The Highway Trust Fund Cliff: Its Impact on Public Transportation

APTA recently conducted a survey asking public transportation agencies about the situation surrounding the impending reduction in payments from the Mass Transit Account of the Highway Trust Fund. Sixty APTA transit agency members responded to the survey between May and July. Nearly all of the responses were gathered before USDOT sent letters to transit agencies informing them of the potential for a reduction in federal funding, based on trust fund resources being short of the amount needed to pay existing obligations.

About 1/3 of the agencies that responded said that they were already taking actions to prepare for a slowdown in federal payments.

The agencies that were already preparing offered many different types of action taken.

“It is increasingly difficult to plan and formulate an annual business plan.”

“We are preparing plans to have various levels of service based on funding, and have increased our line of credit with the local bank.”
Service Cuts

Nearly two-thirds of the responding agencies said that they would be forced to cut service if the FTA was forced to slow or defer payments on obligations.

“We are cutting some evening and weekend service to create some ‘cushion’ in the budget.”

Most responding agencies said that they could maintain their service levels for half a year or more, but a large portion of agencies would be forced to cut service within a matter of months.

There are a variety of actions agencies would take to maintain their service levels. A large majority of agencies said they would first use their agency reserves to maintain service, and defer capital projects to save money. Sixty percent said they would stop one or more capital projects.
After agencies could no longer maintain their service and maintenance levels, they would be forced to take action to reduce service or otherwise reduce spending. Most agencies indicated that they would implement targeted service cuts or layoffs in order to stabilize their operating budgets.

“Other” actions included fare increases and hiring freezes.

Maintenance Impacts

Over half of the responding agencies said that they would have to cut back on maintenance in the event of a slowdown or deferral of federal payments.

“We are preparing a budget to reflect an approximate funding reduction of 35% in 5307 and STIC funds for the upcoming fiscal year.”
A large portion of responding agencies would have to cut back on maintenance after a few months.

Eight out of ten responding agencies use FTA formula funds for preventative maintenance. A reduction in those funds would presumably have an outsized impact on systems’ ability to maintain their assets.

“It has the agency at a standstill.”
Capital Budgets Impact

Responding agencies also indicated that the slowdown in payments would have an adverse effect on their capital budgets. Most agencies said they would have to defer vehicle purchases, and over half said that they would stop work on one or more capital projects.

"Other" responses included using more local match funds for capital projects, deferring capital maintenance, and borrowing more to make up the funding difference.

In their comments on which capital projects they would defer, many agencies indicated that their bus programs would be impacted. Agencies would have to forego the purchase of new uses for the time being, and scale back or stop projects to improve their maintenance facilities.

“We would have to scale back bus service improvements, including facilities and fleet for BRT style service in our area.”

“We would postpone bus purchases, and adopt a "go slow" project delivery approach for a planned second bus maintenance facility that is now under design.”
Responses from State DOTs

APTA also surveyed state DOT grantees who oversee disbursement of funds to rural transit service.

One-third of state DOT respondents said their agency was preparing for a payment slowdown.

“We are actively gathering data on the effect of a 30 to 40% reduction in funding. Preliminarily it looks like the effect will be devastating for much of the state with much loss of service.”

A large portion of rural grantees would have to cut service or lay-off employees. This would have a significant impact on those who depend on rural public transit service.

State DOT respondents anticipated that rural grantee recipients could maintain their service and maintenance levels for around six months before cutting service.
Comments from Public Transit Agencies

On preparations agencies are making:

