

AMERICAN PUBLIC TRANSPORTATION ASSOCIATION  
FACT SHEET  
PRESIDENT'S FY 2025 BUDGET REQUEST:  
REDUCED FEDERAL SHARE TO DISINCENTIVIZE BUS CUSTOMIZATION  
*May 29, 2024*

## Issue Summary

The COVID-19 pandemic adversely impacted the financial viability and competitiveness of the United States bus manufacturing market. Labor market tumult, hyperinflation in material and component prices, commodity and chip shortages, hardships encountered by many parts suppliers, and the significant increase in the cost of capital have undermined the financial health of the bus Original Equipment Manufacturers (OEMs).<sup>1</sup>

The result is an industry at risk, with reduced competition and increasing bus acquisition costs. These challenges are occurring at the very time that significant Federal funding has become available through the Infrastructure Investment and Jobs Act (IIJA) to support the transition of public transportation to zero-emission fleets. Zero-emission buses (ZEBs) are more expensive than diesel buses and require a significant capital outlay to support manufacturing.<sup>2</sup>

One issue identified by bus manufacturers is the customization of buses. Customization requires specialized engineering, procurement of tens of thousands of individual parts and components, and a unique and highly specialized supply chain. These factors may increase the price of each bus and lengthen the procurement cycle.

President Biden's Fiscal Year (FY) 2025 Budget Request proposes to provide the Federal Transit Administration (FTA) the authority to cut the Federal share from 85 percent to not less than 50 percent to disincentivize vehicle customization for projects selected in FY 2025 under the § 5339(b) Buses and Bus Facilities grant program or § 5339(c) Low or No Emission grant program.<sup>3</sup>

## APTA Recommendation

- **Urge Congress to oppose section 169B of the President's FY 2025 Budget Request, which provides FTA the authority to cut the Federal share from 85 percent to not less than 50 percent to disincentivize vehicle customization for projects selected in FY 2025 under the § 5339(b) Buses and Bus Facilities grant program or § 5339(c) Low or No Emission grant program.**

On April 7, 2024, the APTA Legislative Steering Committee opposed this provision, as outlined in President Biden's Fiscal Year (FY) 2025 Budget Request.

---

<sup>1</sup> APTA, [Bus Manufacturing Task Force Recommendations](#) (January 2024) at 1.

<sup>2</sup> *Id.*

<sup>3</sup> See FTA, [Budget Estimates Fiscal Year 2025](#) (March 2024).

## APTA Actions

- **APTA will urge Congress to oppose section 169B of the President’s FY 2025 Budget Request in its letter to Senate and House Committee on Appropriations leaders outlining APTA’s priorities for the FY 2025 THUD Appropriations bill.**

## Background

There is no “standard” bus in the United States. Customization reflects different climatic conditions across the country, unique needs of customers, the desire to maintain consistent inventory and employee training, and agency branding. However, customization, particularly for smaller bus orders, can come with costs. It requires specialized engineering, procurement of tens of thousands of individual parts and components, and a unique and highly specialized supply chain. These factors may increase the price of each bus and lengthen the procurement cycle.<sup>4</sup>

Preserving, protecting, and nurturing a highly competitive U.S. bus manufacturing market and the capacity to transition to zero-emission buses are essential. In October 2023, APTA created a Bus Manufacturing Task Force (APTA Task Force) to recommend immediate actions that can support a more competitive and stable bus manufacturing capacity in the U.S.<sup>5</sup>

On February 7, 2024, following the publication of the Bus Manufacturing Task Force Recommendations, the Federal Transit Administration (FTA) issued a Dear Colleague letter encouraging the use of several tools available to public transit agencies and transit vehicle manufacturers that were recommended by the Task Force. According to the letter, FTA will give priority consideration to FY 2024 Low or No Emission Grant Program and the Grants for Buses and Bus Facilities Competitive Program Notice of Funding Opportunity applications proposing the use of any of the following: advance or progress payments, joint procurements, or procurement of base model buses.<sup>67</sup>

Together with FTA’s pronouncement, President Biden’s FY 2025 Budget proposes the following:

*Notwithstanding chapter 53 of title 49, United States Code, for projects selected in fiscal year 2025 under the Buses and Bus Facilities grant program under 5339(b) of title 49, United States Code, or Low or No Emission grant program under 5339(c) of title*

---

<sup>4</sup> APTA, *supra* note 1 at 6.

<sup>5</sup> The APTA Task Force recommended that the Bus Procurement Guidelines Working Group create a subgroup representing transit agencies, OEMs, and bus parts suppliers to explore whether and how transit agencies could reduce customization and to consider the impacts on suppliers by buses becoming more standardized.

<sup>6</sup> See FTA, [Dear Colleague Letter: Highlighting Tools to Improve Bus Procurement and Manufacturing](#) (February 7, 2024).

<sup>7</sup> See generally FTA, [Notice of Funding Opportunity FY 2024 Competitive Funding Opportunity: Low or No Emission Grant Program and the Grants for Buses and Bus Facilities Competitive Program](#), 89 Fed. Reg. 8743 (February 8, 2024).

*49, United States Code, the Secretary may lower the Federal share to no less than 50 percent to disincentivize vehicle customization.<sup>8</sup>*

According to FTA's Budget Estimate, which provides justification for the President's proposal,

Although the statute for both programs (49 U.S.C. 5339) provides discretion regarding the Federal share (the Federal share "shall not exceed 80%") there is a different provision in Chapter 53 that limits FTA's discretion with respect to these programs. Per 49 U.S.C. 5323(i), a grant for acquiring vehicles for purposes of complying with the Americans with Disabilities Act or the Clean Air Act must have a Federal share of 85%. Because grants under both programs meet that threshold, the Federal share must be 85% unless the grantee requests a lower share. FTA does not have discretion to lower the Federal share otherwise. Thus, the budget language is necessary to provide the Administrator discretion to lower the Federal share anywhere from 50-85% to disincentivize vehicle customization.<sup>9</sup>

---

<sup>8</sup> See Office of Management and Budget, [Budget of the U.S. Government Fiscal Year 2025 Appendix \(March 11, 2024\)](#), at 888-889.

<sup>9</sup> FTA, [Budget Estimates Fiscal Year 2025 \(March 11, 2024\)](#), at 95-96.