



## The Transit Fiscal Cliff:

### The Potential Loss of State Transit Funding and What it Means for Localities

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VML Conference

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Localities nationwide are providing more transportation choices, expanding public transportation, rail, bicycling, and walking options.

The surge in attention to transit and other transportation choices is driven by the multiple benefits these options offer, including helping to boost economic activity, relieve traffic congestion, provide greater access to jobs, revitalize communities, and reduce vehicle pollution. Experience has shown that if you build a great place, people and companies will follow. And transportation is a cornerstone to building a great place.



# The State Program Support Virginia

## Economic Benefits

Transit Capital Spending by Virginia transit agencies generates



**\$150 million**

in productivity costs

## Transit Spending

Each year, Virginia transit agencies spend:

**\$630 million**

on capital, including

**\$ 440 million**

on state of good repair investment



## Benefits for Virginia



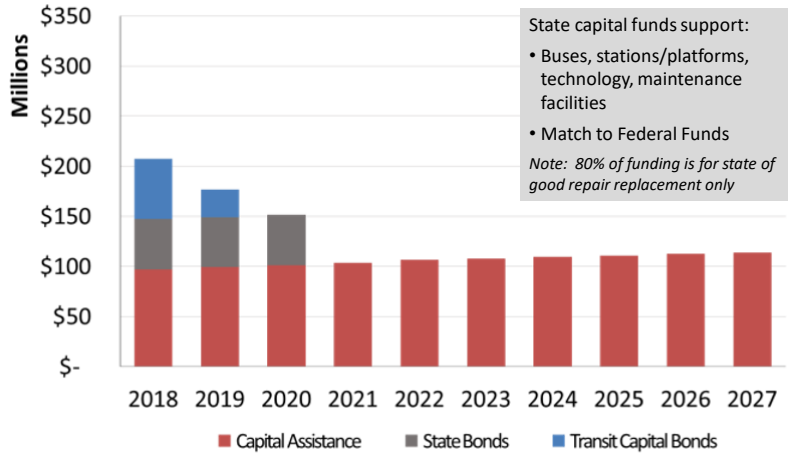
- More Funding
- Better Projects
- Stronger Economy

According to the American Public Transportation Association, transit generates \$4 in economic returns for every \$1 invested and residential property values performed 42% better on average if they were located near public transportation with high-frequency service.



## By 2021, State Transit Capital Funding Will Drop by 44 Percent

Projected State Transit Capital Revenue (FY18-27)

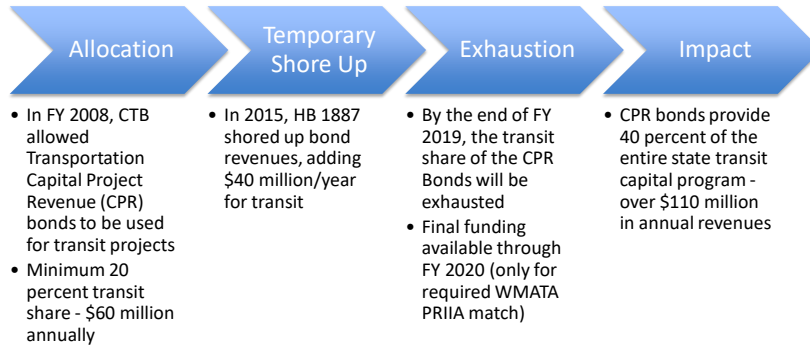


Source: Department of Rail and Public Transportation

Transit capital funds are critical in enabling local transit systems to invest in replacement buses, rail cars, infrastructure, facilities, technology, and other capital needs. Yet fiscal trouble is on the horizon.