- Our agency is carefully assessing whether to employ our pre-award authority discretion, and being more discriminating about when we do and when we don't.
- We are preparing a cash flow analysis and identifying where funds could be obtained to continue projects.
- Planning and preparing for route reduction.
- Cutting some evening and weekend service to create some "cushion" in the budget.
- Delaying capital purchases and planning to cover the full cost of preventative maintenance
- Slowing projects.
- Prioritizing new projects with this scenario in mind and developing cash flows under the same conditions.
- Preparing a budget to reflect an approximate funding reduction of 35% in 5307 and STIC funds for the upcoming fiscal year.
- Ensuring we are processing reimbursement requests more timely in order to receive funds prior to any potential slowdown.
- Preparation of estimates of potential funding reductions. Assessment of the scope of reductions in service, by mode, that would be required. Determination of time to implement. Estimation of amount of cash reserves that would be depleted while making the necessary reductions.
- We have developed a scenario where only 50% of 5307 operating funds are available during our fiscal year. This scenario results in cutbacks of 15% of service.
- We are submitting our grants ASAP, and drawing down all funds to which we are entitled as quickly as possible.
- We are evaluating options for delaying purchase orders for replacement fixed route buses, paratransit vehicles and facility updates to systems.
- Financial modeling and scenario building.
- Preparing plans to have various levels of service based on funding. We have increased our line of credit with the local bank.
- We are researching cost-savings initiatives.
- We are anticipating cash flow issues if the trust fund problem goes on for an extended amount of time.
- Documented federal grants that would be impacted by fund of origin. Sent report to Board on potential impacts.

On capital projects that would be deferred:

- Facilities expansion, rehabilitation and construction
- Preventive maintenance, passenger amenity maintenance and/or installation.
- Purchase and install 70 bus stop shelters; halt the mid-life rebuild of engines/transmission/radiator program; 3 future BRT routes
- Facility improvements and bus replacements.
- We would postpone bus purchases, and adopt a "go slow" project delivery approach for a planned second bus maintenance facility that is now under design (we're in the midst of a competitive procurement for a construction manager at-risk; CMAR) that we would slow).
- Development of a new operations and maintenance facility.
- Repairs at our regional transit center
- Stop purchase of replacement buses and stop all other capital projects.
- Facility construction, efficiency analysis research, bus purchases
- Bus and Equipment Purchase
- Bus purchases, facility improvements
- Bus purchase, bus stop improvement project, new transit center project
- Less critical Capital projects Defer launch of new/expanded service
- Replacement vehicles and facility repairs and updates
- We would have to scale back bus service improvements including facilities and fleet for BRT style service in our area. Reduce Bus Procurements: Extend normal bus replacement life
- Vehicle purchases and new infrastructure
- Transit Hubs, Expanded under roof bus parking
- Rolling stock replacement; design of maintenance center.
- Bus purchases, shelter purchases, BRT expansion
- Defer purchasing buses, defer facility maintenance, defer pursuing new downtown transit station
- Amenities Real time passenger info bus purchase
- bus replacements and fleet electrification projects
- A bus rapid transit project we are counting on funds recommended in the President's FY 2015 for funding.
- Bus replacement
- BRT bus orders Facility maintenance Planning
- Purchase of Buses
- SOGR/Maintenance
- We would look at our entire capital program and make a determination based on priorities and impact on service which projects we would stop work or defer.
- New fare system, vehicle replacement, facility renewals
- Major facility project, CNG implementation.

On how the uncertainty of the federal funding situation is affecting agency near-term planning:

