



## COVID-19 Emergency Response and Recovery Funding For Public Transportation

May 7, 2020

The CARES Act provided \$25 billion to public transit agencies through urban and rural area formula grants. Despite this significant funding, public transit agencies need additional COVID-19 Emergency Response and Recovery funding to respond to and recover from the pandemic. APTA has developed this funding proposal to address the enormous impacts of COVID-19 on public transportation and ensure that public transit agencies can continue to provide these essential services each and every day.

The COVID-19 pandemic has significantly increased public transit operating costs and slashed state and local sources of transit funding, including agency farebox, parking, and other revenue; dedicated sales tax, gas tax, and other state and local tax revenues; and state and local funding. Given the pandemic and its economic impacts, public transit agencies across the nation face severe ridership decline and state and local revenue losses.<sup>1</sup> Based on an independent analysis of COVID-19 impacts on public transit, APTA estimates that public transit agencies face \$23.8 billion of additional costs and revenue losses through calendar year 2021, in excess of public transit funding provided by the CARES Act.<sup>2</sup>

As our nation's transit agencies work to maintain and restore these essential services, federal support is critical to ensure that public transit agencies can reposition themselves to survive and help our communities and nation recover from the economic fallout of the pandemic. **To that end, APTA urges Congress to provide an additional \$23.8 billion in funding for COVID-19 Emergency Response and Recovery, including:**

- *\$19 billion provided through the Emergency Relief Program; and*
- *\$4.75 billion provided through Urbanized Area Formula Grants, Seniors and Individuals with Disabilities Formula Grants; and Rural Area Formula Grants.*<sup>3</sup>

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<sup>1</sup> For instance, on April 16, the New York Metropolitan Transportation Authority requested an additional \$3.9 billion for 2020, noting ridership declines of more than 90 percent, enormous losses in fare, toll, and tax revenues that help fund the system, and increased costs associated with ensuring the safety of staff and riders. Similarly, on April 28, the San Francisco Bay Area Metropolitan Transportation Commission (MTC) requested that Congress create a Transportation Revenue Backstop that includes \$1.3 billion of additional transit formula funding for the MTC over the next 18 months.

<sup>2</sup> EBP US, Inc., *The Impact of the COVID-19 Pandemic on Public Transit Funding Needs in the U.S.*, May 5, 2020.

<sup>3</sup> APTA's request includes \$50 million for Federal Transit Administration (FTA) administrative expenses and program management oversight. This amount includes specific funding for the U.S. Department of Transportation

## *Emergency Relief*

- Provide \$19 billion of COVID-19 Emergency Response and Recovery funding through the Emergency Relief Program (49 U.S.C. § 5324) for additional costs and revenue losses to operating and capital budgets to prepare for, respond to, and recover from the COVID-19 pandemic for the period beginning on the date that the President declared a national emergency under the National Emergencies Act (50 U.S.C. § 1621) and section 501(b) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act) (42 U.S.C. § 5121, et seq.) (March 13, 2020) and ending on December 31, 2021.
- Require the Secretary of Transportation (Secretary) to provide grants to public transportation agencies<sup>4</sup> for COVID-19 costs and revenue losses that exceed funding provided to such agencies under the CARES Act, the formula funding provided under this Act, or reimbursement by the Federal Emergency Management Agency (FEMA) under the Stafford Act.
- Require the Secretary to distribute allocations proportionally to all public transit agencies who demonstrate additional COVID-19 costs and revenue losses.
- Require the Secretary to distribute these funds in three tranches: by June 30, 2020, May 31, 2021, and December 31, 2021. The Secretary shall allocate not less than 33.33 percent of available funds to each of the three tranches and allocate any unused funds to subsequent tranches.
- Require the Secretary to issue guidance on the application process for Emergency Response and Recovery funding not later than 15 days after the date of enactment of this Act. The guidance will establish the dates for acceptance of applications for each of the three tranches.
- Funding provided under the Emergency Relief program shall have a 100 percent federal share and may be used for any operating or capital expenses authorized under Chapter 53 of Title 49.
- Clarify the Emergency Relief Program (49 U.S.C. § 5324(d)(2)) to ensure that the FEMA duplication of benefits provision does not prevent a public transit agency from receiving both FTA Emergency Relief and FEMA Disaster Relief funds for projects to respond to and recover from the COVID-19 pandemic.

