TESTIMONY OF

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BEFORE THE

SENATE COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

ON "MAP-21 REAUTHORIZATION: THE FEDERAL ROLE AND CURRENT CHALLENGES TO PUBLIC TRANSPORTATION"

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SUBMITTED BY

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The American Public Transportation Association is a non-profit international association of more than 1,500 public and private member organizations, including transit systems and high-speed, intercity, and commuter rail operators; planning, design, construction, and finance firms; product and service providers; academic institutions, transit associations and state departments of transportation. APTA members serve the public interest by providing safe, efficient and economical transit services and products. More than 90 percent of the people using public transportation in the United States and Canada are served by APTA member systems.

Introduction

Chairman Johnson, Ranking Member Crapo, and members of the Committee, thank you for the opportunity to testify on the federal role in addressing the challenges facing the public transportation industry. I am Michael Melaniphy, President and Chief Executive Officer of the American Public Transportation Association (APTA). Reliable federal investment – and a steadfast federal partner – are critically important as public transportation stakeholders work to meet growing and diverse ridership demands, advance safety improvements, and modernize our aging systems, all while facing uncertain federal funding.

About APTA

APTA is a nonprofit international association of nearly 1,500 public and private member organizations, engaged in the areas of bus, para-transit, light rail, commuter rail, subways, waterborne services, and intercity and high-speed passenger rail. This includes: transit systems; commuter, intercity and high-speed rail operators; planning, design, construction, and finance firms; product and service providers; academic institutions; transit associations; and state departments of transportation. More than ninety percent of the people using public transportation in the US and Canada are served by APTA member systems.

About Public Transportation

APTA's member organizations – both public and private – build, operate, and maintain the nation's public transportation systems. An essential and expanding component of the surface transportation network, public transportation enhances connectivity within our communities. But from the largest cities to the smallest towns, our systems are showing the strains of chronic underinvestment. Our ability to provide safe and reliable service depends on continued federal support.

Public transportation ridership has been trending upward for years, and annual ridership now exceeds 10.3 billion trips. To serve this growth, the public transportation industry spends more than $38 billion on operating costs and an additional $17 billion on capital investments, totaling $55 billion annually. While federal spending represents slightly more than 43 percent of capital expenditures and less than 10 percent of operating expenditures, these federal dollars make an enormous difference in our ability to address capital investment needs and operate bus service in many communities.

Federal funding is also critical to closing the well-documented infrastructure investment gap that has left many systems struggling to bring their infrastructure into a state of good repair. Transit systems must address this backlog at the same time that they are expanding service to meet the needs of riders as diverse as aging-in-place seniors, urban millennials, suburban commuters, and residents of small towns. US Department of Transportation's (DOT) just-released Conditions and Performance report documents how the growing backlog of transit system preservation needs now totals $85.9 billion. This backlog is up 9.7 percent since 2010 and will increase by $2.5 billion annually if funding stalls at current levels. The Department estimates that more than $8 billion in annual capital expenditures is needed to pay down this backlog over the next 20 years.

Reliable Federal Support is Essential

We are all acutely aware of the impending Highway Trust Fund revenue shortfall. We also fully recognize the difficult choices it presents: either identify additional revenues, deposit more General Fund revenues into the Trust Fund, or dramatically slash transportation investment. In crafting MAP-21 amid similarly sobering revenue projections two years ago, Congress rejected the notion of retreating from its longstanding role in supporting public transportation and supplemented dedicated revenues with a transfer from the General Fund. While this approach worked for a two-year bill like MAP-21, and is certainly preferable to additional short-term extensions, it does not provide the needed predictability of a traditional, multi-year authorization bill backed by dedicated new revenue to support program growth.

We believe our revenue challenges cannot await a solution in the next authorization bill. The US DOT estimates that reimbursements to transit agencies and state highway departments may be delayed or reduced, due to cash flow shortfalls before MAP-21 expires at the end of this fiscal year. Later in my testimony, I provide examples of how several individual transit agencies would be impacted by the loss of federal funding. These impacts are as devastating as they are avoidable. We urge you to act swiftly to prevent the service cuts, fare increases, and construction project suspensions these funding cuts could require. We are encouraged by recent revenue proposals from both President Obama and House Ways and Means Committee Chairman Camp to ensure the continued health of the Highway Trust Fund and sustained federal investment in transportation, but we are also concerned about the ability to advance these proposals in a timely manner.

