AMERICAN
PUBLIC
TRANSPORTATION
ASSOCIATION

Impacts of the Recession on Public Transportation Agencies

Survey Results

March 2010

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Impacts of the Recession on Transit Agencies

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Executive Summary and Key Findings

Public transportation agencies across the United States are in the midst of unprecedented budgetary challenges as a result of the current recession. Transit agencies have been forced to cut service, lay off employees, raise fares, slow capital improvements and take many other actions to survive. More troubling is that this comes at a time when transit use is at near modern record levels. This report, based on a March 2010 survey, provides a national perspective on the extent to which the current recession is affecting public transit agencies and the tens of millions of Americans who use their services.

The survey asked APTA member transit agencies to report on actions they have taken since January 1, 2009 in response to the economic downturn and those actions anticipated in the near future. 151 transit agencies responded; these agencies carry more than 80 percent of all public transportation riders in the United States. The results show that service cuts, fare increases, and reductions in staff, benefits, and pay are faced by a large number of transit agencies due to declining revenues. The impacts were most severe among the larger public transportation agencies.

The survey found the following:

- Revenue decline is widespread, with 90 percent of public transit agencies reporting flat or decreased local funding and 89 percent reporting flat or decreased state funding.
- Budgetary pressures are increasing with seven out of ten agencies (69%) projecting budget shortfalls in the coming year.
- Despite actions taken to address budgetary issues, 11 transit agencies project shortfalls in excess of 20 percent, and the cumulative projected shortfall among participating transit agencies is almost $2 billion.
- More than 8 out of 10 transit agencies (84%) have cut service or raised fares or are considering either of those actions for the future, with nearly three in five agencies (59%) having already cut service or raised fares.
- Larger transit agencies were more likely to have a decrease in local, regional, or state funding, or fare revenue than other transit agencies. Among larger agencies, more than half (54%) have already increased fares, and two in three (66%) have cut service. Nearly all (97%) of larger agencies have cut service or raised fares or are considering doing so in the future.
- More than half of all transit agencies (53%) have eliminated positions and one in three (32%) have laid off employees. Among larger transit agencies, the cuts in staff have been more common, with four out of five (80%) reducing positions and more than half (57%) laying off employees.

Meanwhile, public transportation agencies across the country continue to seek solutions and do all they can to provide critical service to connect people to jobs and help support an economic resurgence. Given current economic trends, most see heightening pressures in the months ahead as agencies face unprecedented budgetary challenges. In order to protect vital public transit service, state, local and federal partners must provide critical funding to help transit agencies move beyond the immediate economic crisis.

Introduction

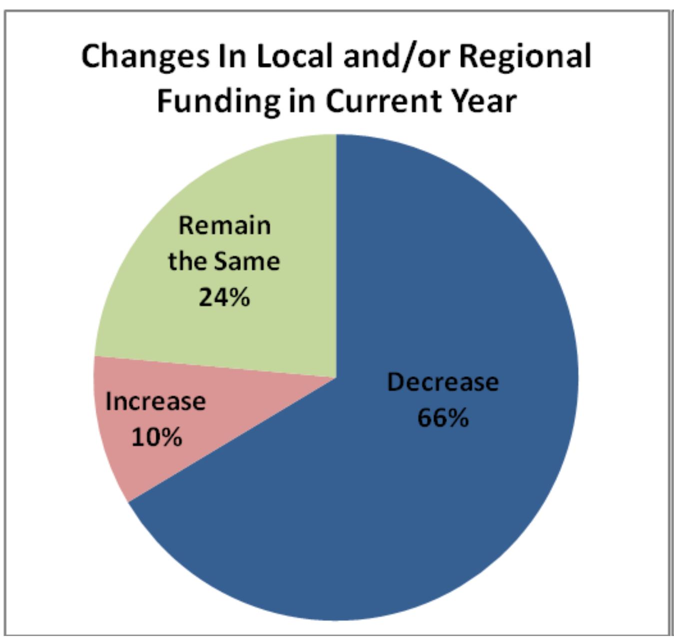
In March 2010, APTA conducted a survey of its members to understand the effects of the recession on public transportation agencies across the country and their riders. The focus of this survey is on actions taken by agencies since January 1, 2009 in response to the economic downturn and those actions anticipated in the near future. While some transit agencies took similar actions in 2008, primarily as a result of surging fuel costs that strained agency budgets, the goal of this survey is to isolate the effects of the recent economic decline. 151 agencies responded, representing agencies that carry more than 80 percent of all public transportation riders in the United States. The results show that declining revenue, service cuts, fare increases, and reductions in staff, benefits, and pay are faced by a large number of transit agencies with the impacts most severe among the larger agencies.

