Impacts of the Recession on Public Transportation Agencies

2011 Update

Survey Results

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Impacts of the Recession on Transit Agencies

August 2011

Executive Summary and Key Findings

Public transportation agencies across the United States continue to face budgetary challenges as a result of the current recession. Many transit agencies saw decreases in state and local funding in the past year. In order to survive, agencies have been forced to cut service, raise fares, lay off employees, and implement hiring freezes, among other actions. The actions come even as agencies are expected to serve an increased number of riders. This report, based on a March 2011 survey, provides a national perspective on the extent to which the recession is affecting public transportation agencies and the millions of Americans who use their services.

The survey was a follow-up to a similar survey in 2010 that asked about actions taken in response to the economic downturn. This new survey asked about actions taken since January 1, 2010 and actions agencies anticipated taking in the near future. 117 transit agencies responded to the survey. The results show that a large number of transit agencies are facing service cuts, fare increases, and reductions in staff and benefits due to declining funding. Larger public transportation agencies felt the most severe impacts.

The survey found:

- 71 percent of public transportation agencies saw flat or decreased local funding, and 83 percent saw flat or decreased state funding.
- Capital budgets are also at risk, with 85 percent of agencies reporting flat or decreased capital funding.
- Nearly eight in ten transit agencies (79%) have cut service or raised fares or are considering either of those actions. Half of the transit agencies (51%) have already cut service or raised fares.
- Larger transit agencies were more likely to have cut service or raised fares than other agencies. Seven in ten large agencies (71%) cut service in the past year compared to 41 percent of other agencies. Half of large agencies (50%) raised fares in the last year; only 30 percent of other agencies did so.
- Larger agencies were also more likely to take steps to reduce their workforces, with three-quarters (75%) of large agencies reducing their number of positions and nearly half (46%) laying off employees.

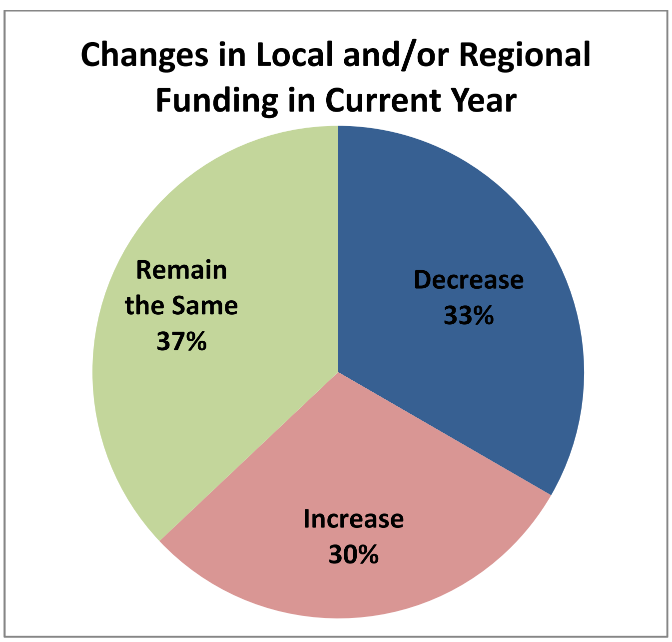
Transit agencies continue to find solutions to their budget pressures while still providing critical transportation service to connect people to jobs and support economic growth. Additionally, agencies are foreseeing future pressures as the U.S. House Transportation and Infrastructure Committee is proposing to cut an additional 37 percent in federal funding to public transportation and all surface transportation programs. State and local governments will not be able to make up for this lack of funding. Now is not the time to reduce critical federal funding that is needed to preserve service and address capital needs.

