

DRPT Public Transportation Funding Study - SJR 297

**Commonwealth Transportation Board
October 17, 2012**

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Department of Rail and Public Transportation**

Senate Joint Resolution No. 297

- ❑ In February 2011, The General Assembly passed Senate Joint Resolution 297 (SJR297), which directed the Virginia Department of Rail and Public Transportation to study key issues relating to the distribution of funding to transit agencies within the Commonwealth of Virginia.

- ❑ In conducting its study, DRPT shall study, but not be limited to the following issues:
 - Performance
 - Prioritization
 - Stability
 - Allocation

Study Approach

- ❑ Convened SJR 297 Funding Study Advisory Committee of transit operators, MPOs, local government officials and other interested parties
- ❑ Review and documentation of existing funding allocation models and practices
- ❑ Conducted best practice peer review and analysis of nationwide trends for public transportation funding allocation
- ❑ Examined options for distribution of State operating and capital assistance
- ❑ Identified data needs for use in potential allocation of funds
- ❑ Conducted needs assessment as part of a separate, but parallel process
- ❑ Developed recommendations for allocating State operating and capital assistance

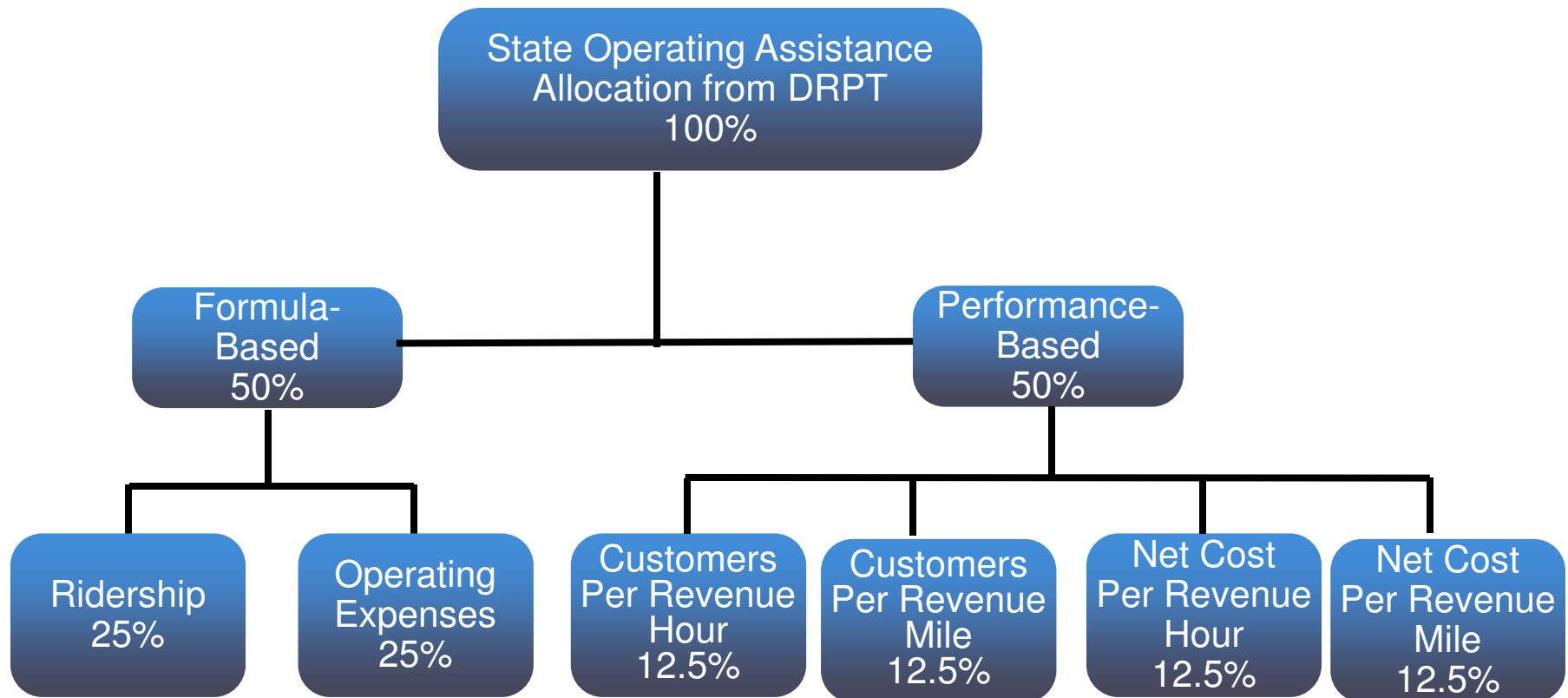
Key SJR 297 Dates

- ❑ February 2011: General Assembly Approved SJR 297
- ❑ June 16, 2011: Kickoff meeting of Funding Study Advisory Committee
- ❑ August 3, 2011: Funding Study Advisory Committee meeting
- ❑ September 14, 2011: Funding Study Advisory Committee meeting
- ❑ May 7, 2012: Funding Study Advisory Committee meeting
- ❑ July 18, 2012: SJR 297 CTB Briefing
- ❑ July 30, 2012: Funding Study Advisory Committee meeting
- ❑ September 6, 2012: Presentation of SJR 297 findings to transit community