- Staff is currently planning for an interruption of operating funds and service reductions that would follow.
- It has delayed the development of small capital projects.
- Delaying of improvements, particularly the our BRT program
- Slowed down on new capital projects that have not gone out to RFP.
- To date, we've simply been monitoring Congressional developments, without any explicit contingency planning initiated as yet, because we’re permitting ourselves to believe that it won’t come to that.
- We have current need for projects that cannot be completed because of the uncertainty of Federal funds
- Tremendously
- Because we have been fiscally conservative and maintain agency reserves we are not planning any near-term modifications, but would definitely be affected in the long term.
- Our current financial planning assumes Congress continues MAP-21 funding levels.
- Very hesitant to plan something requiring FTA participation.
- We have started the cut backs now and only projects that must keep going will continue.
- Inputs into the strategic plan are not as aggressive as they would be without this threat.
- We are planning on slowing growth and preparing for cut backs in service
- It is our central focus, detracting from all other service development plans. You can’t plan to move forward when you are going backwards.
• Creates uncertainty on how much time to spend on existing projects while trying to prepare for service reduction options.
• Limited impact to date other than the requirement to begin contingency planning. If no action by Congress by September, impact would be significant.
• Funding uncertainty/uncertainty is constantly on our minds. Despite the need for more service in our area, funding rules the day and we live within our means.
• We are being very conservative and not obligating ourselves to new service or capital purchases
• It is increasingly difficult to plan and formulate an annual business plan
• It may impact ability to bond for larger capital projects for local match. Additional expense for increasing short term loans to cover float time between federal drawdown
• More conservative approach to adding service to protect cash reserves
• Establishing service standards; reviewing all current service for peak efficiency; reviewing capital project schedules
• Has slowed the process
• Most of our actions would be on an emergency basis.
• Does not allow for professional planning.
• We are reviewing our expenses to see where we could cut in order to save on our reserves. Also, we are discussing our future vehicle procurement needs.
• Affecting capital planning.
• We are getting further behind on planned service expansions. We have had many new commercial and residential developments that have not had bus service for many years.
• At this time we have sufficient reserves to incur expenses through the upcoming fiscal year and we are cautiously optimistic that a solution will be reached before a crisis occurs. Our budgets never assume discretionary revenues and are always conservative.
• Hampering efforts to continue design and engineering of a major BRT project; loss of momentum and public excitement; likely higher costs.
• It has the agency at a stand still
• Unable to effectively plan for the future
• While FTA wants us to close out current grants, we must slow spending to minimize financial risk
• We use FTA funds for the capital program. Because of uncertain and insufficient funding from both federal and state sources, the capital program only includes State of Good Repair projects and not expansion of service projects. Programs funded by FTA JARC, NF, and CMAQ would be affected and we are continuing to monitor. If the funding decreases we would implement fewer projects or programs.
• Currently we are working on revenue shortfall issues related to the great rescission. If the Mass Transit Account is affected this would further exasperate our current revenue shortfall.
• Making it difficult to plan
• Is currently affecting our planning.
• Unable to plan.
• Cautious about awarding major construction contracts
Acknowledgements
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The American Public Transportation Association (APTA)
Michael Melaniphy, President and CEO
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.
Appendix:
Impact Examples
July 10, 2014

Dear Members of the Colorado Congressional Delegation:

On behalf of the Denver Regional Transportation District (RTD) and the millions of riders we serve every year, I am writing to express the extraordinary importance of taking action as soon as possible to maintain the solvency of the Highway Trust Fund (HTF) that supports our nation's highway and mass transit programs.

A shortfall in the HTF would require the Department of Transportation (DOT) to significantly reduce payments to states and transit agencies for existing projects. We also understand that, absent additional funding for the HTF, there will be no new federal funding commitments in FY 2015 for new highway, bridge, or transit projects. This is because revenues coming into the HTF in FY 2015 would have to be used to pay for existing obligations made in prior years.

If this occurs, the impacts on jobs and transit access in Metro Denver would be devastating. Specifically, we estimate this shutdown in federal funding would require eliminating over 400 jobs in our permanent workforce – approximately 225 hardworking bus and rail operators, 100 mechanics, and 75 administrative staff.

In addition, it would create a significant hardship for a large percentage of riders in the Aurora/Denver/Boulder metropolitan area who depend on RTD for their mobility needs. RTD would have no choice but to implement a downsizing plan for all modes of transit services, including light rail, bus and paratransit service.

To give a sense of the impact, we estimate that RTD would need to reduce its overall service levels by approximately 15 percent. Since annual trips for fixed route services exceed 100 million trips, this means RTD would have to eliminate 15 million trips currently taken on our bus and rail lines. Looking at the most vulnerable population, we estimate RTD would have to eliminate up to 100,000 trips on specialized paratransit services primarily for the elderly and disabled.

These impacts are just for RTD, and they would be replicated for highway and transit authorities across the state and the nation. As a result, this is a matter of truly urgent importance to keeping hundreds of thousands of men and women on the job across the country; and to maintaining the vital transportation services that millions of citizens nationwide depend on to get to work, school, and access other necessities of life.
Members of the Colorado Congressional Delegation
July 10, 2014
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I know that you fully appreciate the importance of resolving this crisis and maintaining at least the current level of federal investment in our nation’s highway and transit infrastructure. However, I wanted to be sure to provide you with these facts to underscore what is at stake and support your efforts. We sincerely appreciate your leadership on this urgent and vital issue.

Sincerely yours,

Phillip A. Washington
General Manager and CEO

cc: US Department of Transportation Secretary Anthony Foxx
FTA Deputy Administrator Therese McMillan
APTA President Michael Melaniphy