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Office of Inspector General to oversee FTA's administration of the Emergency Relief program and its determinations of demonstrated need.

<sup>4</sup> Public transportation agencies submitting costs and revenue losses under this section shall be the designated recipients under Chapter 53 of Title 49.

## **Formula Grants**

- Provide \$4.75 billion of COVID-19 Emergency Response and Recovery funding through Urbanized Area Formula Grants (49 U.S.C. § 5307), Seniors and Individuals with Disabilities Formula Grants (49 U.S.C. § 5310), and Rural Area Formula Grants (49 U.S.C. § 5311).
- Require the Secretary to allocate the funds provided under these formula programs in the same ratio as funds were provided in the Transportation, Housing and Urban Development, and Related Agencies Appropriations Act, 2020 (P.L. 116-94). The Act provides the following approximate amounts to the formula programs:
  - Urbanized Area Formula Grants— \$4.00 billion
  - Seniors and Individuals with Disabilities Formula Grants— \$232 million
  - Rural Area Formula Grants— \$522 million
- Funding provided under the formula programs shall have a 100 percent federal share and may be used for any capital or operating expenses authorized under Chapter 53 of Title 49.

### **APTA COVID-19 Emergency Response and Recovery Funding Estimated Apportionments of \$4.75 Billion of Formula Grants**

<b>State/Territory</b>	<b>Funding</b>	<b>State/Territory</b>	<b>Funding</b>	<b>State/Territory</b>	<b>Funding</b>
Alabama	\$35,684,797	Maine	\$17,679,639	Pennsylvania	\$182,088,068
Alaska	\$22,012,477	Maryland	\$116,556,031	Rhode Island	\$17,203,316
Arizona	\$82,786,265	Massachusetts	\$134,956,138	South Carolina	\$34,675,492
Arkansas	\$22,922,360	Michigan	\$100,559,383	South Dakota	\$9,406,899
California	\$737,950,015	Minnesota	\$71,270,996	Tennessee	\$61,768,213
Colorado	\$80,793,452	Mississippi	\$20,196,770	Texas	\$300,371,078
Connecticut	\$66,782,641	Missouri	\$59,636,220	Utah	\$48,942,276
Delaware	\$14,088,276	Montana	\$13,728,508	Vermont	\$5,831,253
District of Columbia	\$21,718,651	Nebraska	\$17,138,315	Virginia	\$126,491,542
Florida	\$241,128,339	Nevada	\$43,867,110	Washington	\$142,779,072
Georgia	\$103,787,142	New Hampshire	\$10,968,115	West Virginia	\$15,975,588
Hawaii	\$30,304,639	New Jersey	\$277,448,771	Wisconsin	\$57,993,086
Idaho	\$17,140,463	New Mexico	\$30,924,721	Wyoming	\$7,803,978
Illinois	\$250,865,466	New York	\$545,777,282	Puerto Rico	\$44,431,328
Indiana	\$65,316,392	North Carolina	\$87,343,157	Virgin Islands	\$1,320,999
Iowa	\$30,053,952	North Dakota	\$9,204,547	American Samoa	\$307,207
Kansas	\$25,040,069	Ohio	\$114,647,839	Guam	\$764,760
Kentucky	\$38,176,069	Oklahoma	\$29,375,658	N. Mariana Islands	\$289,726
Louisiana	\$42,920,576	Oregon	\$60,804,878		