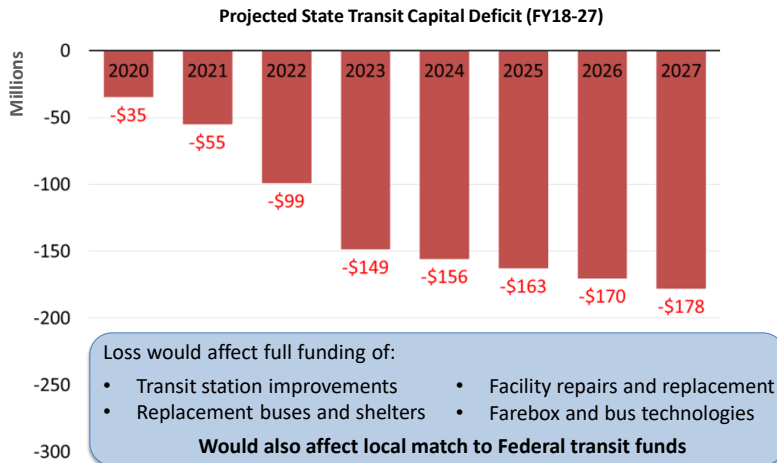
## Source of the Decline: Exhaustion of CPR Bond Revenues



In 2019, the CPR bond revenues will begin to phase out as the life of the 10-year bonds comes to a close and there is no ability to rely on future bonding capacity.



## When Aligned with Transit Capital Needs, the Deficit is Stark



Source: Department of Rail and Public Transportation

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Any reduction in state funding, along with increasingly uncertainty in federal funding, will result in an increased burden on local governments to meet increased funding needs by hiking fares, spending scarce general fund dollars, using antiquated equipment, or even cutting service. And there already is a need for greater local and regional investment in transit.

*(Side note - Deficit does NOT include VA share of proposed +\$500m/year WMATA ask)*



## Transit Capital Project Case Study: City of Harrisonburg

|  | 2018             | Without fix      |  |
|--|------------------|------------------|--|
| <b>Two 35 Ft Buses =</b>               | <b>\$840,000</b> | <b>\$840,000</b> |  |
| Federal Funding from State (80% share) | \$672,000        | \$168,000        | DRPT would have to spread FTA funding to more agencies |
| DPRT Capital Funding                   | \$134,400        | \$235,200        | DRPT would use more state funding to shore up need     |
| Local Funding                          | \$33,600         | <b>\$436,800</b> | Local governments would need to fill the gap           |

Virginia Municipal League

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Noting that communities <200k in population receive Federal (FTA) funding through DPRT



## Transit Capital Project Case Study: City of Blacksburg

|   | 2018          | Without fix   |  |
|---|---------------|---------------|--|
| <b>Bus Administration &amp; Construction Facility</b> | <b>\$40 M</b> | <b>\$40 M</b> |  |
| Federal Funding from State (64% share)                | \$25.7 M      | \$8 M         | DRPT would have to spread FTA funding to more agencies |
| DPRT Capital Funding                                  | \$10.3 M      | \$0 M         | DRPT would have to reduce State funding                |
| Local Funding   | \$4 M         | <b>\$32 M</b> | Local governments would need to fill the gap           |



## Transit Capital Project Case Study: City of Hampton Roads

|                               | 2018            | Without fix     |  |
|-------------------------------|-----------------|-----------------|--|
| <b>20 Replacement Buses =</b> | <b>\$10.1 M</b> | <b>\$10.1 M</b> |  |
| Federal Funding               | \$2.8 M         | \$2.8 M         | FTA Funding for larger communities is stable |
| DPRT Capital Funding          | \$6.9 M         | \$2.9 M         | DRPT would have to reduce State funding      |
| Local Funding                 | \$0.4 M         | <b>\$4.2 M</b>  | Local governments would need to fill the gap |





## The State formed a Revenue Advisory Board to Study the Issue

HB1359 (2016) created the Transit Capital Revenue Advisory Board (RAB) to:

1. Examine impacts of revenue loss from CPR Bond expiration
2. Identify possible sources of replacement revenue
3. Develop methodology for prioritization (à la SMART SCALE)

Technical support was provided by the Transit Service Delivery Advisory Committee (TSDAC)

### RAB Membership

- Marty Williams, CTB Member (Chair)
- Jeff McKay, Fairfax County Supervisor (Vice Chair)
- Josh Baker, GM/CEO of DASH
- Tom Rust, Former Member of Virginia House of Delegates
- Mary Katherine Greenlaw, Fredericksburg Mayor
- Jim Spore, Former Virginia Beach City Manager
- Dr. James Toscano, Norfolk

In 2016, the Virginia General Assembly enacted HB 1359, creating the Transit Capital Revenue Advisory Board (RAB) to examine the impacts of the forthcoming revenue reduction created by the expiration of the Transportation Capital Project Revenue (CPR) bonds in 2018.