A Local, State, and Federal Partnership

Providing public transportation choices has always been a partnership, involving public sector agencies at all levels of government working with non-profit and private sector stakeholders. At the local level, strong public support for transit is reflected in a 77 percent success rate over the past 5 years for ballot initiatives seeking funding for public transportation. Americans are also voting with their fare cards: since 2004, the growth in public transportation use has significantly outpaced the growth of both highway miles traveled and the US population as a whole. The planning, development, and construction of hundreds of public transportation projects annually is carried out predominantly at the local level by transit agencies – and their private sector partners – with deep roots in the communities they serve. In addition to improving mobility, transit projects shape land use and development patterns, generate jobs, and stimulate productivity gains that benefit the nation and advance national goals. In short, well-designed transit service is a catalyst for economic growth. The federal government's longstanding role helps to ensure that these locally-derived benefits are fully integrated into the national multimodal transportation network that is so essential to ensuring US competiveness in our global economy.

On a very fundamental level, federal transportation funding keeps this economic engine running, as transit agencies can only plan and advance large, multi-year capital projects when they can be confident the resources will be there when they are ready to break ground. While we can all understand the appeal of "shovel-ready" projects, the capital projects needed to reduce our large backlog of capital needs are the product of comprehensive and fiscally constrained metropolitan and statewide planning decisions. In turn, such long-range planning requires steady, long-term investment by all levels of government.

The returns on this investment have been substantial. From its start in President Reagan's successful "Nickel for America" campaign, dedicated federal investment in public transportation has helped support ridership growth of 30 percent – that is nearly 2.5 billion more trips per year today than before this federal funding commitment. For every dollar we invest in public transportation, we generate about $4 in economic returns. And $1 billion in federal transit investment fosters productivity gains that create or sustain 50,000 jobs. As these investment metrics make clear, local and regional transportation improvements yield national benefits.

APTA's Recommendations for the Next Authorization Bill

Communities across the country know that public transportation is a smart investment and have found creative ways to advance projects, but they cannot do it alone. Only through sustained, robust investment by all levels of government can we maintain what we have built and grow for the future. The more than 10 billion trips riders took last year are, in part, the product of decades of Federal support. In our authorization proposal, APTA seeks increased Federal funding in a multi-year bill; we must keep this momentum going.

Closing the Infrastructure Investment Gap

As our impending revenue shortfall makes clear, funding uncertainty delays capital investments and drives up project costs. To ensure the reliable, long-term funding best suited to infrastructure investment, APTA urges Congress to enact a 6-year, $100 billion authorization for the federal transit program that includes robust funding to grow the program from $10.7 billion in the current year to $22.2 billion in 2020. Revenues into the Highway Trust Fund must increase to support this much needed growth.

Our funding proposal is robust because our needs are real. APTA's authorization recommendations are based on needs identified in eight categories of equipment and facilities funded under the current federal program. They are based on the need for six-year investment from all sources – fares, local, state, and federal – of $245 billion. APTA's investment requirements include the cost of bus replacements, demand response vehicles, rail vehicles, state-of-good-repair spending, New Starts and core capacity projects, and other costs.

We ask that Congress identify dedicated funding that supplements current HTF revenues to ensure the long-term health and growth of federal public transportation and highway programs through and beyond the next long-term authorization bill. We support the preservation and growth of revenues that go into the Mass Transit Account of the Highway Trust Fund and oppose efforts to devolve existing federal surface transportation programs.

Our proposal calls for increased funding across the federal transit programs for Capital Investment Grants, State of Good Repair, Bus and Bus Facilities, and formula programs. Recognizing that large but infrequent bus rolling stock and facility projects are challenging to address with a limited formula program, APTA recommends restoring a discretionary component to the bus program and boosting overall bus program funding to pre-MAP-21 levels in a way that also allows for growth in all major programs.