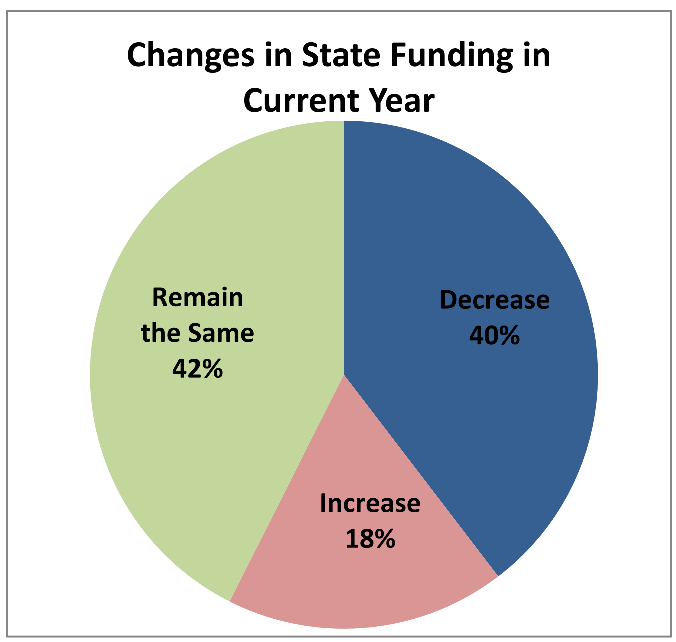
Introduction

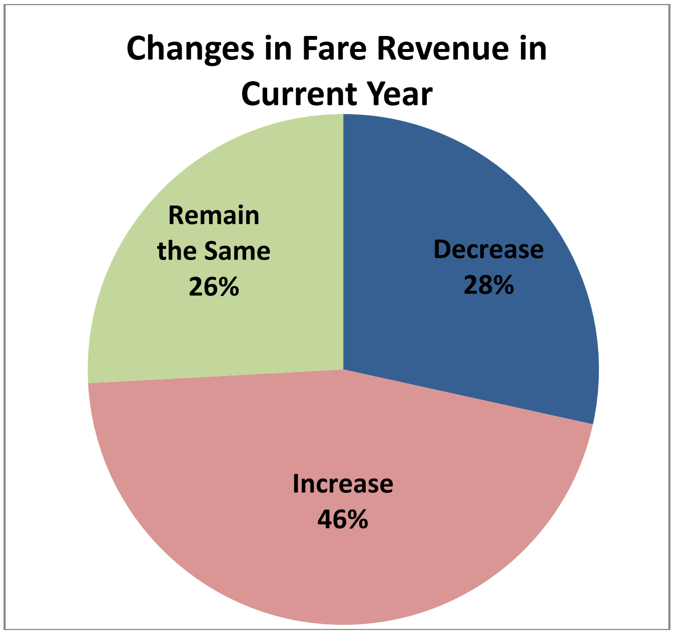
In March 2011 APTA conducted a survey of its public transportation agency members to further gauge the effects the recession is having on agencies and their customers. The survey is a follow-up to a similar survey done in March 2010 (hereinafter referred to as the "previous survey") on the impacts of the recession as measured through specific actions such as service cuts and fare increases. This survey records actions taken since January 1, 2010. A total of 117 public transit agency members responded to the survey, which has a maximum margin of error of ±7.5%. The results show that transit agencies continue to face funding challenges requiring service cuts and fare increases. Two out of every five agencies (40%) that have already taken those actions remain in budget shortfall for the coming year. In addition, 85% of transit agencies have seen flat or decreased capital funding, resulting in three in ten agencies (31%) delaying vehicle acquisitions and two in ten (20%) delaying capital maintenance.

Agency Revenue Picture

Operating funding for transit agencies comes from three main sources: local/regional revenue, state revenue, and transit fares. Transit agencies serving urbanized areas with populations of less than 200,000 or rural areas can use a portion of their federal formula funding for operating assistance. This year's results show that a large majority of agencies are still facing flat or declining state and local operating funding. A total of 71 percent of responding agencies saw flat or decreased local and/or regional funding, and 83 percent saw flat or decreased state funding. These decreases are on top of an already stagnant funding situation in the previous year. In the previous APTA survey, 90% of agencies saw decreases in funding from local and/or regional sources and 89% reported decreases in funding from state sources. Fewer agencies in the 2011 survey saw decreases in fare revenue (28% compared to 47%) and more agencies saw increases (46% compared to 30%), mostly due to agencies raising fares.