Current Operating Assistance Funding Allocation

- ❑ Current funding allocation formula is based on one factor, operating cost
- ❑ The amount of operating assistance provided to each grantee is equivalent to the relative share of expenditures for each of the State's various transit providers proportional to all transit providers' expenditures
- ❑ No direct link to the Commonwealth Transportation Board's policy goals
- ❑ The funding allocation is based on two year old data
- ❑ Ineligible versus eligible costs add unnecessary complexities
- ❑ Data can be validated based on audited information

Recommended Operating Assistance Hybrid Allocation Approach



CTB will conduct periodic reviews with public input

Operating Assistance Performance Based Allocation

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

Example - Current Process

	Bus 1	Bus 2
Transit System's Cost per Rider	\$ 2.95	\$ 7.56
State's Subsidy per Rider	\$ 0.35	\$ 0.95
Farebox Recovery	7.0%	9.0%
Cost Recovery	11.5%	10.8%
Total Operating Expense	\$ 7,588,733	\$ 1,026,865
Agency Generated Revenue	\$ 871,509	\$ 110,687
Ridership	2,570,920	135,886
Farebox Revenue	\$ 531,966	\$ 92,711
*All financial inputs are FY 2012 data and are unaudited.		

- ❑ Cost per rider and the state's subsidy per rider is much higher for Winchester
 - Current System – spend more get more
 - SJ 297 – higher cost gets less state funding.
Encourages transit entities to be more efficient

Example - SJ 297 Metrics

	Bus 3	Bus 4
Net Cost per Vehicle Revenue Mile	\$ 2.89	\$ 5.55
Net Cost per Vehicle Revenue Hour	\$ 53.24	\$ 75.69
Transit System's Cost per Rider	\$ 5.28	\$ 5.47
State's Subsidy per Rider	\$ 0.77	\$ 0.71
Farebox Recovery	19.3%	16.5%
Cost Recovery	37.2%	17.7%
Total Operating Expense	\$52,818,295	\$ 92,419,494
Agency Generated Revenue	\$ 19,654,109	\$ 16,340,244
Farebox Revenue	\$ 10,178,677	\$ 15,255,032

*All financial inputs are FY 2012 data and are unaudited.

- ❑ Notice that cost per rider and state's subsidy per rider is very similar
 - Current system – agency generated (non-tax based) revenue has no impact
 - SJ 297 – agency generated revenue decreases net cost; new model would reward this practice

Current Capital Assistance Funding and Allocation

❑ Mass Transit Trust Fund (MTTF)

- Twenty-five percent, approximately \$30M annually, of the MTTF
- Allocate 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 of 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

- ❑ Allow capital funds to supplement operating assistance

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

Recommendations

□ Allocation

- 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

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

Recommendations

□ Transition Assistance

- 2015 100% Transition Assistance Funding
- 2016 50% Transition Assistance Funding
- 2017 100% Hybrid Performance Based Funding Allocation

Next Steps

❑ October

- SJR 297 Stakeholder Workshop
- Present Final Report to the Commonwealth Transportation Board

❑ November

- SJR 297 Stakeholder Workshops
- SJR 297 Final Report and Submit to General Assembly

Conclusions

- ❑ The study recognizes the need for stability with regard to funding and makes several recommendations to provide stability and reliability
 - Tiered approach to state match ratios
 - Performance-based approach to provide an incentive for efficient service as well as a formula-based component to ensure year-to-year stability
 - Establishment of a reserve fund
 - Three-year transition period

Conclusions

- ❑ DRPT is taking a two-pronged approach to addressing the Commonwealth's critical public transportation needs
 - SJR 297 mandate to evaluate Virginia's current transit funding practices with respect to performance, prioritization, stability, and allocation
 - State Transit and TDM Plan that includes a comprehensive evaluation of public transportation capital and operating needs

Conclusions

- ❑ With implementation of the recommended changes to current funding formulas and methods, local governments and local transit operators will continue to make their own decisions with respect to their operations
 - The delivery and ownership of public transportation service is primarily a decision made at the local level
- ❑ The current funding model creates winners and losers – transit agencies that spend the most money receive the most money
 - State aid is distributed based on one factor – operating cost regardless of size, efficiency, or type of transit service provided

Conclusions

- ❑ The key criterion for evaluating the success of a new funding model is not the degree to which agencies receive different amounts of funding, but whether the source of that differentiation is consistent with the goals and principles of the funding entity
 - Average change in total operating funding is 5 percent of total budget
 - Public transit agencies that operate efficient service will now be rewarded
 - Recommended approach is consistent with the policy goals of the CTB

Conclusions

- ❑ Six standard industry performance metrics were identified for use in the funding allocation model
 - Use of six metrics reduces the sensitivity of the funding model to any one measure and recognizes the variability of the transit operators serving Virginia
 - The six metrics are standard industry metrics that are readily available and auditable, as acknowledged by the SJR 297 Funding Study Advisory Committee
 - Total ridership
 - Total operating expenses
 - Customers per revenue hour
 - Customers per revenue mile
 - Net cost per revenue hour
 - Net cost per revenue mile