

# **DRPT Public Transportation Funding Study - SJR 297**

**Commonwealth Transportation Board**

**July 18, 2012**

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# Senate Joint Resolution No. 297

- DRPT has been directed to study transit-related issues:
  - Performance
  - Prioritization
  - Stability
  - Allocation

# General Assembly Initiative

“The study should determine if there should be a system in place to reward operator performance based upon specific performance criteria.”

– **Senate Joint Resolution No. 297**

# Study Approach

- ❑ Convened Stakeholder Committee
  - Group included representatives from transit providers
  - Group met four times
  - Provided feedback on current allocations system
  - Reviewed various formula options

# Study Approach

- ❑ Conducted best practice peer review
  - Formula distributions are more common than discretionary programs (30 states or 60% of state transit funds)
  - States tend to distinguish between capital and operating assistance
  - States frequently adopt different distribution methods for individual programs to address specific problems

# Current Operating Assistance Funding Allocation

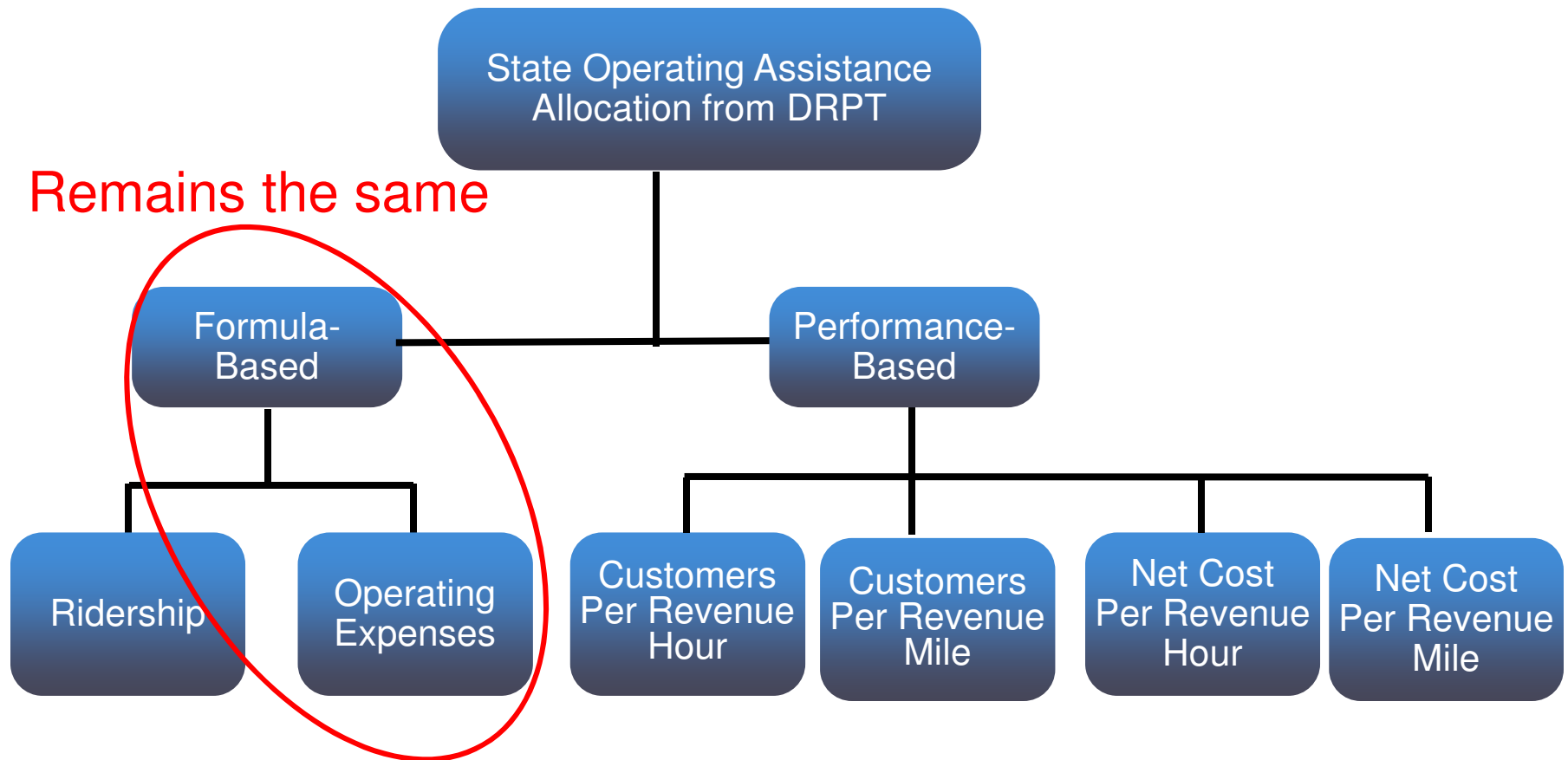
## Increased funding is tied to increased spending