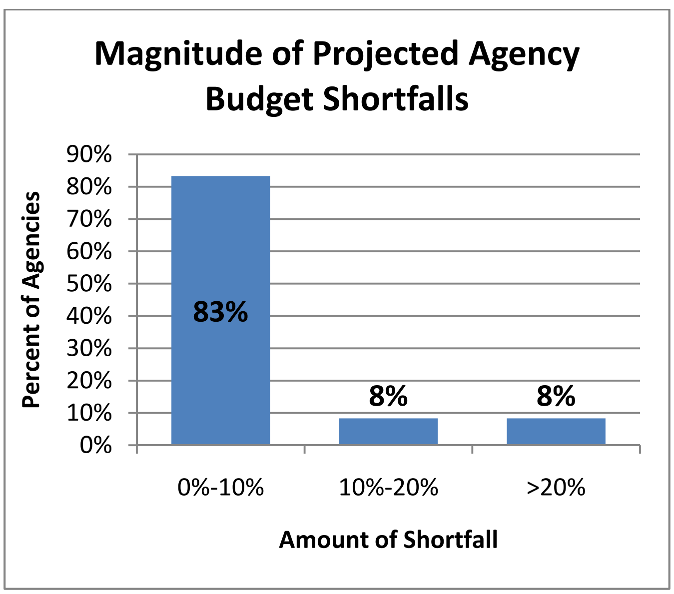


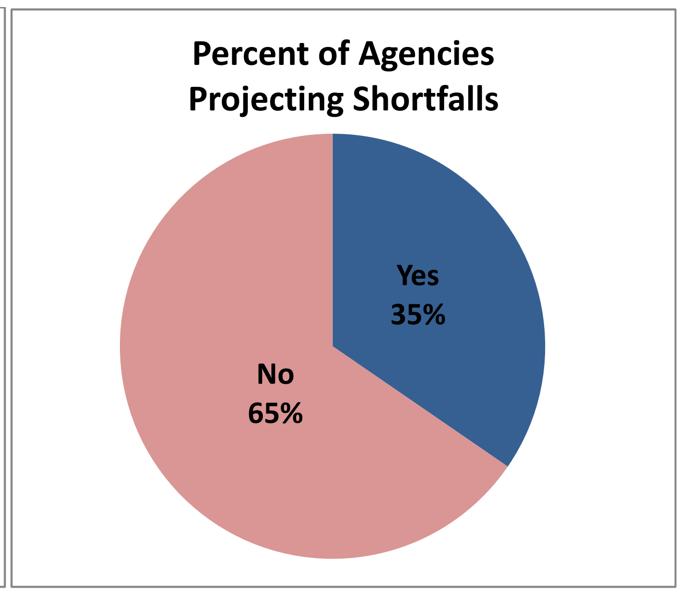




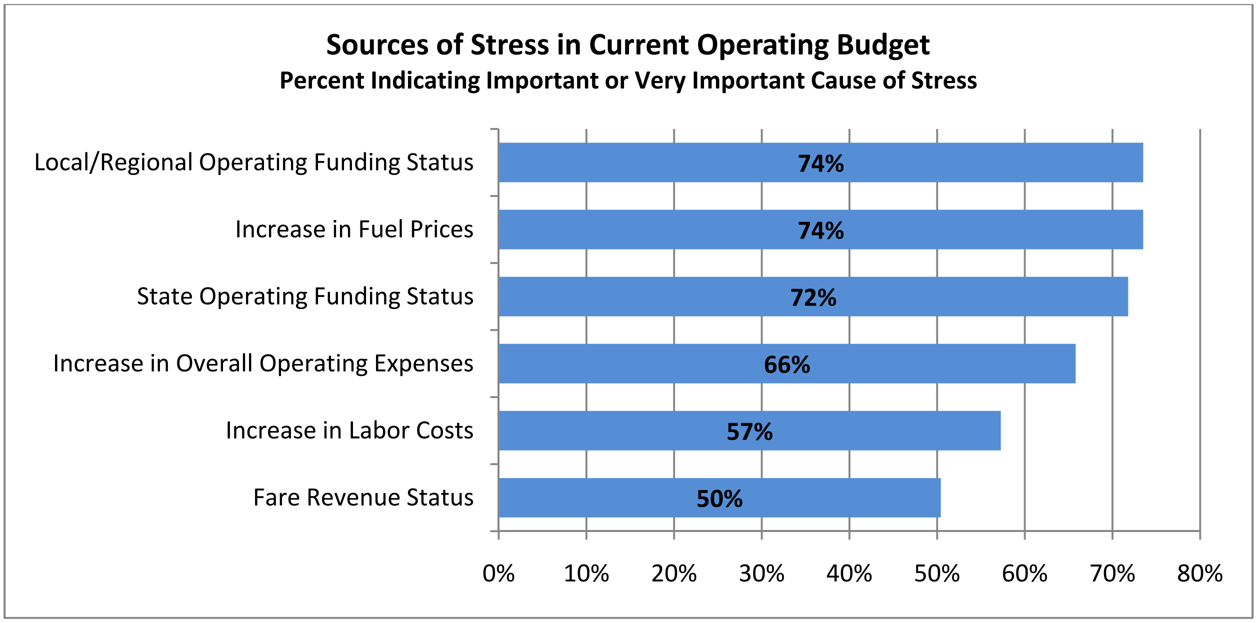
Budget Shortfalls

Even with the improved revenue picture, many agencies are still facing challenging budget situations. Over one-third (35%) of agencies are projecting a budget shortfall in the coming budget year. Of those, more than one in ten (16%) had shortfalls of over ten percent, and half of those expected shortfalls of over 20%. The total shortfall predicted by responding agencies was over $600 million.





A new question on the 2011 survey asked agencies to identify how important various criteria were to the stress in their operating budget, on a scale from 1 (Not a cause) to 5 (Critical Importance). The top three causes of stress in operating budgets among agencies were increasing fuel prices, the status of local/regional funding, and the status of state funding. The least important criteria was the current status of fare revenues, which reflects the fact that many agencies have seen rising fare revenues as of late.



Actions Taken by Transit Agencies to Address Budget Shortfalls

Agencies once again have taken a number of actions to address potential budget shortfalls. These actions are having even more detrimental effects on agencies, their employees, and transit users as the compounding effects of year over year cuts, fare increases, layoffs, and benefit reductions are felt. Over seven in ten (71%) agencies have cut service in the past year or are considering doing so in the future. Nearly six in ten (58%) agencies have increased fares in the past year or are considering future fare increases. Over three quarters (79%) of agencies are considering fare increases or service cuts in 2011 or have already implemented them. In comparison to the previous survey, a similar percentage of agencies are implementing or considering service cuts (71% compared to 74%) but a smaller percentage are considering or implementing fare increases (58% compared to 73%). In addition, of those agencies in the previous survey that were considering future fare increases or service cuts, over two thirds (69%) indicated in the new survey that they took at least one of those actions.

