

# *The Alliance for* **TRANSIT OPERATING ASSISTANCE**

## **FACT SHEET: H.R. 2746 (CARNAHAN)**

### **Allowing Local Control of Federal Transit Funds**

H.R. 2746 would provide for increased flexibility in the use of federal transit funds by allowing transit systems of all sizes to use a percentage of their formula funds for operations. Under current law, only transit systems located in urbanized areas under 200,000 in population may use their funds for operating purposes. All other areas may use their funds only for capital projects. As a result, even though Americans are leaving their cars at home like never before – transit ridership is at a fifty-year high thanks to wildly fluctuating gas prices – public transportation systems are being forced to implement painful service cuts, fare increases, and layoffs because of shortages in state and local revenues.

In addition, the bill would dispense of the “cliff” that is reached when the population reaches 200,000 by allowing systems in all areas to use at least a portion of their funds for operations – the larger the population, the smaller the percentage that would be able to be used for operating.

Significantly, the bill would encourage state and local governments to invest in transit through a unique incentive program. The legislation provides for the conditional use of federal formula funds for operating purposes based on whether non-federal sources of revenue for a particular transit system increase from one fiscal year to the next. For example, if a transit system receives a five percent increase in state/local investment compared to the previous year, it would be eligible to use up to five percent of its federal formula funds for operations (in addition to the fixed percentage it would be able to use under the new rules discussed above).

Finally, the bill would take advantage of a new program created under the *American Recovery and Reinvestment Act* (ARRA) known as the “Transit Investments for Greenhouse Gas and Energy Reduction” (TIGGER) program. If a transit system receives a grant under this initiative and can demonstrate that it has reduced its greenhouse gas emissions or energy usage through the use of the grant, it would be eligible to use even more of its federal formula funds for operating assistance.

In summary, this bill would provide transit systems with local control of their federal transit funds, allowing them to preserve critical service and hold down fares during tough economic times so that working people may be offered quality, affordable public transportation. The bill strikes the necessary balance given the challenges facing the Highway Trust Fund. It does not create any new revenue stream for transit operations. Rather, it simply allows transit systems to use their funds as they deem necessary in an effort to keep service on the street. In addition, putting conditions on operating assistance eligibility should serve to hold down so-called “spend-out” rates. Finally, the bill’s unique incentives for states and local governments to raise their

level of funding for public transportation could have a dramatic impact on overall transit investment.

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