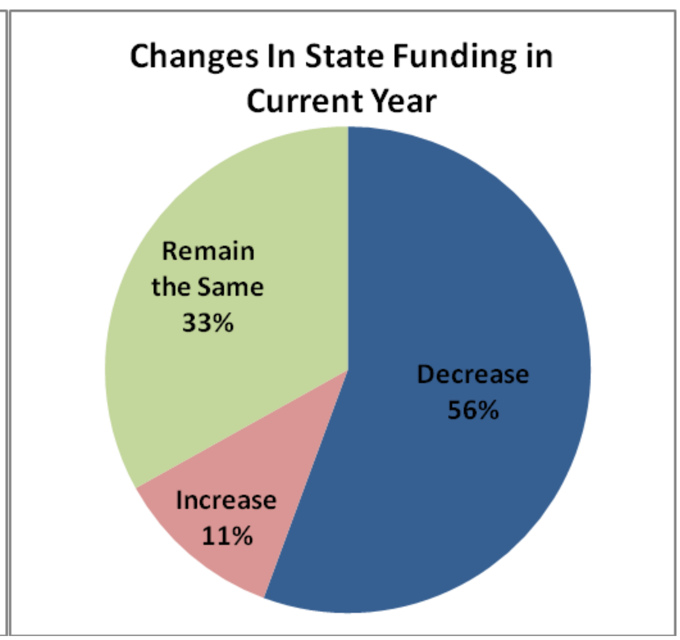
Profile of Survey Respondents:

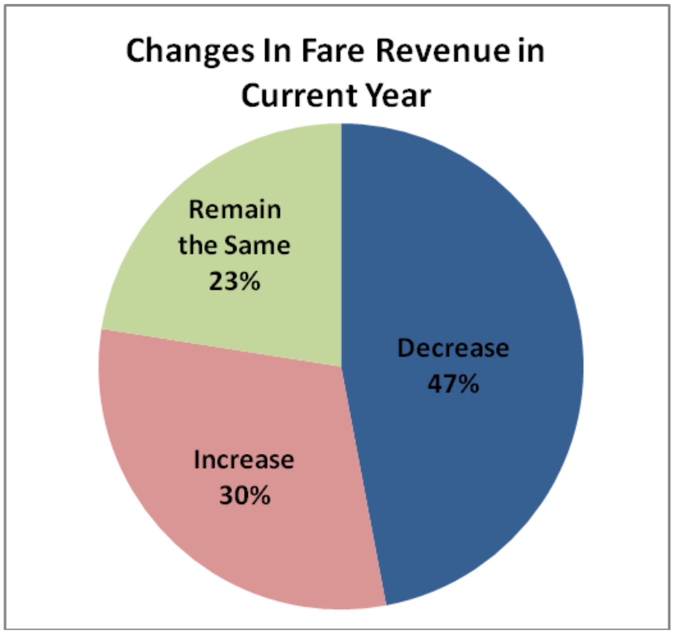
- 151 APTA members representing agencies carrying more than 80 percent of public transportation riders in the nation; including 22 light rail operators, 18 commuter rail operators, and 10 heavy rail operators
- 19 of the top 25 agencies responded (based on ridership)

Recession Affecting Agency Revenues

Public transit agencies rely on three primary revenue sources to fund agency operations: 1) local/regional revenue (collected through various tax and funding structures), 2) state revenue, and 3) transit fares. Transit agencies serving urbanized areas of 200,000 or less in population, or serving rural areas may use a portion of their federal formula funding for operating assistance. The survey results indicate that agencies have almost universally faced declines in revenue from state and local funding sources. In total, 90 percent of agencies are facing flat or declining local and/or regional funding in the current year and 89 percent are facing flat or declining state revenue. Many transit agencies have responded to declining revenues, in part, by increasing fares, which has resulted in higher fare revenue for approximately one in three agencies.

