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Funding rules fuel clash within mass transit world

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Like hundreds of other communities, Ohio's Lorain County, a blue-collar area west of Cleveland, used federal economic stimulus funds to buy equipment -- 13 buses for \$713,000. There was just one problem: The county ran out of money to actually run the buses, and nearly shut down service before a last-minute intervention left it with just two routes.

"Two lines -- that's really sad for a county of almost 300,000 people," said County Commissioner Betty Blair. "This is the worst I've ever seen Lorain County Transit reduced to."

This is the disjointed landscape confronting public transit today. The \$787 billion stimulus package included \$8 billion for mass transit, but in keeping with longstanding rules, most of the money has to be used for capital investment. As a result, transit agencies are laying off workers, raising fares and slashing service to close yawning budget gaps.

To address this imbalance, a bipartisan group is pushing legislation that would give transit systems more freedom to use federal funding -- \$10 billion a year on top of the stimulus money -- as they see fit. But the legislation is facing unlikely resistance: Some of the biggest transit agencies, such as New York's MTA and Washington's Metro, are opposed, as is the main transit lobbying group, setting up an unusual clash in the mass transit world.

The big transit systems argue that letting them use federal funds for their basic operations would reduce their leverage -- unions would invoke the funds to seek bigger raises, transit advocates would argue against service cuts, and local and state lawmakers might limit their share of transit funding. Better, these systems say, to be forced to keep using federal money to care for aging equipment and infrastructure.

"We have been wary of any changes that compromise federal capital funding that we rely on to keep our stations and tracks and signals maintained in a state of good repair," said New York MTA spokesman Aaron Donovan.

This stance infuriates transit systems in smaller and mid-size cities that are facing stark cuts. Atlanta's MARTA, for instance, is about to eliminate 14 percent of its positions, laying off 400 people, while reducing rail service by 19 percent and cutting 41 of its 131 bus routes.

Officials wish they could have used more of MARTA's \$100 million in stimulus funds or \$65 million in annual federal funds to plug its \$70 million budget gap. MARTA's general manager, Beverly Scott, called it "a cop-out" for other agencies to resist flexibility so they do not have to "deal with the reality" of local constituencies.

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"We are in absolutely extraordinary times," she said. "We need to provide local areas with all the flexibility they can have to put every part of the arsenal together."

The federal government started providing operating assistance for public transit in the 1960s, but the funding began dropping off during the Reagan administration. In 1998, Congress barred the use of federal funds for operating costs for any system serving an area of more than 200,000 people. Transit systems went along on the theory that capital funding was an easier sell in Congress, and the rules still allowed them to use their federal funds for preventive maintenance.

But when the recession hit, many transit systems sought greater flexibility for stimulus funds, arguing that transit cuts would have an anti-stimulative effect -- laying off operators, making it harder for people to get to work, leaving people with less cash to spend because of higher fares. Congress tweaked the rules, letting agencies use 10 percent of stimulus funds for operations.

Leading the charge to loosen the rules further is Rep. Russ Carnahan (D-Mo.), whose legislation would let cities and counties between 200,000 and 400,000 in population use half their federal money for operating spending, with the ratio declining to 30 percent for cities above 1 million. The legislation includes incentives to keep cities and states from reducing their own funding.

The bill, which mirrors a bill introduced by Sen. Sherrod Brown (D-Ohio), has 132 co-sponsors in the House, including nine Republicans, and has backing from transit agencies in Baltimore, Cleveland, Los Angeles, Miami, Milwaukee and St. Louis, among others. Transit unions are also rallying support for the legislation.

But New York, Washington and Philadelphia, among others, are instead supporting a proposal from a group led by Sen. Christopher J. Dodd (D-Conn.) -- a \$2 billion injection of "emergency" operating funding. "We believe that it is imperative that these funds be new dollars, not taken from existing or proposed capital funding sources," said Metro spokesman Steven Taubenkibel.

The American Public Transportation Association, which is dominated by the biggest transit systems, is also against the Carnahan approach. Its president, William Millar, noted that an arbitrator in Shreveport, La., recently awarded a wage increase based on the city transit agency's ability to use 10 percent of stimulus money.

Supporters of the Carnahan bill say they are all for Dodd's proposal for \$2 billion in emergency funds but argue that its prospects are dim amid calls for fiscal austerity, whereas the Carnahan bill would cost nothing. But they also acknowledge that it would be difficult to pass the bill before the six-year reauthorization of transportation funding next year.

Carnahan called his bill a "common-sense solution" and the big systems' opposition "peculiar."

"It's an odd argument to hear from local jurisdictions that they want less flexibility," he said. "I don't think all transit systems have the same needs, and this doesn't mandate them to do anything -- they can focus on what makes most sense for them."

Back in Lorain County, Blair was more blunt. "To hold someone else back because of your own fears is not quite kosher," she said.

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