Additionally, the RAB is tasked with identifying possible sources of replacement revenue, and to develop methodologies for prioritization of transit capital funds similar to the successful HB2 (SMART SCALE) program enacted in 2015.

The RAB is comprised of seven members appointed to one-year terms by the Secretary of Transportation, upon the recommendation of key stakeholders in state and local government as well as the transit industry, including: Community Transportation Association of Virginia (CTAV), DRPT, the Virginia Association of Counties (VACO), the Virginia Municipal League (VML), and the Virginia Transit Association (VTA). The Department of Rail and Public Transportation (DRPT) was directed to provide necessary administrative support to the Board.



## Final RAB Recommendations: Funding

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1. Steady and reliable stream of dedicated revenues for its transit capital program to meet state of good repair needs and transit expansion.
2. Either a combination of revenue sources to spread the impact or a single statewide source that is predictable and sustainable.
3. Revenue sources that ramp up gradually to address future gaps and needs.
4. A combination of statewide and regional sources, with the majority of support coming from statewide sources.
5. An approach for regional funds directed to prioritized needs within that region.
6. A floor on regional gas taxes.
7. Excess Priority Transportation Fund revenues (after debt service) dedicated to transit capital as this source becomes available.



## The RAB Report is just the Beginning

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- Report delivered to General Assembly August 28
- Major discussions expected in 2018 and 2019 GA
- Other factors:
  - General Assembly races
  - New leadership in House of Delegates (Del. Cox)
  - Governor's race
  - WMATA reform and funding discussions
  - VRE System Plan updates
  - Ongoing need to set gas tax floor



## WMATA Has Additional Needs

### WMATA Needs

- \$15.5 billion in additional capital funds needed over the next 10 years
- Controls in place to address growth in operating subsidies

### WMATA General Manager's Proposal

- Establish a multi-year, stable revenue source generating \$500 million per year for capital.
- VA-MD-DC capital contributions should be capped at 3% annual growth.
- Implement cost control mechanisms
- Seek reauthorization of federal capital investment (PRIAA) in WMATA (\$150 million per year)



## Commonwealth's WMATA Funding and Governance Review

- Former U.S. DOT Secretary Ray LaHood leading study
- The study will:
  - Review WMATA's governance structure, labor policies, and its long-term financial stability
  - Compare WMATA's condition to similar transit systems throughout the country
  - Identify recommended executive and legislative actions
- Recommendations expected fall 2017





## Bottom Line

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The state transit capital program is key for maintaining quality transit services across the Commonwealth

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Without action, by 2020, there will be a 44 percent cut to the State Transit Capital Program

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The funding burden will fall on local governments

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Federal Funding may be left on the table

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~ \$130 M/year is needed to address the cliff and basic transit system needs

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Separate additional funding is also needed for WMATA

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CTB may need to divert funds from highways or other modes to reduce gap

We must meet these challenges and expand funding and services to capture the economic, transportation, employment, environmental, and housing benefits transit offers.

# LEND YOUR VOICE! MAKE IT COUNT!

## JOIN THE TRANSIT ACTION NETWORK

★ **WHAT** Transit supporters can't always be at the Capitol when bills are considered, but elected officials want to hear their views. By joining the Transit Action Network, you will receive timely alerts when important decisions affecting public transportation are about to be made. Whether it's the U.S. Congress, the Governor, the Virginia General Assembly, or your local governing body – you can contact them with one click to make your voice heard.

★ **WHO** All transit riders and supporters

★ **WHEN** It matters most

★ **WHERE** Your email inbox or mobile device

★ **WHY** To make it easy to communicate with your elected representatives and make a difference. So the next time funding for transit is under attack or a vote on a rail extension is near, your voice will matter!



The Transit Action Network is a free and zero-obligation e-advocacy program that works!  
Join today at [vatransit.com](http://vatransit.com) and tell a friend so their voice can count too!



*The Voice of Public Transportation in Virginia*

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