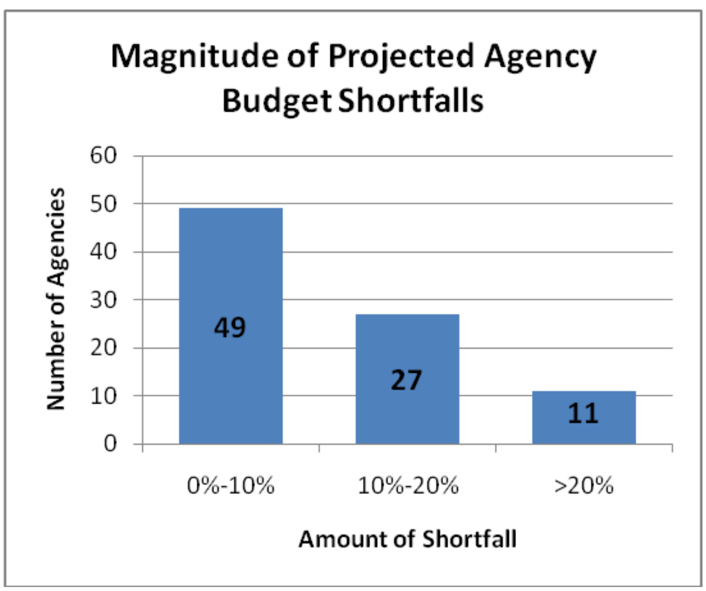


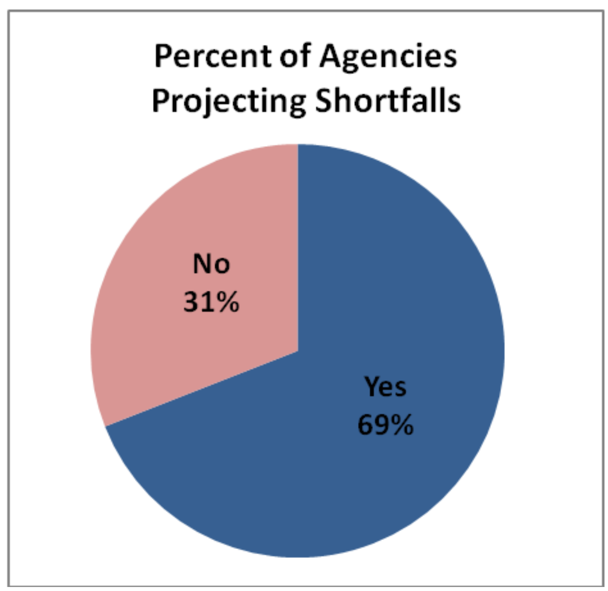




Projected Budget Shortfalls

While many transit agencies are facing challenges in the current budget year, revenue forecasts suggest that transit agencies will continue to face challenges in the upcoming budget year. Nearly seven in ten (69%) transit agencies report that they currently face projected shortfalls for the upcoming budget year. In some cases, projected shortfalls are large with eleven agencies predicting a shortfall of more than 20 percent. Five transit agencies are reporting projected budget shortfalls in excess of $100 million. In total, survey participants reported a projected shortfall of nearly $2 billion in the upcoming year.





Benefits of Funding from the American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act (ARRA), signed in February 2009, provided $8.4 billion in capital funding for public transportation projects. Public transit agencies around the country immediately began to program these funds for immediate use. A July 2009 amendment to ARRA permitted transit agencies to use up to 10% of their allocated ARRA funds for operations. By that time, many agencies had already programmed all their ARRA funds. Nevertheless, approximately a third of agencies (31%) report that they were able to take advantage of this flexibility.

Actions Taken to Address Agency Transit Agency Budget Shortfalls

Transit agencies have taken a number of actions to address budget shortfalls including cutting service, laying off employees, raising fares, shifting funds from capital investments to operations and using agency funding reserves. In total, three out of four (74%) transit agencies have either implemented service cuts or have service cuts under consideration. Similarly, almost three out of four (73%) transit agencies have either raised fares or are considering fare increases in the future. Almost half of transit agencies (49%) have been forced to transfer funds from capital to operations and 40 percent have drawn from reserve funds. This potentially may have a long term effect on the condition of agency assets. The tables below outline the actions transit agencies have taken since January 1, 2009, have approved, or are considering as future responses to budget constraints:

