



Report to the Committee on Banking,  
Housing, and Urban Affairs,  
U.S. Senate

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June 2014

# PUBLIC TRANSPORTATION

## Federal Role Key to Rural and Tribal Transit

# GAO Highlights

Highlights of [GAO-14-589](#), a report to the Committee on Banking, Housing, and Urban Affairs, U.S. Senate

## Why GAO Did This Study

Public transportation in rural areas can be critical to connecting people to jobs, shopping, and health services. FTA awarded approximately \$600 million in grants in both fiscal year 2013 and 2014 to support rural transit, including tribal transit. The current surface transportation authorization, enacted in 2012, increased funding for tribal transit from about \$15 to \$30 million per year and changed how these funds are allocated.

The committee asked GAO to review FTA's rural transit program. This report examines (1) FTA's funding, oversight, and other support for the rural transit program; (2) changes in services, ridership, and costs since 2009; and (3) challenges that rural and tribal transit providers face and possible actions to address them. To address these topics, GAO reviewed program documentation and conducted about 50 interviews with FTA officials, national groups that have a relationship with rural transit providers, state transportation officials, and officials from rural and tribal transit providers. GAO selected state officials and providers based on grant amounts, the types of services offered, the size of transit systems, and geography, among other factors. Results are not generalizable to all states and providers. Additionally, GAO analyzed FTA data on transit services, ridership, and costs from 2009 through 2012, the latest year data were available. This report contains no recommendations. GAO provided a draft of this report to the Secretary of Transportation for review and comment. The Department of Transportation did not have any comments on the report.

View [GAO-14-589](#). For more information, contact David J. Wise at (202) 512-2834 or [wised@gao.gov](mailto:wised@gao.gov).

June 2014

## PUBLIC TRANSPORTATION

### Federal Role Key to Rural and Tribal Transit

## What GAO Found

The Federal Transit Administration's (FTA) Formula Grants for Rural Areas Program (rural transit program) is FTA's only dedicated grant program for rural and tribal transit. FTA apportions nearly all program funds to states. State transportation agencies then allocate funding to rural and tribal transit providers as sub-grantees. The remainder of program funds—\$30 million annually—supports the Tribal Transit Program through direct apportionments to tribes based on a new statutory formula (\$25 million) used for the first time in fiscal year 2013, or through discretionary grants (\$5 million). Twenty-two of the 30 selected rural and tribal transit providers GAO spoke with indicated that rural transit program funds are essential to sustaining transit in their communities, noting that without these funds, transit service in their area would be reduced or, in some cases, eliminated. FTA's oversight activities focus on state transportation agencies that oversee providers. FTA also offers support to providers, such as for training on safety, and providers generally agreed that this support is useful.

From 2009 through 2012, the types of services offered by rural and tribal transit providers have remained about the same. Demand-response service, in which riders call in advance to schedule their trips, and fixed- or deviated-fixed-route service, in which a bus will deviate from an established route, are most typical in rural areas (see fig.). In this period, ridership increased 4 percent, and operating costs increased 19 percent, according to FTA national data.

### Rural Transit Service in 2012



Source: GAO analysis of Federal Transit Administration data. | [GAO-14-589](#) <sup>9</sup>

Selected rural and tribal transit providers identified an array of operational and funding challenges. For example, 24 of the 30 providers GAO interviewed said that it was difficult to hire and retain qualified drivers, and 16 said that it was hard to secure local or state funds to meet the rural transit program's funding-match requirements. Some providers GAO interviewed addressed these respective challenges by offering training and through dedicated local tax funding. GAO also found that the new Tribal Transit Program's statutory formula—which emphasizes miles driven in providing transit services—resulted in some tribes receiving grant amounts that varied significantly from previous levels, with increases and decreases of 50 percent or more common. According to FTA officials, larger tribal transit systems tended to receive increased awards, while smaller systems tended to receive reduced awards. FTA officials also indicated they anticipated that when implementing the formula for the first time that it would result in very different funding levels for some tribal transit providers. Accordingly, FTA conducted outreach and meetings with providers to educate them about these likely changes. Selected tribal transit providers and FTA have considered strategies to mitigate declines in Tribal Transit Program funding and are still in the process of adjusting to new funding levels.

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### **Abbreviations**

AASHTO	American Association of State Highway and Transportation Officials
CTAA	Community Transportation Association of America
GPS	Global Positioning Systems
FTA	Federal Transit Administration
JARC	Job Access and Reverse Commute
MAP-21	Moving Ahead for Progress in the 21 <sup>st</sup> Century Act
rural NTD	rural National Transit Database

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June 24, 2014

The Honorable Tim Johnson  
Chairman  
The Honorable Mike Crapo  
Ranking Member  
Committee on Banking, Housing, and Urban Affairs  
United States Senate

In rural areas, public transportation—typically some type of bus service—can be critical to connecting people to jobs, education, shopping, and health services. Rural transit systems operate in various environments. Their service areas may span thousands of square miles in remote areas, be located in more developed rural areas surrounding major cities, or be in smaller urban areas with populations under 50,000. Regardless, compared to large urban transit systems, rural transit systems generally have low budgets, few employees, and small vehicle fleets. The approximately 1,400 rural transit providers in the country may face an array of challenges in their efforts to provide safe, cost-effective public transportation.<sup>1</sup> Seventy-five million people live in rural America; for those who cannot drive, these transit systems provide vital mobility and connections to essential services and community activities.