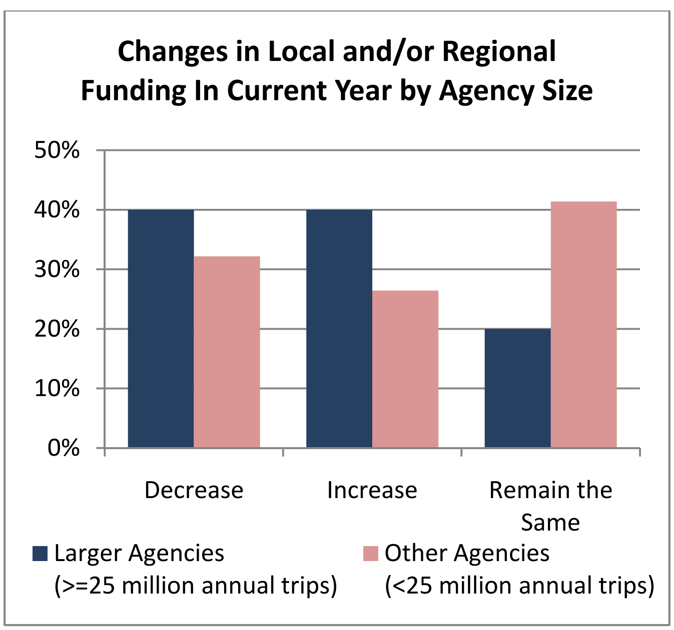
	Implemented Since January 1, 2010, or Approved for Implementation	Considering Future Action	Implemented AND Considering additional Future Action	Implemented OR Considering for Future Action
Service Cuts:	47%	28%	9%	71%
Reduction in Peak-Period Service	24%	24%	3%	45%
Elimination or Reduction in Off-Peak Service	32%	33%	7%	58%
Reduction in Geographic Coverage of Service	13%	24%	3%	33%
Fare Increase	34%	28%	4%	58%
Fare Increase AND Service Cuts	20%	25%	3%	41%
Fare Increase OR Service Cuts	51%	56%	28%	79%
Transfer of funds from capital use to operations	35%	17%	6%	46%
Use of Reserves	42%	21%	9%	53%

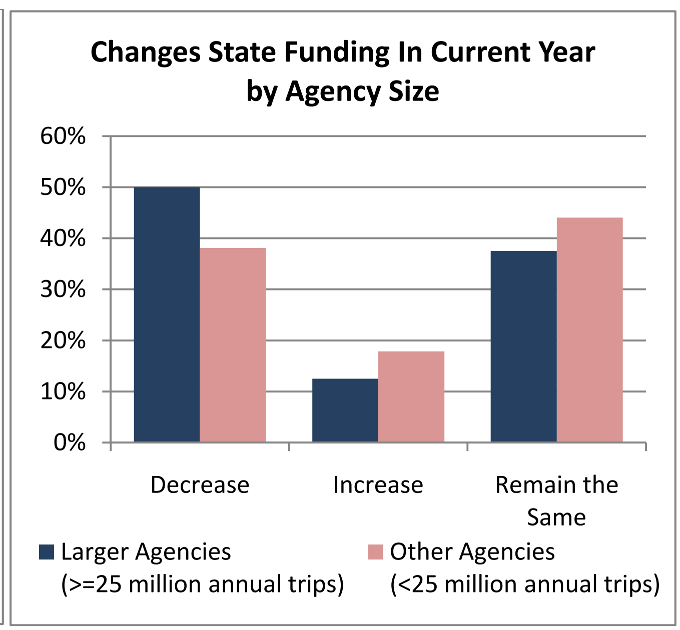
Transit agencies are also taking actions with respect to human resources to address their budget issues. Nearly half (48%) of agencies surveyed this year have implemented hiring freezes in the past year or are considering doing so in the future. Over six in ten (62%) agencies have frozen the salaries of their non-union employees or are considering doing so. Two in ten (21%) have conducted layoffs in the past year and an additional 15 percent are considering future layoffs.