Transit Agency Actions to Address Recession Impacts

	Implemented Since January 1, 2009, or Approved for Implementation	Considering Future Action	Implemented AND Considering additional Future Action	Implemented OR Considering for Future Action
Service Cuts:	44%	53%	23%	74%
Reduction in Peak-Period Service	*32%*	*34%*	*10%*	*56%*
Elimination or Reduction in Off-Peak Service	*35%*	*38%*	*11%*	*62%*
Reduction in Geographic Coverage of Service	*15%*	*30%*	*5%*	*40%*
Fare Increase	44%	34%	5%	73%
Fare Increase AND Service Cuts	28%	23%	4%	48%
Fare Increase OR Service Cuts	59%	61%	36%	84%
Transfer of funds from capital use to operations	49%	18%	13%	54%
Use of Reserves	40%	23%	7%	56%

Public transit agencies have been forced to take a number of actions within the agency to address budget shortfalls including actions related to employee pay, benefits and total employment. More than half of the transit agencies report a reduction in the number of positions, sometimes achieved through attrition, but also through layoffs. Approximately one in three has conducted layoffs and almost half have either already conducted layoffs or are considering doing so in the future.

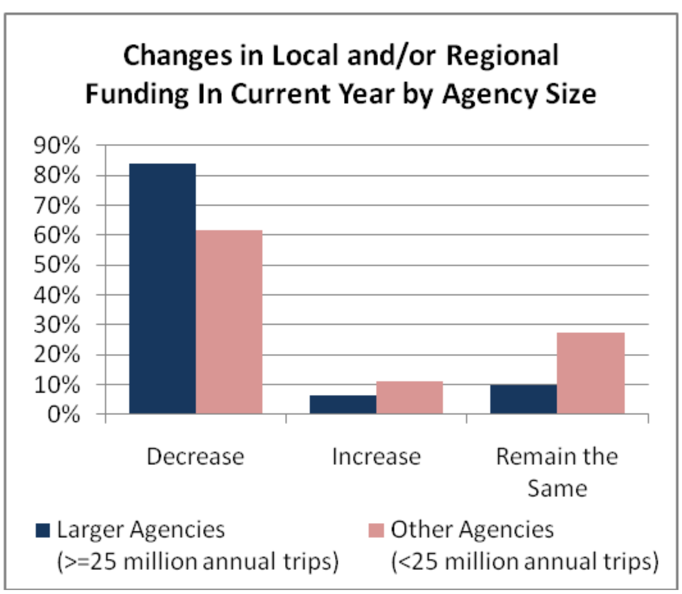
Agency Personnel Actions to Address Recession Impacts

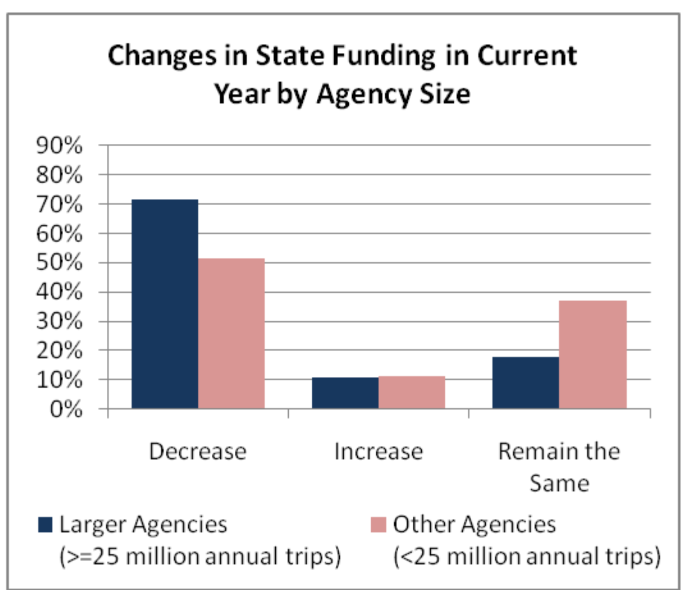
	Implemented Since January 1, 2009, or Approved for Implementation	Considering Future Action	Implemented AND Considering additional Future Action	Implemented OR Considering for Future Action
Hiring Freeze	41%	18%	5%	54%
Furloughs: Non-Union	23%	16%	3%	36%
Furloughs: Union	11%	15%	1%	25%
Salary Freeze or reduction: Non-Union	52%	20%	9%	62%
Salary Freeze or reduction: Union	23%	22%	3%	42%
Reduction in Benefits: Non-Union	25%	25%	4%	46%
Reduction in Benefits: Union	17%	25%	3%	38%
Reduction in Positions	53%	30%	15%	68%
Layoffs	32%	22%	7%	47%