**COVID-19 EMERGENCY RESPONSE AND RECOVERY FUNDING  
FOR PUBLIC TRANSPORTATION**

*Prepared by American Public Transportation Association Staff  
May 7, 2020*

FEDERAL TRANSIT ADMINISTRATION

EMERGENCY RESPONSE AND RECOVERY GRANTS

For an amount for “Emergency Response and Recovery Grants”, \$23,800,000,000, to remain available until expended, to prevent, prepare for, and respond to COVID-19: *Provided*, Notwithstanding any other provision of law, the Secretary of Transportation shall provide funds appropriated under this heading in this Act as if such funds were provided under section 5324 of title 49, United States Code, section 5307 of title 49, United States Code, section 5310 of title 49, United States Code, and section 5311 of title 49, United States Code, and apportion 80 percent of such funds to section 5324 and 20 percent of such funds to section 5307, section 5310, and section 5311:

*Provided further*, That designated recipients, as defined in section 5302 of title 49, United States Code, may apply for grants under section 5324 of title 49, United States Code, for costs and revenue losses to the recipients’ overall budget to prepare for, respond to, and recover from the COVID-19 pandemic for the period beginning on the date that the President declared a national emergency under the National Emergencies Act and section 501(b) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. (b) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act) (42 U.S.C. § 5121, et seq.) and ending on December 31, 2021: *Provided further*, That the Secretary shall provide grants to designated recipients for such costs and revenue losses that exceed public transportation funding provided to such recipients by section 5307, section 5310, and section 5311 apportionments under the CARES Act (P.L. 116-136) or this heading of this Act, or reimbursed by the Robert T. Stafford Disaster Relief and Emergency Assistance Act: *Provided further*, That the Secretary shall distribute allocations proportionally to all designated recipients that, based on best available data, demonstrate such costs and revenue losses in three tranches occurring not later than June 30, 2020, May 31, 2021, and December 31, 2021: *Provided further*, That the Secretary shall allocate not less than 33.33 percent of available funds in each of the three tranches and allocate any unused funds to subsequent tranches: *Provided further*, That the Secretary shall issue guidance on the section 5324 application process not later than 15 days after the date of enactment of this Act, and such guidance shall establish specific dates for acceptance of applications for each tranche:

*Provided further*, That the Secretary shall apportion section 5307, section 5310, and section 5311 funds in accordance with section 5336 of title 49, United States Code (other than subsections (h)(1) and (h)(4)) and section 5311 (other than subsections (b)(3) and (c)(1)(A)), and allocate the amounts provided among such sections in the same ratio as funds were provided in the fiscal year 2020 appropriations: *Provided further*, That the funds apportioned under section 5307,

section 5310, and section 5311 shall be apportioned using the 2020 apportionment formulas and not later than 7 days after the date of enactment of this Act:

*Provided further*, That not more than three-quarters of 1 percent, but not to exceed \$50,000,000, of the funds for Emergency Response and Recovery Grants provided under this heading in this Act shall be available for administrative expenses and program management oversight, as authorized under sections 5334 and 5338(f)(2) of title 49, United States Code, and shall be in addition to any other appropriations for such purpose: *Provided further*, That of the funds made available for such administrative expenses, \$3,000,000 shall be transferred to the Office of Inspector General to support oversight of the Federal Transit Administration's administration of the Emergency Relief program and its determinations of demonstrated need under this heading: *Provided further*, That notwithstanding subsections (a)(1) or (b) of section 5307 of title 49, United States Code, or any other provision of law, funds provided under this heading are available for operating and capital expenses of public transit agencies, including reimbursement for operating costs to maintain service and lost revenue due to the COVID-19 public health emergency, the purchase of personal protective equipment, and paying the administrative leave of operations personnel due to reductions in service: *Provided further*, That such operating expenses are not required to be included in a transportation improvement program, long-range transportation, statewide transportation plan, or a statewide transportation improvement program: *Provided further*, That the Secretary shall not waive the requirements of section 5333 of title 49, United States Code, for funds appropriated under this heading in this Act: *Provided further*, That unless otherwise specified, applicable requirements under chapter 53 of title 49, United States Code, shall apply to funding made available under this heading in this Act, except that the Federal share of costs for which any grant is made under this heading in this Act shall be, at the option of the recipient, up to 100 percent: *Provided further*, That the limitation for reimbursement under section 5324(d)(2) of title 49, United States Code, shall only apply to the specific grant: *Provided further*, That the amount made available under this heading in this Act shall be derived from the general fund and shall not be subject to any limitation on obligations for transit programs set forth in any Act: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Control Act of 1985.

