



## **Why Transit *Operating* Funds are an Essential Component of a Successful Economic Recovery Package**

*An annual infusion of \$2.2 billion in funding for transit operations would be a wise component of a successful economic recovery package. Investing in transit service will immediately maintain and create good green jobs and yield beneficial economic multiplier effects, while at the same time generating significant social equity and environmental benefits.*

The severity of the current economic downturn requires a recovery package that can deliver maximum relief immediately and get people back to work. Constructing new *capital* infrastructure, such as public transportation projects – while one important component of an effective package – is not alone sufficient. Capital construction projects will create far fewer jobs than transit operating grants,<sup>1</sup> and will take precious time to deliver many of those jobs. And the wider economic benefits of those capital projects will not be felt for years, until they are completed and placed in service.

A package that complements *capital* projects with *operating* support for existing public transportation, by contrast, will immediately maintain and create good “green” jobs, while delivering economic multiplier effects in consumer spending and business sales, tax revenues for state and local governments, reduced traffic congestion, and increased mobility for our most disadvantaged communities. At the same time, increasing public transportation service will reduce our nation’s dependence on foreign oil, reduce costly traffic congestion, and reduce harmful greenhouse gas emissions.

Many of the nation’s public bus systems – and rail and ferry systems, too – have had to cut service and raise fares since Congress curtailed federal transit operating assistance in 1998. Many of these transit systems now rely heavily on local and state sales tax for operating revenues. As sales tax revenues continue to plummet, transit operators have been forced to implement additional service cuts, fare hikes, and worker layoffs. This means that many systems now have untapped operating capacity – buses that are running fewer routes and hours, or sitting idle, while others are on the brink of another round of cuts. With an infusion of operating funding to hire operators and mechanics, these systems could very quickly restore lost routes and add new service. It is estimated that \$2.2 billion in transit operating funds could be immediately absorbed by existing transit infrastructure, either in preserving existing service and fare levels or in restoring service recently cut.<sup>2</sup> In California alone, moreover, the Governor’s recent revised budget proposal would cut an additional \$230 million in existing state transit operating assistance.<sup>3</sup>

This infusion of transit operating funds would deliver immediate unionized jobs that provide healthcare coverage and good salaries. These are also “green-collar” jobs that advance an environmentally-sustainable economy by reducing our nation’s dependence on fossil fuels and promoting climate change goals by reducing carbon emissions.



Beyond job creation, operating funds for transit would have a range of well-documented economic multiplier effects:

- \$1 invested in transit operations produces \$3.20 in increased business sales.<sup>4</sup> This 300% multiplier means *both* additional jobs in the local economy *and* increased sales tax revenues for state and local governments.
- Conversely, \$1 in service cuts resulting from operating deficits yields \$4 in local economic harms, from lost wages and productivity, and increased transportation costs.<sup>5</sup> These harms fall hardest on disadvantaged communities, youth, seniors and people with disabilities, who depend on public transportation to reach jobs, schools, job training, and life's necessities like health care and grocery stores.
- Increasing transit service can be a powerful anti-poverty strategy. Households that use public transit save an average of \$6,251 per year.<sup>6</sup> And families in areas with robust transit networks spend only 10% of their income on transportation, whereas those in auto-dependent communities spend as much as 25%.<sup>7</sup>
- In 2007 alone, the existing public transportation services in 9 California regions prevented more than 70 million hours of traffic delay in regions, and saved the state's economy more than \$1.2 billion in lost time and productivity.<sup>8</sup>

Finally, an infusion of transit operating dollars is a timely down-payment on meeting the greenhouse gas reduction goals of the new administration.

- Existing levels of public transportation use in the United States are already estimated to reduce carbon dioxide emissions by 37 million metric tons annually.<sup>9</sup>
- Individuals who commute to work using public transportation “reduce carbon dioxide emissions by 20 pounds per day (more than 4,800 pounds per year),” compared to those “who commute[] to work using a single occupancy vehicle.”<sup>10</sup>

Riding transit is a habit – one that many Americans first developed when gas prices topped \$4 a gallon. People who have a choice, however, will continue to ride transit only when it is convenient and reliable. An infusion of operating funds now will help build the momentum toward greater transit ridership, while at the same time bringing increased fare revenues to transit systems, making them more efficient and less dependent on operating subsidies in the future.