Since 1978, the federal government has supported rural and tribal transit service through the Formula Grants for Rural Areas Program (rural transit program), administered by the Federal Transit Administration (FTA).<sup>2</sup> Since 2005, a portion of rural transit program funds have been specifically targeted to rural transit services for federally recognized tribes through the Tribal Transit Program.<sup>3</sup> The current surface transportation authorization act—Moving Ahead for Progress in the 21st Century (MAP-21)—authorized about \$600 million annually for fiscal year 2013 and 2014

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<sup>1</sup>The most recent edition of the *Rural Transit Fact Book* estimated that there were approximately 1,400 rural transit providers in the U.S. in 2011. Upper Great Plains Transportation Institute, North Dakota State University, *Rural Transit Fact Book 2013* (Fargo, ND: July 2013).

<sup>2</sup>49 U.S.C. § 5311.

<sup>3</sup>Safe, Accountable, Flexible, Efficient Transportation Equity Act—A Legacy for Users (SAFETEA-LU), Pub. L. No. 109-59, §§ 1119(g)(4), 3013, 119 Stat. 1144, amending 23 U.S.C. § 202 and 49 U.S.C. § 5311, authorized creation of the Tribal Transit Program.

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for the rural transit program for operating assistance and capital projects, among other purposes, and made several programmatic changes.<sup>4</sup> For example, the legislation increased funding targeted to tribal transit to \$30 million per year from about \$15 million per year and changed the allocation for \$25 of the \$30 million from the previous discretionary approach to a formula based largely on the number of miles traveled by transit systems.<sup>5</sup> In addition to administering these rural transit program grants, FTA provides oversight of and support to grantees. You asked that we review the rural transit program and the provision of transit service in rural and tribal areas. This report examines (1) how FTA funds, oversees, and otherwise supports rural and tribal transit services in the rural transit program; (2) what is known about how services, ridership, and costs for rural and tribal transit have changed since 2009; and (3) what challenges rural and tribal transit providers face in providing transit service, and what actions could address these challenges.

To determine how FTA's rural grant program funds, oversees, and otherwise supports rural and tribal transit services, we reviewed FTA circulars, training, and guidance materials; reviewed state transportation agency program documentation; and interviewed FTA officials. To determine what is known about how rural transit services, ridership, and costs have changed since 2009, we analyzed data from FTA's rural National Transit Database (rural NTD) for fiscal years 2009 through 2012, the most recent available year of national data. After determining that the data were sufficiently reliable at the national level for our purposes by independently assessing the data and interviewing FTA officials on validation procedures, we analyzed specific data elements in the rural NTD including: fleet size, type of transit service provided, passenger trips taken, and expenditures. Our review included both annual analyses for each year as well as assessing changes from fiscal years 2009 through 2012. To determine the challenges that rural and tribal providers face and identify any potential actions that could address these challenges, we reviewed relevant literature and interviewed 2 national stakeholder groups that work closely with rural and tribal providers and state transportation agencies. Literature and interviewees identified some solutions to

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<sup>4</sup>Pub. L. No. 112-141, § 20028, 126 Stat. 405, 726 (2012), codified at 23 U.S.C. § 5338(a)(2)(E).

<sup>5</sup>Five million dollars in Tribal Transit Program funds continue to be awarded on a discretionary basis. 49 U.S.C. §§ 5311(c)(1), 5338(a)(2)(E).

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challenges faced, which we summarized. To provide additional information for all of these questions, we interviewed 15 state transportation agencies and 30 rural transit providers, including 8 tribal transit providers. We nonstatistically selected the state transportation agencies to provide a range of rural or tribal transit providers, grant amounts, and FTA regions. We selected rural and tribal transit providers to interview in selected states using data from the fiscal year 2011 rural NTD such as total operational expenditures and transit service provided.<sup>6</sup> Additionally, we interviewed officials with 2 tribal transit providers not in selected states based on changes in funding these tribes received following MAP-21 reforms. The views and information obtained from these interviews are not generalizable to all states or rural and tribal transit providers. Finally, to assess challenges related to Tribal Transit Program funding, after determining data were sufficiently reliable for our purposes, we analyzed FTA award data from 2009 through 2014 to calculate changes in funding levels experienced by tribal transit providers. Appendix I contains a more detailed discussion of our objectives, scope, and methodology.

We conducted this performance audit from June 2013 to June 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

Rural and tribal transit agencies are diverse and may operate only one or two vehicles, a few dozen, or, for a few agencies, fleets with hundreds of vehicles. Transit systems in rural areas may cover large areas with low population densities, which means that trips may be long, and that there may be only a few riders at any given time. To operate transit services, rural and tribal transit providers typically use cutaway vehicles (a transit vehicle built on a van or truck chassis), buses, and vans. Figure 1 below shows a typical cutaway vehicle and a rural transit bus.

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<sup>6</sup>The 2011 rural NTD was the most current information available at the time of interviewee selection. The 2012 rural NTD data were not yet available.