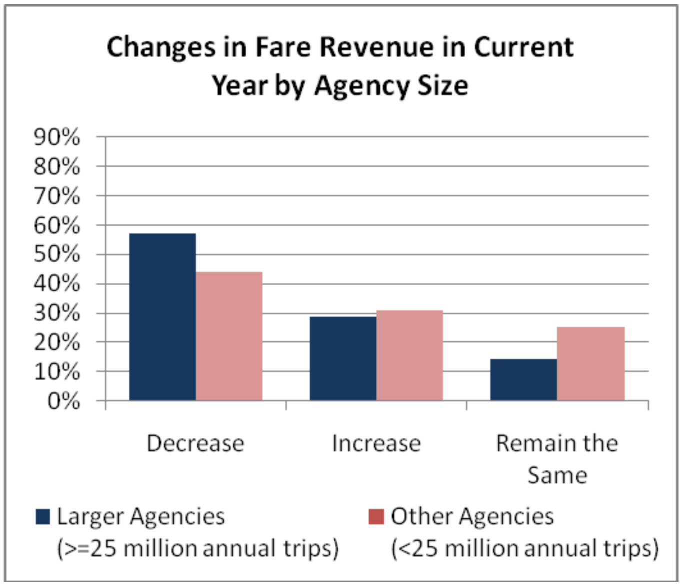
Largest Agencies Impacted Most:

While the national totals show the breadth of the recessions' impact on the transit agency, survey results indicate that agencies providing more than 25 million annual trips a year are experiencing the most severe impact. A higher proportion of larger agencies are facing declines in local and state revenue. Few transit agencies of any size have seen increases in local or state revenue.

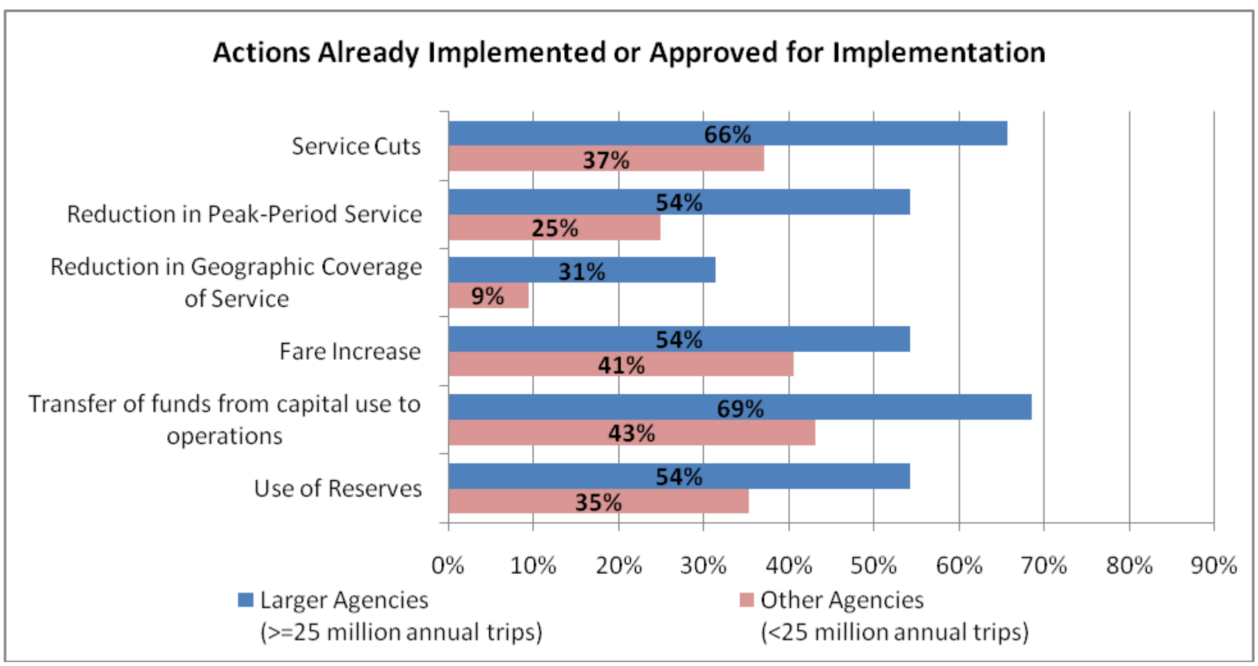
Changes in Funding Levels by Size of Agency Operations:



