

Chairman Smith, Ranking Member Rounds, and fellow committee members:

My name is Baruch Feigenbaum. I am senior managing director for transportation policy at Reason Foundation, a non-profit think tank with offices in Los Angeles and Washington, D.C. For almost five decades Reason's transportation experts have advised federal, state, and local policymakers on market-based approaches to transportation.

My Credentials on Today's Topic

I am a graduate of the Georgia Institute of Technology with degrees in public policy, transportation planning, and transportation engineering. My master's thesis studied induced demand in growing areas and potential solutions. Before working with Reason Foundation, I managed a vanpool program in suburban Atlanta and handled transportation issues for former U.S. House Representative Lynn Westmoreland.

With Reason, I have authored research studies on policies that could improve mobility, highway quality, highway congestion, urban and rural transit, and the effectiveness of infrastructure financing and funding. I have worked with more than a dozen states and numerous counties to implement transportation policy reforms. I currently serve on the Transportation Research Board of the National Academies of Sciences and Intelligent Transportation Systems Committee, as well as chairman of the Bus Rapid Transit Subcommittee. Finally, I am currently writing a book on how to create a 21st-century transit system. My testimony today draws on these experiences.

Overview of Testimony: The Differences Between Urban and Rural Areas and Between Transit-Dependent and Transit-Choice Customers

While much of the focus in the transit world is understandably on providing mobility in urbanized areas, not enough attention is paid to rural areas. More than 60 million people live in rural areas, and some of them rely on transit services to reach their jobs, doctors, and grocery stores.

In the transit world we often distinguish between transit-dependent and transit-choice riders. Transit-dependent riders are those that do not have the means to access private vehicles. Transit-choice riders are those who do have the means to access private vehicles but choose transit services. Due to economic challenges in rural areas, a growing percentage of rural riders are transit-dependent today and existing transit service in many areas is inadequate. Nationally, the average transit trip takes twice as long as driving, but in rural areas the multiple is even greater. Since most rural transit riders are dependent on transit, my testimony is going to focus on serving these individuals.

Obviously transit service looks different in rural areas than in urban areas. While a heavy-rail subway line makes sense for New York City, and a bus rapid transit line makes sense for Atlanta, fixed-route transit is seldom the best solution in rural areas. I have four recommendations for improving transit services to best serve rural populations, especially transit-dependent riders.

Recommendation # 1 Right-Size Transit Vehicles to Meet Rural Needs

While there may be some rural towns that can support a few fixed-route bus service lines, the better solution for these rural municipalities are going to be more flexible options like demand-response transit, where vehicles alter their services to meet riders' demands, and paratransit, which provides tailored service to people with disabilities. Several different types of vehicles are ideal for providing mobility in rural areas. The first vehicle type is a privately-owned automobile, such as a ride-hail vehicle or taxi. Many rural areas have operated dial-a-ride taxi- or Uber-like service for years. The second type of vehicle is a van that seats between seven and 15 people. These vans are often used for vanpools in urban areas but can operate as flexible, mini-buses in rural areas. The vans can transport multiple passengers from residential areas to places like grocery stores and medical complexes. Taxis and ride-hail vehicles are operated by private operators, such as Yellow Cab and Uber. Vans can be operated by the public, private, or non-profit sectors.

For either option, there are two principal ways for citizens to schedule rides:

- By phone or by website a day before the trip, in which case a vehicle arrives at a set time the next day;
- In real-time, in which case the vehicle arrives in a two-three hour window the same day.

Recommendation # 2: Contract Out Service or Create a Non-Profit to Operate Service

While the public sector has been the traditional operator of transit services, my research has revealed that contracted transit services and services delivered by non-profit agencies are better and cheaper than public-sector provision. With contracted services, the transit agency enters into a contract with a private operator, such as First Transit or TransDev. These contracts can specify specific metrics to ensure accountability and results. For example, contracts can detail the maximum number of minutes a rider can be made to wait before being picked up, the hours of day the service will operate, the geographic locations the service must include along with any restrictions on the service. Often, different geographic areas will be bundled together if one area requires higher subsidies for operating transit than another area.

Successfully contracting out service requires both carrots and sticks. The transit operator must pay a penalty if it does not meet the contractual standards. However, the transit operator can also receive bonuses if it exceeds the standards and implements additional improvements. These contracts are open to competition and re-bid every three-to-seven years, with rigorous selection criteria, including the incumbent providers' performance, used by the transit agency evaluating the bids.

