: Appendix A, Table 92  
vii TCRP J-11 Task 15, pp 3-41  
viii TCRP J-11 Task 15, p 3-34  
ix TCRP J-11 Task 15, p 3-14  
x TCRP J-11 Task 15, pp 3-33  
x TCRP J-11 Task 15, p 3-11  
xi TCRP J-11 Task 15, p 3-44  
xii http://www.frontiergroup.org/reports/fg/transportation-and-new-generation  
xiii TCRP J-11 Task 15, p 3-44  
xv TCRP J-11 Task 15, p 3-9  
xvi TCRP J-11 Task 15, p 3-44  
xvii TCRP J-11 Task 15, p 3-11  
xviii http://www.apta.com/mediacenter/pressreleases/2013/Pages/130913_Transit-Savings.aspx  
xix TCRP J-11 Task 15, p 3-45  
x TCRP J-11 Task 15, p 3-12  
xxi TCRP J-11 Task 15, p 3-11  
xxii TCRP J-11 Task 15, p 2-14  
xxiii TCRP J-11 Task 15, p 3-6  
xxiv TCRP J-11 Task 15, p 3-33
The American Public Transportation Association (APTA)

The American Public Transportation Association (APTA) is a nonprofit international association of 1,500 public and private sector organizations, engaged in the areas of bus, paratransit, light rail, commuter rail, subways, waterborne services, and intercity and high-speed passenger rail. This includes: transit systems; planning, design, construction, and finance firms; product and service providers; academic institutions; transit associations and state departments of transportation.

APTA is the only association in North America that represents all modes of public transportation. APTA members serve the public interest by providing safe, efficient and economical transit services and products. More than 90 percent of the people using public transportation in the United States and Canada ride APTA member systems.

APTA Vision Statement

APTA is the leading force in advancing public transportation.