# The Impact of the COVID-19 Pandemic on Public Transit Funding Needs in the U.S.

Prepared by EBP US, Inc.

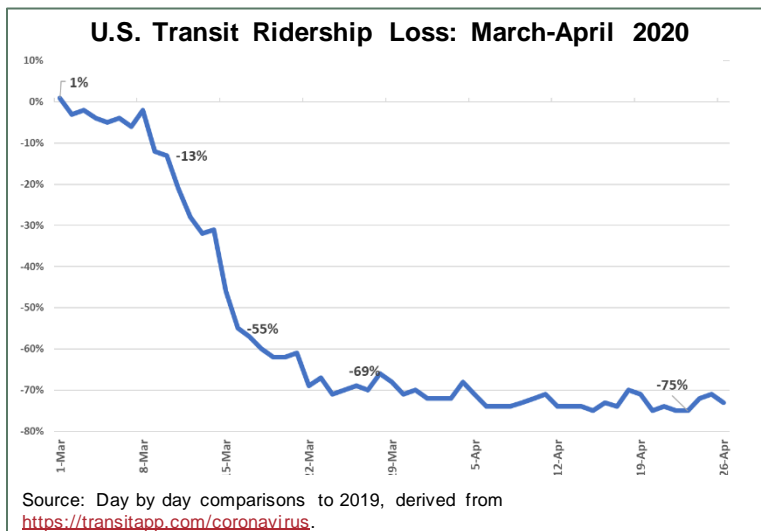
Prepared for the American Public Transportation Association

May 5, 2020

**EXECUTIVE SUMMARY.** Due to the virtual shutdown of the nation’s economy caused by the COVID-19 pandemic, US transit agencies are facing an overall funding shortfall of \$48.8 billion between CY 2020 Q2 and the end of CY 2021. Even with the infusion of \$25 billion provided by the Congress in April through the CARES Act, transit agencies will still face a shortfall of \$23.8 billion through the end of CY 2021. Nationally, transit ridership and fare revenues were down in April 2020 from April 2019 by 73% and 86%, respectively. Further, decreased transit capital spending across the country may result in the loss of 37,000 construction jobs in CY 2020 and 34,000 jobs in 2021 due to project delays and cancellations. When the economy begins to recover, transit agencies will still be challenged with severe fiscal constraints. These constraints stem from social distancing requirements that reduce vehicle capacity, increased costs of facility and vehicle cleaning and disinfection, and some displacement of ridership resulting from greater acceptance of decentralized work locations adopted during the pandemic. For these reasons, assuming the economy recovers in line with current epidemiological projections and related unemployment level forecasts, ongoing depressed ridership translates to quarterly transit revenue gaps ranging between \$4.2 billion and \$8.1 billion through the end of CY 2021.