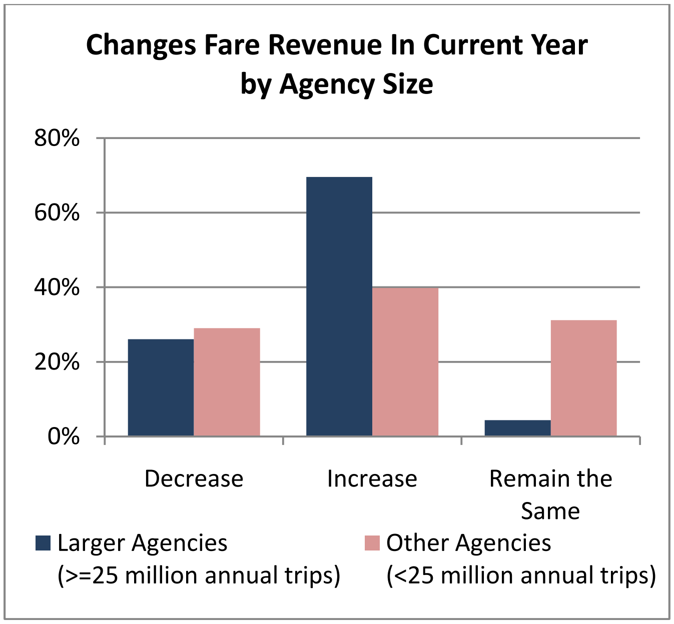
	Implemented Since January 1, 2010, or Approved for Implementation	Considering Future Action	Implemented AND Considering additional Future Action	Implemented OR Considering for Future Action
Hiring Freeze	37%	13%	2%	48%
Furloughs: Non-Union	13%	13%	3%	22%
Furloughs: Union	9%	8%	2%	15%
Salary Freeze or reduction: Non-Union	55%	14%	6%	62%
Salary Freeze or reduction: Union	26%	16%	3%	40%
Reduction in Benefits: Non-Union	26%	21%	3%	44%
Reduction in Benefits: Union	14%	23%	3%	33%
Reduction in Positions	42%	14%	5%	50%
Layoffs	21%	15%	3%	34%

Differences in Impact by Size of Agency Operations

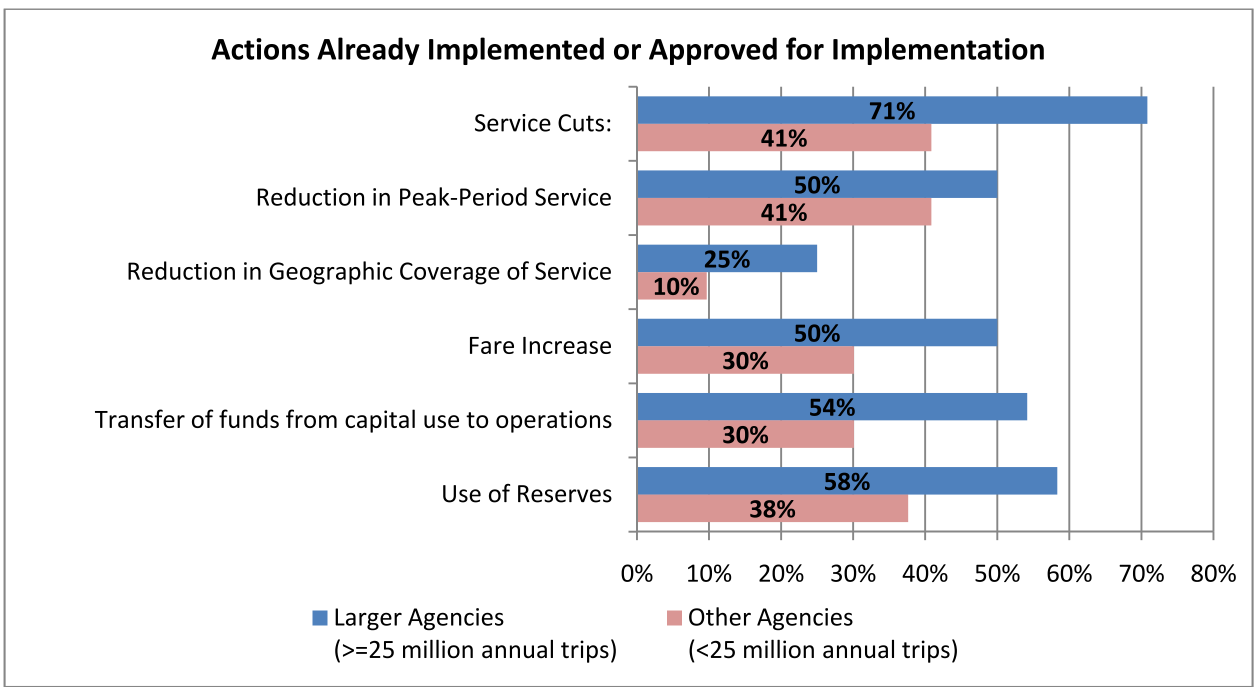
In examining the recession impacts between those larger transit agencies (providing 25 million or more annual trips) and smaller transit agencies (those providing fewer trips), several trends begin to emerge. A higher percentage of larger agencies saw decreases in Local/Regional and State revenue. On the fare revenues side, more of the larger agencies saw fare revenue increases, likely due to the fact that a higher percentage of those agencies raised fares.