- ❑ Does not motivate cost efficiency or provide incentives
- ❑ Does not distribute funds based on area of revenue collection
- ❑ No direct link to policy goals
- ❑ The expenditure data used is 1½ to 2 years old
- ❑ Ineligible versus eligible costs add unnecessary complexities
- ❑ Statutory cap of 95% of costs matched by state is unreasonable expectation
- ❑ State matching percentage is unpredictable
- ❑ The current process is viewed by many stakeholders as fair
- ❑ Data can be validated based on audited information

# Operating Assistance Allocation Scenarios

- Developed and evaluated multiple allocation methodology options
  - Scenario 1            Service area population as defined in the NTD.
  - Scenario 2            50% distributed on service area population and 50% on population density.
  - Scenario 3            25% each to population, population density, passenger miles, and passenger miles per capita.
  - Scenario 4            Within a tiered structure, fiscal stress, passenger miles, and cost per passenger mile.

# Operating Assistance Hybrid Allocation Approach






# Operating Assistance Performance Driven Allocation

Funds allocated to peer groups based on several factors



Peer group funds divided among metrics based on weights



Funds in each peer group metric bucket distributed to agencies based on performance

# Operating Assistance Performance Driven Allocation

- ❑ Formation of Peer Groups
  - Service Area Population
  - Service Area Population Density
  - Ridership
  - Operating Cost
  - Peak Vehicles
  - Steel Wheeled vs. Rubber Wheeled

# Operating Assistance Allocation Performance Measures

Available Funding by Group and Metric				
Performance Funds				
Group	Customers per Revenue Hour	Customer per Revenue Mile	Net Cost per Revenue Hour	Net Cost per Revenue Mile
A	\$13,708,110	\$13,708,110	\$13,708,110	\$13,708,110
B	\$1,029,822	\$1,029,822	\$1,029,822	\$1,029,822
C	\$349,875	\$349,875	\$349,875	\$349,875
D	\$73,006	\$73,006	\$73,006	\$73,006
Total	\$15,160,813	\$15,160,813	\$15,160,813	\$15,160,813

# Current Capital Assistance Funding and Allocation

## ❑ Mass Transit Trust Fund (MTTF)

- Twenty-five percent, approximately \$30M annually, of the MTTF
- Allocates based on non-federal share of project compared to total for all projects
- Application driven process
- No flexibility to prioritize funding
- All capital items under this program funded at the same blended rate as bonds, approximately 50%

## ❑ Mass Transit Capital Fund

- Bond funding will be exhausted by 2018
- Application driven process
- Flexibility to prioritize funding
- Ability to fund State of Good Repair at 80%  
(ex. rolling stock replacement and major mid-life overhauls)
- Ability to fund other capital items at blended rate 50%  
(ex. Bus shelters, sidewalks, landscaping, etc)

# Recommended Capital Assistance Allocation

- ❑ Continue application driven process
  
- ❑ Allow flexibility to prioritize funding via a tiered approach
  - Example: Bus replacement and overhauls 20% total cost
  - Example: Bus shelters and bike racks 10% total cost
  - Example: Computers and landscaping 5% total cost
  
- ❑ Revisit funding priorities every three to five years
  
- ❑ Continue to allow capital funds to supplement operating assistance

# Overall Recommendations

## ❑ Performance

- Revise the Code of Virginia to implement a hybrid formula and performance-based allocation system

## ❑ Prioritization

- Establish allocation processes that allow the CTB to prioritize capital investment decisions

## ❑ Stability

- Identify a source of transitional assistance to minimize impacts of implementing the new allocation system
- Establish a reserve fund to stabilize match ratios for capital and operating expenses

# Overall Recommendations

## □ Allocation

- Eliminate the unrealistic codified 95% cap on eligible capital and operating expenses
- Allow capital and special programs funds to be used to supplement operating funds
- Funds may not be allocated without requiring a local match from the recipient

# Overall Recommendations

## ❑ Capital and Operating Needs

- Document the gap between transit needs and available funding as part of the Statewide Transit and TDM Plan in order to advocate for increased funding to maximize the capacity of the existing infrastructure
- Findings will be incorporated into the SJ297 report



# Next Steps

- ❑ July Convene the Stakeholder Group to present draft recommendations
- ❑ August Submit Draft Final SJR297 Report to CTB and Stakeholders. Convene meeting with Transit and TDM agencies to present final recommendations
- ❑ August Draft recommended code language
- ❑ September Finalize SJR 297 Report and submit to General Assembly