## KEY FINDINGS.<sup>1</sup>

- The 2020 COVID-19’s virus pandemic’s effects on the nation’s economy and day-to-day living have been profound. Well over 200 million people have been required to live under some form of social distancing rules, with thousands of workplaces and businesses either

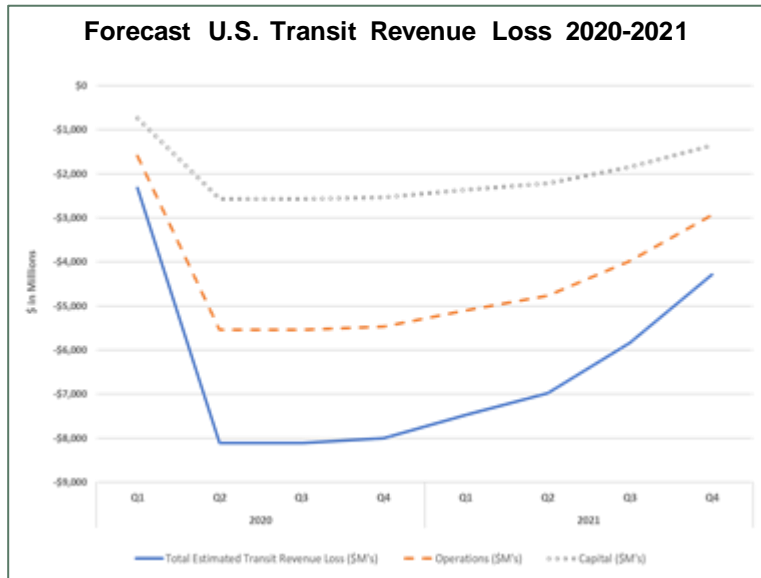


closing indefinitely or implementing remote work arrangements. Through the fourth week of April, over 30 million new unemployment claims were filed in 2020, a historic high, with the national unemployment rate projected to remain above 10% through CY 2021.

- As of April 30, although the overwhelming majority of the population remains under stay-at-home orders, states are on their own individual schedules for phasing in reopening of

<sup>1</sup> See *Appendix* for details of methodology and data sources used in this analysis.

businesses and activities over the coming months. Based on interpolation of several objective models and forecasts that also recognize continued persistence and possible case increases starting in late 2020, the GDP is forecast to contract by 5.6% in 2020 before a gradual recovery starting in 2021.



- Public health and safety concerns associated with the pandemic have dramatically reduced overall travel and precipitated large and historic declines in public transit ridership. Compared to April 2019, ridership across all transit agencies and modes nationally is down by 73%, with some systems experiencing declines of nearly 90%. Ridership drop-offs have resulted in fare revenue declines and decreased economic activity due to social distancing. Stay-at-home orders have also depressed sales and use tax revenue designated for transit funding.
- While fares and other ridership-related funds are transit agencies' largest sources of revenues, accounting for almost 40% of annual budgets, other key sources are also forecast to decline significantly due to underlying economic conditions. These include revenues from state and local taxes, which may see a 25% decline, as well as motor fuel tax revenues, which closely track vehicle miles of travel (VMT), down in April by 66% nationally. In addition, as a means of minimizing contact between riders and transit operators, many transit systems stopped collecting fares in March 2020. Cumulatively, declines in all of these sources translate to projected transit increased costs and revenue losses of over \$26 billion in 2020 (including Q1) and over \$24 billion in 2021. Even after accounting for the \$25 billion in transit funding provided by the CARES Act, transit agencies' net revenue gap through the end of CY 2021 is still projected to be \$23.8 billion (between CY 2020 Q2 and CY 2021 Q4).
- Revenue declines will also have impacts on transit capital project development and construction. It is estimated that transit agencies nationally will likely need to decrease capital spending by \$8.4 billion in 2020 and \$7.8 billion in 2021. Moreover, the cost of capital spending is increasing because credit rating agencies have downgraded public transit agencies' revenue bond ratings. Nationally, this projected reduced capital spending equates to a loss of 37,000 construction jobs in CY 2020 and 34,000 construction jobs in CY 2021. Reduced capital spending may also delay some of the largest transit investments in the nation. Several major transit agencies have identified \$17 billion of capital projects slated for implementation starting in 2020 that are now at risk of delay or cancellation.

## APPENDIX

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### METHODOLOGY.