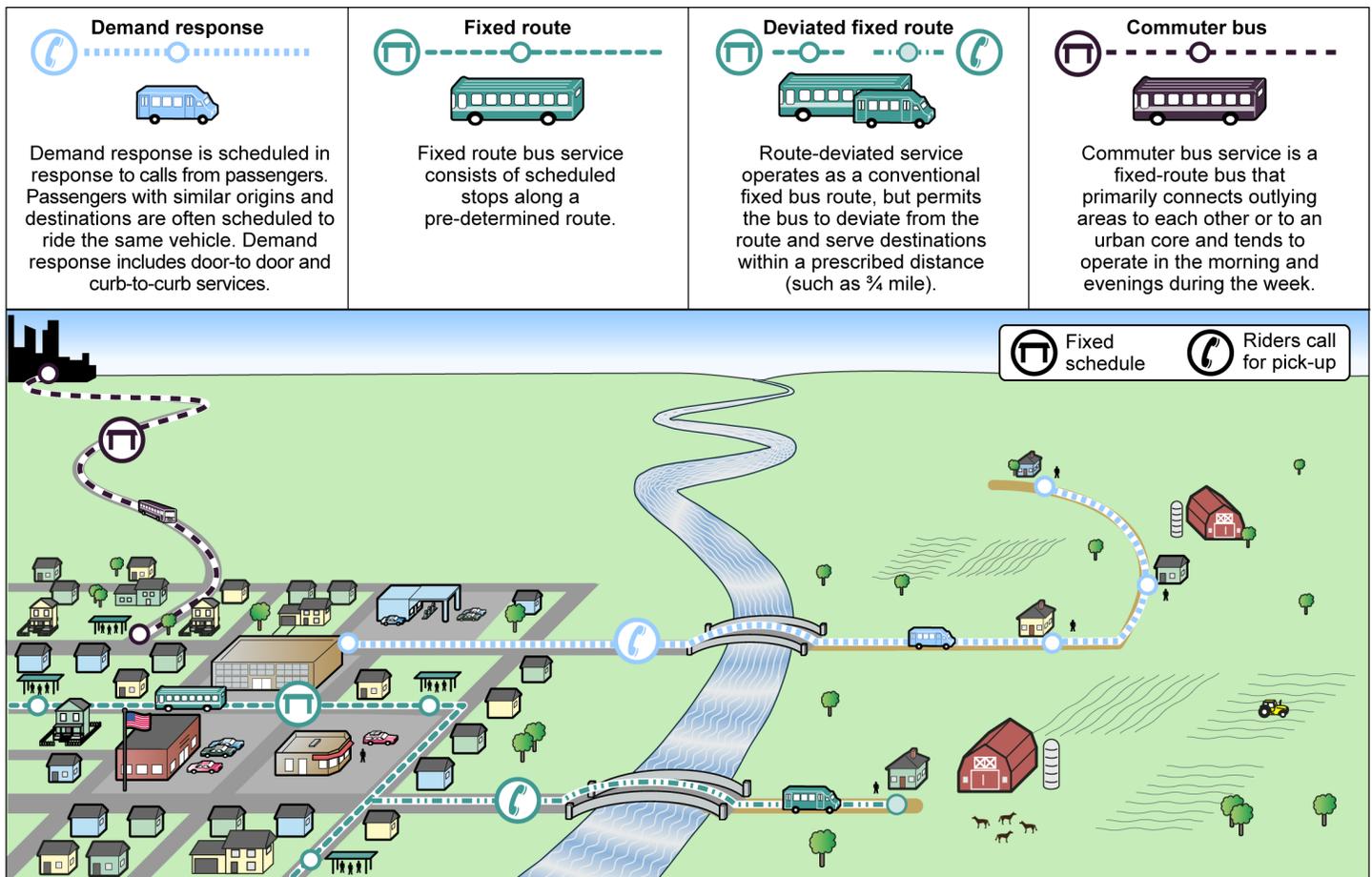
**Figure 1: Rural and Tribal Transit Providers Operate Smaller “Cutaways” and Larger Buses**



Source: GAO. | GAO-14-589

Rural and tribal transit providers operate a variety of transit services, including demand response, which is scheduled in response to calls from passengers; fixed routes, which are buses operating according to a set schedule; and deviated-fixed routes, which are fixed routes that allow for minor route deviations in response to passenger calls. Figure 2 below summarizes typical rural transit services operated.

**Figure 2: Rural and Tribal Transit Providers Operate a Variety of Transit Services**



Source: GAO | GAO-14-589

FTA’s rural transit program has provided federal support of public transportation in rural areas since 1978 by providing formula grants to states that, in turn, distribute funds to rural transit providers through state transportation agencies. The program defines rural areas as those areas with fewer than 50,000 people, as defined by the U.S. Census Bureau.<sup>7</sup> MAP-21 authorized \$600 million annually for the rural transit program and changed some aspects of the rural transit program, which are discussed

<sup>7</sup>49 U.S.C. § 5302(16).

below. In addition to the rural transit program, rural and tribal transit providers have been able to receive funding—particularly for capital assistance—from other FTA grant programs that are not specific to rural transit, although some of these other grant programs changed or were eliminated by MAP-21. For example, a portion of one FTA discretionary grant program that provided capital funding to transit providers for bus and bus facilities was eliminated and replaced by a new formula program.<sup>8</sup> Also, the largest source of capital funding for transit providers in 2009 and 2010 was the American Recovery and Reinvestment Act of 2009 (Recovery Act).<sup>9</sup> With Recovery Act funds, FTA distributed approximately \$820 million in stimulus funds nationwide through various established FTA grant programs, including the rural transit program, for rural and tribal transit providers for capital assistance for transit vehicle purchases and rehabilitations, for example. Recovery Act grantees had to obligate Recovery Act funds by September 30, 2010.<sup>10</sup> Table 1 below summarizes FTA programs other than the rural transit program that provided operating and capital funding to rural and tribal transit providers and their status after MAP-21.