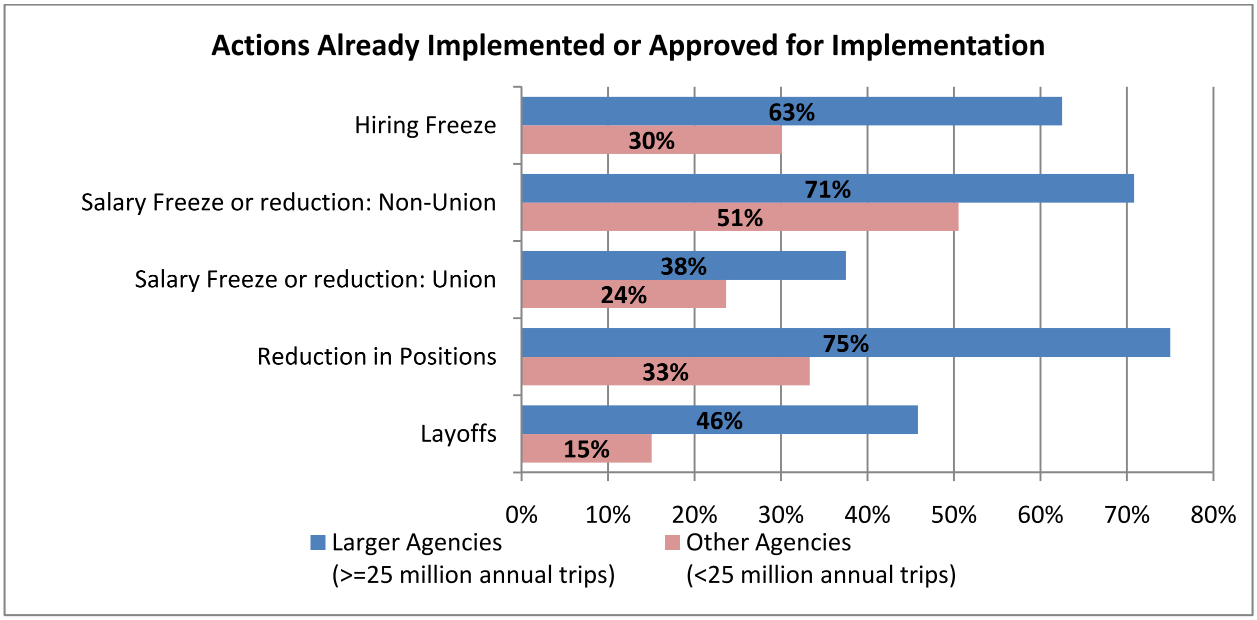




More of the larger agencies have also been forced to take action in terms of services provided to customers in order to address their budget issues. More than two thirds (71%) of larger agencies have implemented or have approved cuts to their transit service since January 1, 2010. These cuts have a compounding effect on transit passengers - in the 2010 APTA survey 66 percent of agencies reported approving service cuts. Across the board a larger percent of the larger agencies cut service, raised fares, or took other actions in order to control their budgets.