Peak transit ridership losses were estimated based on transit use data from Transit App,<sup>2</sup> which showed declines in demand through late April 2020. Potential revenue losses were estimated using NTD transit revenue data<sup>3</sup>, and data from national reporting on revenue shifts for Q1 and Q2 of 2020 (see *Table 1: Revenue Risk Table*). In addition, the modeling accounts for fare revenue losses from rear-door boarding policies.

Once the peak losses for each revenue stream were identified, the next step was to determine the duration of the impacts of COVID-19 on the economy and transit. After a range of economic and epidemiological forecasts were reviewed, the CBO unemployment forecast was determined as the most suitable for this analysis because it was the most comprehensive reporting of forecast assumptions and provided estimates through the end of calendar year 2021.<sup>4</sup> In addition, this forecast<sup>5</sup> provided a timeline and magnitude of economic recovery that captured the lag effects within the economy and new public health practices that could limit both transit ridership and revenues. Importantly, CBO's projections also include the possibility of a reemergence of the pandemic. To account for that possibility, social distancing is projected to continue, although to a lesser degree, through the first half of next year. In particular, the degree of social distancing is projected to diminish by roughly 75 percent, on average, during the second half of this year relative to the degree in the second quarter and then to further diminish in the first half of next year.

The peak loss and duration of the transit revenue recovery used in this analysis are based on the timing of the CBO unemployment forecasts. The decline in transit revenue was used to estimate the potential job losses for capital spending.

Additional COVID-related expenses for agencies were included in the cost analysis using the MBTA's COVID-19 expense reporting (\$25.5 million) through April 20<sup>th</sup>, these monthly costs were scaled to the national level (\$653 million per month) using ridership as a proxy<sup>6</sup>. These costs were compared to other transit agency spending for COVID-19 related responses, which had similar spending magnitudes. These costs include labor, materials, and equipment related to additional cleaning and personal protective equipment.

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<sup>2</sup> Day by day comparisons to 2019, derived from <https://transitapp.com/coronavirus>

<sup>3</sup> NTD, "2018 National Transit Summaries and Trends: Appendix"

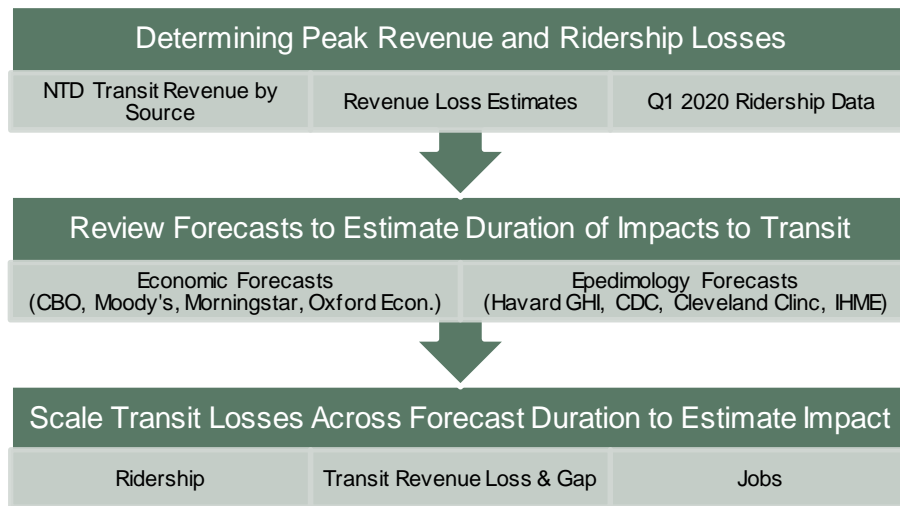
<sup>4</sup> CBO forecast included estimates of GDP, unemployment, and interest rate on Treasury Notes. "CBO's Current Projections of Output, Employment, and Interest Rates and a Preliminary Look at Federal Deficits for 2020 and 2021" April 24, 2020

<sup>5</sup> CBO forecast acknowledges: "The economy will experience a sharp contraction in the second quarter of 2020 stemming from factors related to the pandemic, including the social distancing measures put in place to contain it. In the third quarter, economic activity is expected to increase, as concerns about the pandemic diminish and state and local governments ease stay-at-home orders, bans on public gatherings, and other measures restraining economic activity. However, challenges in the economy and the labor market are expected to persist for some time."

