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