**Table 1: Federal Transit Administration’s (FTA) Programs That Provide Funding for Rural Transit, Other Than the Rural Transit Program, and Changes after MAP-21**

<b>Program name</b>	<b>Most recent funding provided<sup>a</sup></b>	<b>Description</b>	<b>Status as of MAP-21</b>
Enhanced Mobility of Seniors and Individuals with Disabilities	\$255 million in FY 2013 for rural and urban transit	Formula grant program for capital assistance to increase the mobility of seniors and persons with disabilities.	Since MAP-21, these funds can also be used for operating assistance.
Bus and Bus Facilities Program	\$66 million in FY 2013 for states and territories to distribute to rural and small urban transit systems	Formula grant program for capital assistance to replace, rehabilitate, and purchase buses and related equipment, and to construct bus-related facilities.	New formula grant program since MAP-21 provided funds for the first time in fiscal year 2013.
Capital Investment Grant Program	\$1.8 billion in FY 2012 for rural and urban transit	Discretionary grant program for major capital investments in new and expanded rail, bus rapid transit, and ferry systems.	The bus and bus facility element of this program was replaced by the new Bus and Bus Facilities Program for vehicle purchases in fiscal year 2013. <sup>b</sup>

<sup>8</sup>49 U.S.C. § 5339.

<sup>9</sup>Pub. L. No 111-5, div. A, title xii, 123 Stat. 115, 209-211 (2009).

<sup>10</sup>Recovery Act, div. A, § 1603, 123 Stat., 302.

Program name	Most recent funding provided <sup>a</sup>	Description	Status as of MAP-21
Job Access and Reverse Commute Program	\$19 million in FY 2012 for rural transit	Grant program for capital and operating assistance to provide services to low-income individuals to access jobs.	This program was eliminated in fiscal year 2013 and its activities are now eligible for funding under the rural transit program and FTA's urbanized area formula program.

Source: GAO. | GAO-14-589

Note: Moving Ahead for Progress in the 21st Century (MAP-21) is the current surface transportation authorization.

<sup>a</sup>Funding amounts reported in this table represent the last fiscal year funds were available to rural and tribal transit providers. Where urban and rural funding levels are provided, it was not possible to determine how much of the overall amount went to rural transit providers.

<sup>b</sup>Prior to the enactment of MAP-21, FTA provided discretionary grants for buses and bus facilities through its Capital Investment Grant Program (49 U.S.C. § 5309) to both urban and rural providers. MAP-21 replaced this program with a new formula grant program, the Bus and Bus Facilities Program, (49 U.S.C. § 5339) that provides \$1.25 million annually to state transportation agencies to sub-allocate to small urban and rural providers for buses and bus facilities. The rest of the capital funds under the Bus and Bus Facilities program are distributed by formula to urban transit providers. Both the Capital Investment Grant Program and the Bus and Bus Facilities Program require a 20 percent match of state or local funds.

FTA, a relatively small agency with just over 500 employees and an annual budget of just under \$11 billion in fiscal year 2014 sets policies, develops guidance, and produces training materials for the rural transit program, among other programs.<sup>11</sup> FTA's 10 regional offices assist in implementing the program by working with state transportation agencies on grants and other activities.

<sup>11</sup>According to the Federal Transit Administration's fiscal year 2015 budget submission, the agency's enacted budget for fiscal year 2014 was \$10.8 billion and the agency had 530 full-time equivalent staff positions. Department of Transportation, Federal Transit Administration, *FY 2015 Budget Submission, Administrator's Overview* (Washington, D.C.).

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## FTA Funds Rural and Tribal Transit Programs Largely Through Formula Grants and Oversees and Provides Assistance to Grantees

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### For Most Selected Providers, FTA's Rural Transit Program is a Key Source of Funding

The rural transit program is FTA's only dedicated funding program for rural and tribal transit. FTA apportions nearly all rural transit program funds to states through a formula based on various factors, including rural land area and the number of "vehicle revenue miles" that rural transit systems in their state drove.<sup>12</sup> State transportation agencies then allocate funding to transit provider sub-grantees, who provide public transit services in their communities. Sub-grantees can be regional or local governments, non-profit organizations, or federally recognized tribes.<sup>13</sup> FTA also awards rural transit program grants directly to federally recognized tribes through the Tribal Transit Program within the rural transit program.

To receive rural transit program grants, state and tribal grantees must meet certain federal compliance, funding match, and reporting requirements. Per FTA requirements, states develop a State Management Plan that delineates how they will distribute funds to sub-

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<sup>12</sup>In addition to all 50 states, the rural transit program provides grants to American Samoa, Guam, Northern Marianas, and Puerto Rico. FTA's rural NTD glossary of terms defines "vehicle revenue miles" as miles driven providing transit services for passengers excluding, among other things, operator training or maintenance testing and "deadhead" miles in which a transit vehicle travels to or from its route.

<sup>13</sup>The Bureau of Indian Affairs lists 566 federally recognized tribes as of January 2014. 79 Fed. Reg. 4748 (Jan. 29, 2014).