<sup>6</sup> MBTA unlinked passenger trips represent 4% of national unlinked passenger trips. APTA Factbook



**Figure 1: Overall Method for Estimating Revenue Gap**



**Table 1: Revenue Risk Tables**

Source	Type	Share of total Funding	Peak Decline	Sourcing and Assumptions
Directly Generated	Fares & Other Non- Farebox	29.5%	-86%	Transit App user data for April 2020, APTA, review of transit agency fare collection policies.
Federal	Federal	15.8%	0%	\$25B increase with CARES Act
Local	Income Tax	0.3%	-24%	Based on monthly BLS unemployment claims: 30 million additional claims through fourth week of April.
Local/State	General Fund & Other	18.9%	-25%	Center on Budget and Policy Priorities: Monthly decline in state revenues.
State	Transportation Fund	14.3%	-66%	Drop in traffic as measured by cellphone and GPS traffic change from StreetLight.
Taxes Levied/Local	Sales Tax	18.0%	-26%	Estimate based on Census Monthly Retail Reporting, and adjusted for April based on interim reporting from Kiplinger’s, Bloomberg, and Morningstar.
	Property Tax	2.8%	-10%	No impact 2020, 10% decline in 2021 based on projected demand for office and commercial space.
	Fuel Tax	0.3%	-66%	Drop in traffic as measured by cellphone and GPS traffic change from StreetLight. Proportional decline in fuel consumption.

**DATA SOURCES.**Ridership & Revenue:

NTD, "2018 National Transit Summaries and Trends: Appendix" December 2019

APTA, "PUBLIC TRANSPORTATION RIDERSHIP REPORT, Fourth Quarter 2019"

Transit App Data, April 2020, <https://transitapp.com/coronavirus>

Forecasts and Q1 Data:

BLS, "Unemployment Insurance Weekly Filings" April 2020

CBO, "CBO's Current Projections of Output, Employment, and Interest Rates and a Preliminary Look at Federal Deficits for 2020 and 2021" April 24 <https://www.cbo.gov/publication/56335>

CDC, "COVID-19 Forecasts" [https://www.cdc.gov/coronavirus/2019-ncov/covid-data/forecasting-us.html#anchor\\_1587397564229](https://www.cdc.gov/coronavirus/2019-ncov/covid-data/forecasting-us.html#anchor_1587397564229)

Harvard Global Health Institute, "Global Pandemics Explained: US Hospital Capacity" <https://globalepidemics.org/our-data/hospital-capacity/>

Morningstar, "Coronavirus Update: Long-Term Economic Impact Forecast to Be Less Than 2008 Recession Our outlook on how the U.S. will cope during and after the shutdown."

<https://www.morningstar.com/articles/976107/coronavirus-update-long-term-economic-impact-forecast-to-be-less-than-2008-recession>

Oxford Economics "Global | World GDP to fall 2.8% in 2020, exceeding financial crisis toll" [http://resources.oxfordeconomics.com/world-gdp-to-fall-2.8-in-2020-exceeding-financial-crisis-toll?oe\\_most\\_recent\\_content\\_download\\_id=0000021&interests\\_trending\\_topics=coronavirus](http://resources.oxfordeconomics.com/world-gdp-to-fall-2.8-in-2020-exceeding-financial-crisis-toll?oe_most_recent_content_download_id=0000021&interests_trending_topics=coronavirus)

World Economic Forum, "Coronavirus: 5 predictions for how the economy might recover" April 14, 2020 <https://www.weforum.org/agenda/2020/04/alphabet-soup-how-will-post-virus-economic-recovery-shape-up/>