*A \$2.2 billion investment in transit operations will maintain and create immediate green jobs, boost local economies, bring revenues to state and local government, reduce poverty and reduce our carbon footprint nationally. An economic stimulus package must not overlook this unusually versatile strategy.*

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<sup>1</sup> Operating expenditures create 19% more jobs than capital projects. Surface Transportation Policy Project analysis of FHWA JOBMOD: Construction Employment Model, as reported in *Decoding Transportation Policy & Practice #11: Setting the Record Straight*. January 28, 2004. Accessed at

[http://www.transact.org/library/decoder/jobs\\_decoder.pdf](http://www.transact.org/library/decoder/jobs_decoder.pdf). See also P. Haas, B. Taylor, S. Van Beek, K. Samples, J. Li & D. Lewis, *Capital and Operating Grants for Transit in California: The Effects of Outlays and Expenditures* (Norman Y. Mineta International Institute for Surface Transportation Policy Studies, July, 1997) (“operating expenditures generate more employment and economic growth than do capital expenditures.”).

<sup>2</sup> According to the American Public Transit Association’s “2008 Transit Fact Book,” the aggregate operating budget of transit operators nationally was \$32 billion in 2006, with 46% of that sum going toward vehicle operations and maintenance. Accessed at [http://www.apta.com/research/stats/factbook/documents08/2008\\_expens\\_operating\\_final.pdf](http://www.apta.com/research/stats/factbook/documents08/2008_expens_operating_final.pdf). The \$2.2 billion figure assumes average operating cuts of 15%.

<sup>3</sup> Office of the Legislative Analyst, *Overview of the Governor’s Special Session Proposals*, Figure 5 at page 10. Accessed at [http://www.lao.ca.gov/2008/bud/nov\\_revise/nov\\_revise\\_overview\\_111108.pdf](http://www.lao.ca.gov/2008/bud/nov_revise/nov_revise_overview_111108.pdf).

<sup>4</sup> “It is estimated that every \$10 million in capital investment in public transportation yields \$30 million in increased business sales, and that every \$10 million in operating investment in public transportation yields \$32 million in increased business sales. Further, every \$1 taxpayers invest in public transportation generates \$6 in economic returns.” American Public Transportation Association, *Statement of National Purpose*. Accessed at [http://www.apta.com/research/info/online/post\\_safetea\\_lu.cfm](http://www.apta.com/research/info/online/post_safetea_lu.cfm).

<sup>5</sup> Orain & Associates, and Byrd R., *Using Public Transportation to Reduce the Economic, Human and Social Costs of Personal Immobility* (1998), Appendix (prepared for the Transit Cooperative Research Program of the Transportation Research Board, National Research Council). This case study of bus service cuts prompted by a \$4.8 million operating budget shortfall concluded that they cost minority and low-income riders \$48.1 million. Accessed at [http://books.nap.edu/openbook.php?record\\_id=9438&page=129](http://books.nap.edu/openbook.php?record_id=9438&page=129).

<sup>6</sup> H.R. 6052, introduced on May 14, 2008. See also American Public Transit Association, *Public Transportation Reduces Greenhouse Gases and Conserves Energy* at 3 (citing “Public Transportation and Petroleum Savings in the U.S.: Reducing Dependence on Oil,” ICF International, January 2007). Accessed at [http://www.apta.com/research/info/online/greenhouse\\_brochure.cfm](http://www.apta.com/research/info/online/greenhouse_brochure.cfm).

<sup>7</sup> Center for Transit-Oriented Development and Center for Neighborhood Technology, *The Affordability Index: A New Tool for Measuring True Affordability of a Housing Choice* (Brookings Institution, January 2006) at 2. Accessed at [http://www.brookings.edu/reports/2006/01\\_affordability\\_index.aspx](http://www.brookings.edu/reports/2006/01_affordability_index.aspx).

<sup>8</sup> David Schrank and Lomax, T., *The 2007 Urban Mobility Report*, (Texas Transportation Institute, September 2007). Accessed at <http://mobility.tamu.edu>.

<sup>9</sup> H.R. 6052, introduced May 14, 2008.

<sup>10</sup> *Id.*