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grantees and administer the program.<sup>14</sup> Additionally, state transportation agencies oversee their sub-grantees and ensure compliance with federal requirements. Grants may cover up to 50 percent of net operating costs of a project, for expenses such as fuel and wages, and 20 percent of the net costs of a capital project, for assets such as vehicles and facilities.<sup>15</sup> The remainder, or match, must be made up from either the state transportation agency or local funding resources.

Recent legislation has changed some aspects of the rural transit program. Enacted in 2012, MAP-21 increased funding for the rural transit program, from about \$500 million to about \$600 million annually, made planning activities an eligible activity for the first time, and added low income population as a factor in the formula that allocates grant funds to states.<sup>16</sup> MAP-21 also doubled the funding level for the Tribal Transit Program from about \$15 million to about \$30 million annually.<sup>17</sup> The Tribal Transit Program also changed from an entirely discretionary award program to a split formula and discretionary program, with \$25 million awarded by formula and \$5 million that tribes can apply for and are awarded based on criteria established by FTA. Fifty percent of the formula funds for tribes are based on vehicle revenue miles, or transit system miles driven, as reported in the rural NTD; 25 percent of the formula is distributed equally among tribes with 200,000 or more vehicle revenue miles; and 25 percent is distributed to tribes with more than 1,000 low-income people. In general, federal surface transportation dollars are apportioned by formula, allowing recipients to select projects that reflect their priorities. FTA expects the formula to provide tribal transit providers with a more stable and reliable source of federal funding. Being a direct FTA grantee in the Tribal Transit Program does not preclude a tribe from also being a sub-grantee of a state transportation agency through the rural transit program.

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<sup>14</sup>States are required to allocate a minimum of 15 percent of their rural transit grant to intercity bus transportation unless the Governor certifies that the intercity bus service needs of the State are being adequately met. 49 U.S.C. § 5311(f)(1).

<sup>15</sup>49 U.S.C. § 5311(g)(1)(A), (2)(A).

<sup>16</sup>49 U.S.C. § 5311(b)(1)(A)(1), (3)(C)(iv).

<sup>17</sup>The administration's 2014 surface transportation reauthorization proposal would incrementally increase Tribal Transit Program funds from \$30 million in fiscal year 2015 to about \$32.7 million in fiscal year 2018.

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According to officials with state transportation agencies and transit providers we interviewed, this program is an important source of federal funds for rural and tribal transit providers, though other funding sources also are used. Specifically, officials with 11 of the 15 state transportation agencies and 22 of the 30 rural or tribal transit providers that we interviewed indicated the program was essential to sustaining transit in their communities. Officials frequently indicated that without rural transit program funds, transit service in their area would be reduced or, in some cases, eliminated. For example, one provider in Oklahoma explained that without the approximately \$137,000 in rural transit program funds they received in fiscal year 2013, they would not be able to finance the 200 to 300 rides per day they currently provide.

While most transit officials we met emphasized the central importance of rural transit program funds, the program's relative importance varied across states, providers, and tribes depending on the availability of other funding from state, local, and tribal governments. State officials in 4 of 15 states indicated that state funding for rural transit exceeded FTA grant program funds. For example, the state of Michigan provided about one-third of the total operating expenditures in fiscal year 2012, according to state transportation agencies officials. Conversely, according to state transit officials in Georgia, the state of Georgia does not provide state transportation funds for rural transit. This may be the result, in part, from a provision in the Georgia Constitution that requires that all state motor fuel taxes be appropriated for highway purposes.<sup>18</sup> The availability of local sources of funds also varies considerably. Local sources of funds used by our selected transit providers included, for example, local general funds, dedicated local sales taxes, contracts with social service agencies that need transportation services for their clients, and fare box revenue. Officials with 7 of the 30 providers we interviewed indicated that state and local funds were adequate to support most of their operations. For example, we spoke with 2 providers in mountain resort communities that provide significant local funds to the transit system because affordable transportation for resort workers was deemed essential to the local economy. Conversely, officials from some other providers indicated that local government support for transit is difficult to secure, particularly given other budget priorities. In a few cases, transit providers we interviewed said they held fundraisers or solicited donations. For example, one

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<sup>18</sup>Georgia Constitution, § IX, ¶ VI(b).

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provider in Missouri noted that proceeds from bake sales and quilt raffles have helped them raise funds to purchase new vehicles. Among the tribal transit providers we interviewed, the availability of rural transit program funds to sub-recipients of the state transportation agency varied depending on the nature of the tribe's relationship with the state. For example, some tribes reported a preference for working with their local state government as a sub-recipient whereas others strongly preferred working directly with the federal government because of strained tribe-state relations.

Following several MAP-21 reforms, the role of the rural grant program has changed somewhat,<sup>19</sup> though according to FTA officials, it continues to be FTA's most important funding program for rural and tribal transit.

- The new Bus and Bus Facilities Program provides each state with \$1.25 million per year to distribute to any area within a state, including rural areas.<sup>20</sup> According to FTA officials, this program replaces the previous Capital Investment Grant Program that provided discretionary grants to states for rural transit buses.<sup>21</sup> According to some state transportation officials we interviewed, these changes have potentially reduced federal funding available for rural transit capital projects.
- The Job Access and Reverse Commute (JARC) program—which funded programs focused on transportation for low income people—was eliminated and, according to FTA documentation on MAP-21 changes, consolidated activities previously eligible for JARC funding into the rural transit program. State and transit officials expressed mixed views on the impact of this change. Officials in two states indicated that the consolidation should provide greater flexibility in service provision and reduce the number of federal grants they

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<sup>19</sup>49 U.S.C. §§ 5311, 5339.