Leveraging Limited Public Resources

Transportation funding resources are constrained at all levels of government. Transit agencies continue to explore ways to make their limited funds go farther, including program reforms, cost-reduction measures, and greater leveraging of public dollars. While grant funding will remain the largest and most crucial source for transit capital investments, APTA supports a broad range of funding and finance solutions, including a number of tax incentives to encourage greater private investment in infrastructure as well as improvements to make federal transportation credit programs more useful and affordable to smaller project borrowers.

Nationwide Solutions

For several programs where transit stakeholders face common challenges nationwide, the federal government is best suited to take the lead. These national priorities include the Transit Cooperative Research Program (TCRP), Technical Assistance and Standards, and Human Resources and Training. To restore funding predictability to these programs, we recommend they be authorized as a $25 million annual set-aside from the urban formula program. We also call for increased flexibility to use formula funds for training. With greater funding certainty, we can maximize the returns on this relatively modest investment: practical research results that are ready to deploy, common standards and best practices to improve efficiency at all systems, and workforce training solutions for our increasingly sophisticated industry.

Assisting communities in the wake of disasters will remain a fundamental role of the federal government. We support MAP-21's new Public Transportation Emergency Relief program and urge Congress to fully and promptly fund transit relief and reconstruction projects in times of need.

Costs of Federal Divestment

At a time when all factors – record-high ridership, the growing backlog of system preservation needs, and the broad economic benefits of investment – support far greater transit funding, we face the serious threat of cuts to the federal program, as HTF revenues have not kept pace with needs. Transit agencies remain committed to providing the highest and safest level of service for their riders and would make every effort to mitigate the effects of any Federal funding cuts, but the potential for cuts in service, capital maintenance, and capital expansion projects are all too real.

In their capital budgets, agencies would be required to reexamine existing commitments to address state-of-good-repair projects, and instead focus limited resources on maintaining safe service on fewer or less frequent lines. Our smaller systems would likely be the first to feel the impacts, because they often rely on federal funding for a greater portion of basic operating costs than larger agencies with broader revenue sources.

We urge Congress to find a revenue solution in time to prevent the significant impacts that a loss of federal revenues would impose on transit riders and systems nationwide. For the Capital Metro system in Austin, Texas, federal transit funding of $28 million represents 14 percent of their operating budget. Without it, Capital Metro would have to reduce bus serve by 33 percent, or about 11 million trips annually.

In Los Angeles, where the Metropolitan Transit Authority operates 6 rail lines and 6.8 million revenue hours of bus service, the loss of federal funds would require the MTA to shut down at least one rail line and cut over 1 million revenue hours of bus service. These sizable reductions in bus and rail service would be accompanied by dramatic fare increases, doubling the MTA's base fare from $1.50 to $3.00.

The situation is difficult in Dallas, Texas, as well. The Dallas Area Rapid Transit System, or DART, expects it would initially need to draw heavily from its reserve fund, as its public and budget hearing requirements would make it almost impossible to make service cuts and fare increases quickly enough to cover for federal cuts potentially just a few months away. DART estimates it would then need to cut its 69 million annual fixed route trips by 15 to 20 percent – 10 to 13 million trips – to absorb the federal cuts. DART would also be forced to cut para-transit service down to the minimum geographic area required by federal law, eliminating 25,000 to 50,000 trips from the 700,000 trips it currently provides each year.

Some agencies have also warned of the snowball effect from losing federal funds. For example, in Jacksonville, Florida, the Jacksonville Transit Authority has successfully leveraged State Development Transportation Credits as a soft match to federal formula funds, saving $3.5 million annually. Without federal funds, these savings disappear.

Conclusion

As we face record-high transit ridership on increasingly aging systems, reaffirming the federal commitment to the millions of Americans who ride public transportation is more essential than ever. APTA's recommendations for robust Federal funding in the next surface transportation authorization bill reflect our belief that federal investment in transportation is an investment in American jobs, American communities, and American economic competitiveness. In the most mobile nation in the world, public transportation links people, neighborhoods, and businesses – efficiently, safely and reliably. Investment in public transportation is much more than building physical infrastructure; it is an expression of our collective national will to keep moving forward.