Another possible rural transit model is having a non-profit entity operate the service. Rural Transit Service, which operates in upstate New York, is a good model. In that case, the transit service southwest of Buffalo relies on a network of 130 volunteers to drive and maintain the vans, as well as handle administrative services. Most riders contribute money to their trips, but no riders are denied service for inability to pay. Community members also provide funding for the service.

It is good public policy to subsidize a transit-dependent individual, who otherwise would not be able to get to work and would then need to rely on additional government assistance. Absent transit subsidies, for example, fixed-income retirees may not be able to reach important medical appointments. It makes less sense to subsidize other transit-choice riders who have the means to pay for the full costs of their transit trips. In the U.S., it is clear that all transit systems require some level of subsidies to operate, but the goal should always be to minimize subsidies while providing quality transit services to those most in need of them.

Recommendation # 3 Reduce Regulations

One of the challenges that rural transit agencies have is abiding by certain onerous federal regulations. Some small counties, such as Randolph County, Georgia have actually chosen not to offer transit service because, in part, officials say that they cannot afford the staff needed to comply with regulations. To help reduce the burden on these rural systems on things like the Federal Transit Administration's National Transit Database reporting, the federal government could allow systems below a certain size threshold to report data for their transit agency profiles but make it optional for them to report full data for the nine categories in the database, such as monthly ridership. Congress could also eliminate costly mandates, such as Buy America, provisions that drive up costs for local governments. Many of the vans and innovative transit vehicles agencies use today are not made in the U.S., limiting the types of vehicles that transit operators can use. And because it limits competition, Buy America increases capital costs for transit vehicles built in the United States by an estimated 32%. Federal officials should examine what existing laws can be modified. For example, the Department of Transportation has proposed amending 2132-AB38 on charter service regulations of buses and vanpools and 2132-AB40 on bus testing. It is not clear what changes the Biden administration would like to make at this time, but I would recommend allowing more diverse ownership of charter service buses and ensuring bus testing conforms to how buses operate in the real world.

Recommendation # 4 Try to Improve Efficiency

Rural transit services typically struggle to cover even a small share of their costs. My Reason Foundation colleague Marc Joffe and I examined the National Transit Database to determine the farebox recovery rate for rural systems. Most systems had a farebox recovery rate of 5%-to-25%, which lags larger urban transit agencies that have farebox recovery rates of close to 40%. While several systems had farebox recovery ratios above 90%, some system had recovery rates below 1%. Transit systems with a farebox recovery rates below 1% should not charge fares, as the collection costs likely exceed the revenue collected. Rural transit services should set a goal for a farebox recovery rate of 20%. To meet that goal, reducing staff without reducing transit service by installing a computerized dispatch system and ensuring that union contracts allow flexibility in job duties can help. Leasing vehicles or transferring liability coverage to a business association or larger government may help. Finally, determining exact business rules as to when a rider has to request service and what the drivers can and cannot do above and beyond the contract is critical.

Recommendation # 5 Focus More on Local Funding Sources and Less on Federal Funding

Funding is often the biggest challenge for rural transit systems. The recently passed Infrastructure Investment and Jobs Act (IIJA) provides a 29% increase in guaranteed federal transit funding to \$91 billion over five years. Rural transit can often be funded by several different grant programs. There is a new \$2 billion rural transportation discretionary grant program dedicated to rural areas. Infrastructure for Rebuilding America (INFRA) and Rebuilding American Infrastructure with Sustainability and Equity (RAISE) discretionary grants are required to award some funding to rural areas. However, my research finds local government funding is more important than federal funding in prioritizing needed transit projects because local officials know their communities best and focus more on the quality of a system and less on getting the money out the door. The state and local funding comes on top of federal funding providing a more robust revenue source. Further, state and local governments that provide a greater share of funding for a project are more likely to receive federal grants.

For example, North Carolina bundles federal and state funds for all 100 counties into its Rural Operating Assistance Program to maximize effectiveness and prioritize needed project and services. The state distribution amounts are based on a formula that includes population, geographic scope, and prior funding. In rural areas, this program has two components: The Elderly and Disabled Transportation Assistance Program and Rural General Public Transportation. The state also has a Home and Community Block Grant program that provides funding for the transportation of elderly residents. In addition, many local counties and/or cities provide their own funding. In some counties for every dollar of federal funding, they receive three dollars of state and local funding.

Thank you for the opportunity to testify today on the need to improve rural transit services to better serve transit-dependent riders. I would be happy to answer any and all questions, either orally or in writing.