<sup>20</sup>49 U.S.C. § 5339. Bus and bus facilities in urban areas are also funded through this program. The administration's 2014 surface transportation reauthorization proposal increases § 5339 funding to \$1.9 billion total in fiscal year 2015 for both urban and rural transit systems.

<sup>21</sup>49 U.S.C. § 5309(b)(3) (2012).

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administer.<sup>22</sup> Conversely, a state transportation official in the state of New York explained that the consolidation could leave some rural transportation programs that provided service to low income people funded with JARC grants, without a federal funding source in the rural transit program because these programs do not offer transit services to the general public, as required by the rural transit program. To continue service, according to this official, some of these providers will try to partner with other existing transit providers.

- Funding increased for the Tribal Transit Program and changed from a discretionary program to a largely formula-based program. Since the enactment of MAP-21, FTA has awarded grants to more tribes than in prior years. For example, in fiscal year 2012, the last year only discretionary grants were awarded, FTA awarded grants totaling approximately \$15.5 million to 72 tribes. In fiscal years 2013 and 2014 since MAP-21, \$25 million has been awarded in formula grants each year to 83 tribes and 110 tribes, respectively. Additionally, in fiscal year 2013, FTA also awarded discretionary grants totaling \$5 million.<sup>23</sup> Of these discretionary grants, 9 are for planning activities that may lead either to new tribal transit systems or new services provided by existing tribal transit systems. Further, FTA and tribal transit officials whom we interviewed indicated that the number of tribes receiving FTA grants may increase in the future.

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## FTA's Rural Transit Oversight Focuses on State and Tribal Transportation Agencies

FTA oversees state transportation agencies and tribal transit program grantees through a range of activities. Responsibility for oversight of sub-grantees (i.e., rural transit providers) is with state transportation agencies. Regional FTA officials explained that their oversight focuses on the activities of state transportation agencies, not rural providers. For example, the 34 staff in FTA's region IV office in Atlanta, GA, administers and oversees the activities of eight states, Puerto Rico, and the U.S. Virgin Islands. In turn, state transportation agencies oversee rural transit

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<sup>22</sup>GAO's body of work on duplication, fragmentation, and overlap across the federal government addressed fragmentation in federal surface transportation programs, but does not identify specific programs for consolidation. GAO, *Opportunities to Reduce Potential Duplications in Government Programs, Save Tax Dollars, and Enhance Revenue*, [GAO-11-318SP](#) (Washington, D.C.: Mar. 1, 2011).

<sup>23</sup>Fiscal year 2013 grants were announced in March 2014 to 48 tribes and focus on planning and service expansion projects. Applications for fiscal year 2014 discretionary grants have not been solicited by FTA.

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providers who are their sub-grantees. This is consistent with the view of rural transit providers we spoke with who indicated that their respective state transportation agencies oversaw their operations and that they had very little direct interaction with FTA in an oversight capacity. FTA's oversight activities begin with a review of how each state transportation agency plans to implement the rural transit program, as documented in a State Management Plan. After approved plans are in place, FTA's primary means of assuring that states comply with federal requirements are State Management Reviews, which assess a state's implementation of the rural transit program. These reviews occur about every 3 years and are conducted by FTA contractors.<sup>24</sup> State Management Reviews include an on-site visit with state transportation officials and document reviews to determine the extent that state policies and procedures meet federal requirements. These reviews address sub-grantee compliance indirectly. For example, as part of a State Management Review, FTA's contractors may conduct a site visit to transit providers. Other FTA reviews may focus on specific areas, such as financial management, civil rights, and drug and alcohol testing of drivers, among others. FTA officials indicated that they focus their reviews on areas that may need greater attention using an internal risk-assessment tool that helps them identify areas of potential weakness. The review may result in recommendations for changes to state transportation agency practices that are determined to be inconsistent with federal requirements. Additionally, FTA conducts formal reviews on specific areas, such as procurement systems. FTA also helps states comply with federal requirements through informal activities. For example, FTA region X in the Pacific Northwest holds regular conference calls with the state transportation agencies in its region to discuss the implementation of their rural transit programs. FTA's regional offices also oversee tribal grantees within each region to ensure compliance with federal requirements. Finally, states and tribes report annual operating and expenditure data such as transit system miles driven into the rural NTD, which FTA maintains. State transportation agencies collect this data from rural transit providers and submit it on their behalf. Because tribes can be either direct grantees of FTA or sub-grantees of the states, or both, some tribes report directly to FTA while other tribes report their data through their state transportation agency.

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<sup>24</sup>State Management Reviews are similar to FTA's Triennial Reviews of urban transit systems. GAO, *Public Transportation: FTA's Triennial Review Program Has Improved, But Assessments of Grantees' Performance Could Be Enhanced*, [GAO-09-603](#) (Washington, D.C.: June 30, 2009).