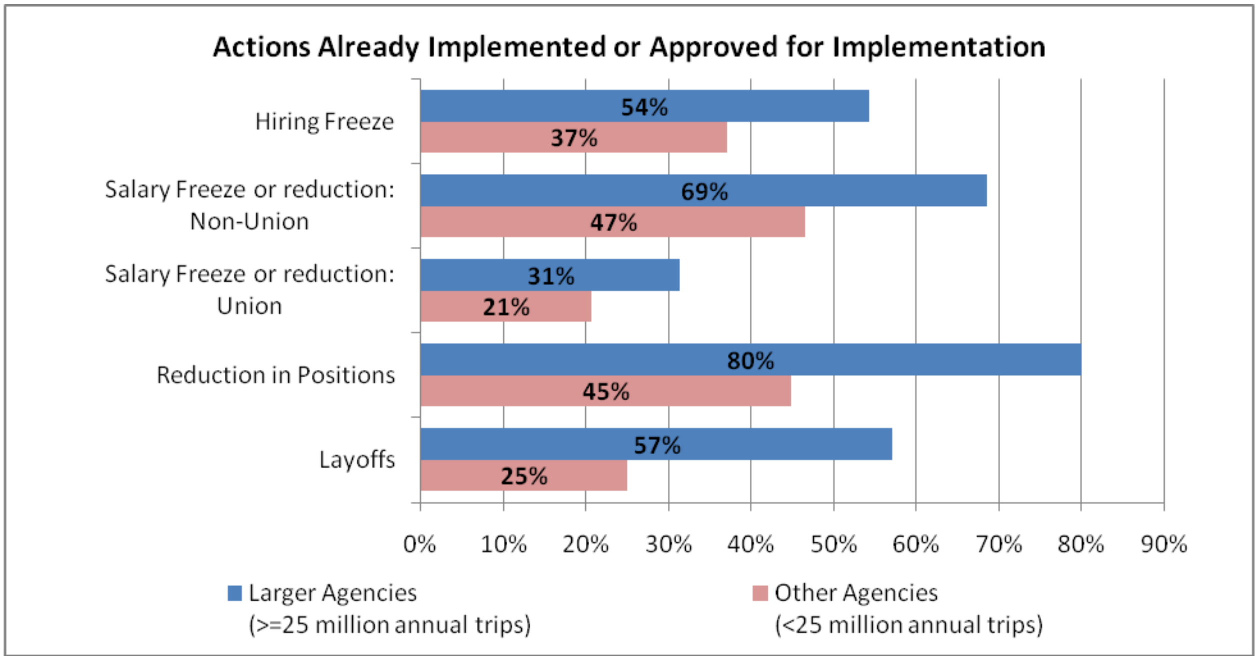




Larger public transportation agencies have also been forced to take more actions in the areas of services cut and fare increases. More than half of larger transit agencies (54%) have cut peak period service and one in three (31%) have reduced the geographic coverage of service. Almost seven in ten have transferred funds from capital to operations. Finally, more than half of larger transit agencies (54%) have been forced to dip into agency funding reserves.



Internal actions have also been more substantial among larger agencies with 80 percent reporting a reduction in the number of positions. While some agencies have likely achieved a reduction in workforce through attrition, almost six in ten report that they have had layoffs. Almost seven in ten (69%) report a salary freeze or reduction among non-union employees and approximately one-third (31%) have done the same for union employees.



While a number of agencies report that they have been forced to eliminate some positions or conduct layoffs, some of the more notable actions include:

- 7 agencies had 100 or more layoffs
- 4 of those had more than 250 layoffs

Conclusion

Public transportation agencies across the country continue to seek financial solutions and do all they can to provide critical service to connect people to jobs and help support an economic resurgence. Given current economic trends, most see heightening pressures in the months ahead as agencies face unprecedented budgetary challenges. Facing declines in revenue from state and local sources, public transit agencies have been forced to take drastic action including layoffs, service cuts, and fare increases. Public transportation agencies have also confronted the difficult challenge of reducing payrolls and employee benefits as they continue to face financial challenges seen in continuing projections for budgetary shortfalls. These cutbacks are happening as public transportation is reaching levels of popularity not seen in half a century: despite high unemployment, 2009 saw the second-highest ridership in fifty-three years. In order to protect this vital transit service, state, local and federal partners must provide critical funding to help public transit agencies move beyond the immediate economic crisis.