

Metropolitan Transportation Commission Discretionary Transit Funding Methods Evaluation

Christopher E. Ferrell, PhD, MUP

John M. Eells, MCP

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David B. Reinke, MRP, MS

Richard Lee, PhD, MCP

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Introduction

How do funding allocation methods and policies affect transit agencies and the communities they serve? In 2021, the Santa Clara Valley Transportation Authority (VTA) approached San José State University's Mineta Transportation Institute (MTI) to provide an objective research study of the Metropolitan Transportation Commission's (MTC's) discretionary funding allocation policies and methods for Bay Area transit operators.

The research approach was broken into two parts. The first involved the identification and investigation of MTC's past and current discretionary public transit funding programs and their methods of allocating these funds to the region. The second involved the evaluation of possible outcomes to these funding programs if MTC had employed alternative allocation methods. A set of five allocation methods were identified and applied to the Pandemic Relief and TDA/STA funding programs investigated in Part 1. These hypothetical allocations were then compared to the actual allocations done by MTC, with analysis and assessment of how these outcomes differ and the possible implications of these differences if used by MTC.

Study Methods

Part 1: MTC Transit Funding Programs Assessment

In cooperation with VTA staff, the MTI team identified five guiding principles for Phase 1 of this study:

1. Objectivity
2. Facts-Based Analysis
3. Refraining from Value Judgements
4. Considering MTC Discretionary Funds Only
5. Considering Transit Operating Funds Only

Applying these guiding principles, the MTI team identified the following discretionary operating transit funding programs for further analysis:

1. Federal Pandemic Relief Funding Programs (CARES, CRSSAA, and ARP), allocated by MTC to Bay Area transit agencies.
2. California State Transportation Development Act/ State Transit Assistance (TDA/STA) Funding Programs, allocated by MTC to Bay Area Counties.

Part 2: Alternative Allocation Methods Analysis

Part 2 of Phase 1 investigated alternative methods of allocating the funding sources identified in Part 1 using a series of allocation metrics. The MTI team identified a candidate pool of potential metrics that could be used to allocate funds by transit operator—as appropriate for the Pandemic Relief Funds—and by county—as appropriate for the TDA/STA funding category. Therefore, each allocation method used for this analysis would need to serve either to allocate to counties or transit operators. The MTI team did not find any metrics that could easily be used for both.

The following metrics were identified and selected for use in hypothetical allocations by MTC of Pandemic Relief and TDA/STA funds to Bay Area transit operators:

1. Ridership
2. Hours of Service
3. Miles of Service
4. Population
5. Low-Income Population.

Findings

Part 1: MTC Transit Funding Assessment

Pandemic Relief Funding: In 2020 and 2021, Congress formulated a series of financial relief programs to support state and local governments through the pandemic, funneling \$3.8 billion to Bay Area transit operators through MTC. While discretionary, Congress set allocation priorities, including avoiding operator layoffs and covering

revenue losses. MTC needed to forecast ridership and revenue losses as the pandemic progressed to meet these goals.

TDA/STA Funding: MTC received \$65 million in discretionary transit funding from STA's "Population-Based" program in FY 2018/19. They allocated \$20 million (30%) to their own regional transit programs, with \$45 million going to counties primarily based on population, but with larger shares given to small transit operators.

Part 2: Alternative Allocation Methods

Pandemic Relief Funding: The population-based metric produced the largest increase in VTA's funding for pandemic relief, with VTA receiving roughly 221 percent more than MTC actually allocated to them in 2020 and 2021. However, this large increase would come at the expense of other operators, with the San Francisco Municipal Transportation Agency (SFMTA) receiving 64 percent less than actual. The ridership-based metric yielded the smallest amount for VTA of the five methods tested. Operators with high ridership levels, such as SFMTA, however, would see a roughly 41 percent increase.

TDA/STA Funds: The population-based metric produced the largest increase in STA funding to VTA, with them receiving roughly 83 percent more than actual in 2018/19. However, this would come at the expense of other Bay Area counties and their transit operators, with Sonoma County receiving 51 percent less than actual. The ridership-based metric yielded the smallest amount of VTA funding of the five methods tested, with VTA receiving 50 percent less funding and SFMTA receiving 400 percent more than actual.

Policy/Practice Recommendations

The evaluation of alternative transit discretionary funds allocation methods found that MTC's allocation metrics used for distributing pandemic relief and TDA/STA funds are primarily focused on maintaining financially struggling transit operators in the Bay Area—whether those affected by fare revenue losses from the pandemic, or those in more suburban and rural parts of the region where fare revenues and local self-help sales taxes are in perennially short supply. Employing allocation metrics (such as population) that are more favorable to large operators such as VTA,

SFMTA, and AC Transit could result in dire consequences for struggling transit providers, with significant negative outcomes for transit-dependent riders who rely on them for basic services.

About the Authors

Dr. Christopher Ferrell completed his doctoral studies in City and Regional Planning at the University of California at Berkeley in 2005 and currently works as a Research Associate for the Mineta Transportation Institute.

Mr. John Eells is a transportation planner with 44 years of experience preparing comprehensive transportation plans and developing sustainable transportation projects at the local and regional level. He is currently a Research Associate with the Mineta Transportation Institute.

Mr. David Reinke is a transportation engineer/economist with over 40 years of experience in transportation planning, economics, and engineering. He is currently a Research Associate with the Mineta Transportation Institute.

Dr. Richard Lee, a Mineta Institute Research Associate since 1995, has over 30 years of experience as a transportation researcher, academic, and consultant. Richard currently teaches transportation planning at San José State University and has also taught and led transportation research projects at Massey University (New Zealand) UC-Berkeley, UC-Davis, and Cal Poly San Luis Obispo.

To Learn More

For more details about the study, download the full report at transweb.sjsu.edu/research/2133



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