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State and tribal transit officials we interviewed had mixed views on FTA's oversight approach. Some (5 of 15) state transportation agency officials mentioned that the State Management Reviews have been beneficial in that they identified opportunities to improve the state's administration of its rural transit program. For example, an official from one state transportation agency commented that these reviews have helped the state comply with changing federal requirements. Some (6 of 15) state officials, however, indicated that the emphasis and quality of these reviews can vary based on the region or contractor involved, be overly focused on processes or details, or that the criteria used in the review can be unclear. For example, officials in one state transportation agency observed that FTA's risk assessment approach brings greater attention to higher-risk areas without a reduction in the time spent on low risk areas, resulting in what the officials believed to be longer reviews than necessary. Tribal transit officials also offered differing views on their oversight relationship with FTA, depending on factors such as the nature of the tribe's relationship with the state transportation agency and the quality of the support provided by FTA regions.

In 2012, we and the Department of Transportation Inspector General reviewed aspects of FTA's oversight approach that apply to the rural transit program, as well as other FTA programs. We found that FTA's approach for selecting transit providers for Americans with Disabilities Act of 1990<sup>25</sup> compliance reviews was not based on documented criteria, a critical element of maintaining the thoroughness and consistency of these reviews.<sup>26</sup> Noting similar concerns, the Department of Transportation inspector general issued a report in 2012 that recommended that FTA's oversight reviews—including State Management Reviews—be conducted in a consistent manner to reduce regional differences, among other improvements.<sup>27</sup> In response to the inspector general's recommendation, FTA is currently taking steps to increase the consistency of its oversight activities. For example, FTA officials explained to us that they have

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<sup>25</sup>Pub. L. No. 101-336, 104 Stat. 327 (1990), codified at 42 U.S.C. ch. 126.

<sup>26</sup>GAO, *ADA Paratransit Services: Demand Has Increased, but Little is Known about Compliance*, [GAO-13-17](#) (Washington, D.C.: Nov. 15, 2012). This report focused on FTA's oversight approach for Americans with Disabilities Act compliance by urban transit systems, not rural transit systems.

<sup>27</sup>Department of Transportation, Federal Transit Administration, Office of the Inspector General, *Improvements Needed in FTA's Grant Oversight Program*, MH-2012-168 (Washington, D.C.: Aug. 2, 2012).

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instituted new national procedures to assess contractors' performance in conducting various oversight reviews.

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### Most Selected State Transportation Agencies and Rural and Tribal Transit Providers Said FTA's Assistance Is Useful

FTA provides a range of training, guidance, and technical assistance to state transportation agencies and rural and tribal transit providers. According to FTA officials, the general focus of these activities is sharing program information, such as grant management requirements, and updates about FTA program changes. Specific training topics have included bus accident investigation, crime prevention, and safety management, among many others. Technical assistance, which may be formal (e.g., in presentations) or informal (e.g., in one-on-one conversations), is typically provided by FTA regional staff to state transportation agencies. According to nearly all state transportation agency officials and tribal transit officials we spoke with, FTA training has been helpful. Additionally, officials in all 15 selected states told us that they have a good working relationship with FTA regional staff and that FTA staff are available for technical assistance when needed. Officials with 6 of the 8 tribal transit providers we interviewed agreed that FTA is generally helpful, particularly when there is strong regional staff support. Two tribal transit officials, both for systems that received Tribal Transit Program funds directly from FTA, however, indicated that more effective FTA outreach is needed to keep tribes better informed of program changes. Rural and tribal providers also generally agreed that FTA offered beneficial training, though a few noted that FTA-sponsored webinars were sometimes full or that a lack of local or state travel funding prohibited participation in training. FTA also provides funds to state transportation agencies to pay for rural transit training and technical assistance through its Rural Transit Assistance Program.<sup>28</sup> This program provides a minimum of \$65,000 to each state annually. State and transit agency officials we met with told us that this funding has helped them attend FTA and other industry-sponsored training events, especially given limited state funds for such purposes.

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<sup>28</sup>Two percent of the rural transit program's funding is reserved for the Rural Technical Assistance Program, which provides training funds to states and national training. 49 U.S.C. § 5311(b)(3).

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## Since 2009, Rural and Tribal Transit Providers' Services Have Remained Generally the Same and Have Experienced Increased Ridership and Costs

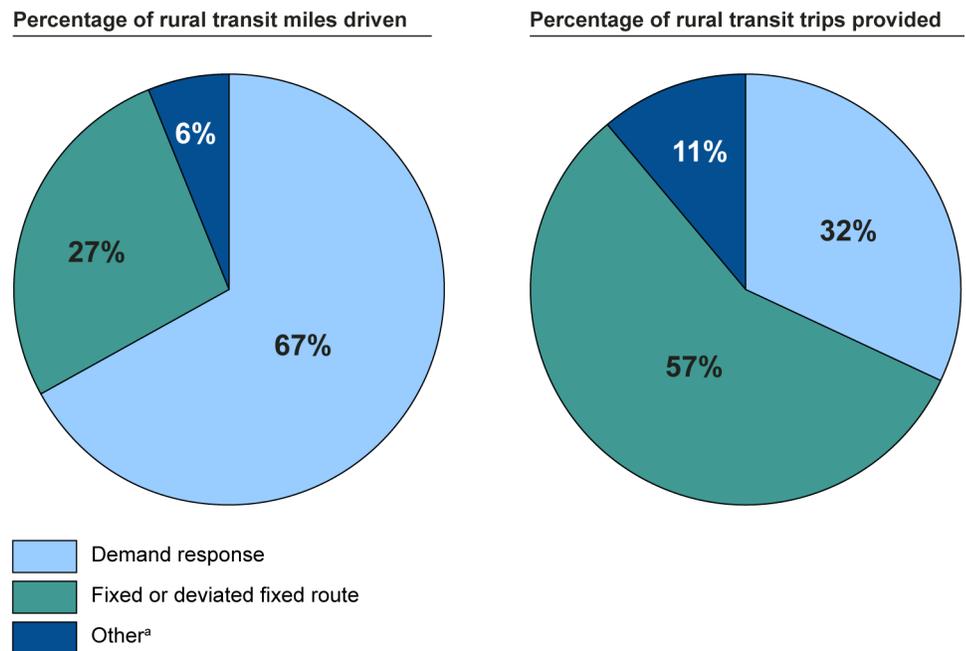
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### Rural and Tribal Transit Providers Continue to Provide a Range of Transportation Services for Transit Dependent Groups