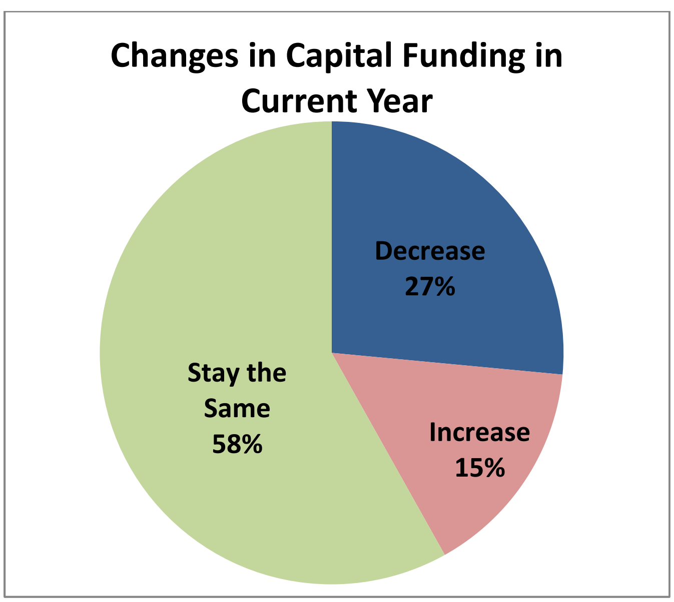


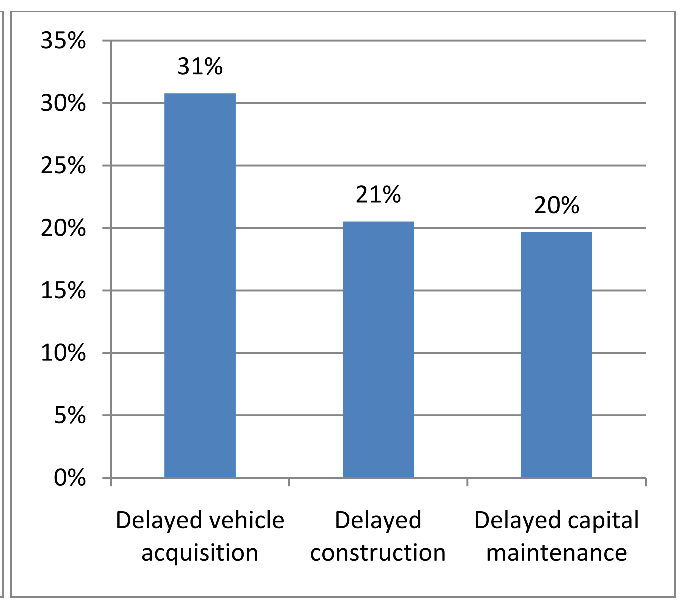
Larger agencies have also been implementing more internal policies than other agencies. Six in ten (63%) larger agencies implemented or improved hiring freezes, more than the number from the 2010 survey (54%). Three-fourths (75%) of larger agencies implemented a reduction in positions. These reductions come partially through natural workforce changes like retirement, but also through layoffs, and 46 percent of larger agencies reported implementing or approving layoffs.



Capital Budgets Also Strained

A new set of questions in the 2011 survey asked about capital budgets and the impact of capital funding constraints. A total of 85 percent of respondents reported flat or declining capital funding. When asked about the impact on their capital budget, three in ten agencies (31%) said that they delayed vehicle acquisitions due to capital budget issues, and two in ten (20%) reported that they had delayed capital maintenance. Two in ten agencies (21%) also reported that they had delayed capital construction.





Conclusion

Public transportation agencies continue to face funding challenges. Many agencies in the past year saw reductions in either state or local funding. Service cuts and fare increases have occurred at many agencies, in some cases on top of cuts and increases enacted during the previous budget cycle. Many agencies have also had to defer or delay planned capital projects, including returning existing facilities to a state of good repair or replacing aging vehicles and facilities. Transit agencies face future challenges, as rising gas prices are expected to drive public transit ridership. Agencies are currently experiencing instability in their funding sources during a time when they are expected to serve an increasing ridership. Agencies continue to freeze positions and lay off workers, making the provision of transit service even more difficult. Now is not the time to reduce critical federal funding that is needed to preserve service and address capital needs.