From 2009 through 2012, to meet the transportation needs of their communities, rural and tribal transit providers offered similar types of services based on their passenger demographics, population density, and budget, among other factors. There are multiple ways to measure the change in rural and tribal transit service between fiscal years 2009 and 2012; we examined national data on type of service, ridership, and miles traveled. Each of these measures shows consistent levels of service during this time. For example, reflecting the need for service flexibility in low population density rural areas, demand response service remained the most commonly offered form of rural transit service over the 4-year period. Nationally, demand response accounts for about two-thirds of all rural transit service provided in 2009 through 2012, according to the rural NTD, as measured by rural transit-miles driven. For these trips, riders typically must schedule their trip in advance so the transit agency can match similar trips together in a vehicle for greater operational efficiency. While demand response service has remained the most prevalent service provided, ridership has been the highest on deviated-fixed and fixed route services from 2009 through 2012. For example, these services accounted for over half of all rural ridership in 2012, according to the rural NTD. Figure 3 below summarizes the types of services rural and tribal providers offered in 2012. Among the rural and tribal transit providers we interviewed, service offerings varied. While 10 providers said they offered only one type of service, 20 providers, particularly those serving larger regions, said they offered multiple forms of transit service. For example, an official from Marq-Tran, a rural transit provider in the upper peninsula of Michigan, said it operates fixed routes or deviated fixed routes in the town of Marquette and other communities—where concentrations of people need to go to and from similar places—and demand response

service in more rural areas. This official also said that fixed route trips accounted for the bulk of the system’s ridership.

**Figure 3: Summary of Rural Transit Service in 2012**



Source: GAO analysis of Federal Transit Administration data. | GAO-14-589

<sup>a</sup>Other includes vanpools, commuter buses, demand response taxis, and ferryboats

Rural transit ridership nationwide has increased slightly since 2009. Nationally, according to data from the rural NTD, ridership increased about 4 percent from 2009 through 2012. According to officials from 8 of our 15 selected state transportation agencies, 18 of our 30 selected rural and tribal transit providers, as well as representatives from the American Association of State Highway and Transportation Officials, ridership had increased to some degree in recent years. Another 6 state transportation agency officials and 5 rural and tribal transit provider officials said ridership generally had remained steady in their service areas. Of the officials we interviewed in areas experiencing an increase in ridership, 5 state transportation agencies and 4 rural and tribal transit providers attributed at least part of the increase to the increasing proportion of elderly persons in rural areas. According to these officials, the elderly may be less able to drive personal vehicles or may have fewer nearby family members able to drive them than in the past.

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The rural NTD does not include information on rider demographics or trip purposes, but national industry associations, 9 of 15 state transportation agency officials, and 20 of 30 rural and tribal transit provider officials we interviewed stated that rural transit riders tend to be from transit dependent populations, which include the elderly, disabled, and low income people. These three groups can overlap because some elderly may also be disabled, low income, or both. According to providers we interviewed, transit dependent populations often use public transportation to travel to essential services and employment. Of the 30 transit provider officials we interviewed, 20 identified medical transportation as a primary trip purpose. For example, officials from the Heart of Texas Council of Governments, a rural transit provider in Texas, said that a lot of the trips taken are for medical appointments. Moreover, 11 transit provider officials identified employment as a primary trip purpose. For example, Roaring Fork Transit, a rural provider in Colorado, said that 68 percent of its riders were commuters. These trip purposes are generally consistent with other research on rural transit trip purposes.<sup>29</sup>

Rural trip lengths can vary greatly because providers operate across expansive, low population service areas as well as within small rural towns. Rural and tribal transit providers we interviewed said that trip lengths can vary from less than 2 miles to over 100 miles. For example, while one provider in California only offers services within a small municipality, another provider in South Dakota said that nonemergency medical passengers may travel up to 3 hours each way to reach their appointments.

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### Operating Costs Are Rising Even with a Newer, More Reliable Fleet

Since 2009, operating costs for providing rural transit have increased. From 2009 through 2012, rural and tribal transit providers' operating costs increased on average by 19 percent in 2012 constant dollars, according to rural NTD data.<sup>30</sup> Additionally, the average cost per trip increased 15 percent (from \$10.08 to \$11.56) and cost per mile, by 11 percent (from \$2.31 to \$2.57). Furthermore, 15 of 30 rural and tribal transit provider officials and a national industry association also noted the national trend of rising operating costs. Overall, 12 of 15 state transportation agency

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<sup>29</sup>Upper Great Plains Transportation Institute, North Dakota State University, *Rural Transit Fact Book 2013* (Fargo, ND: July 2013).

<sup>30</sup>All operating expenditure figures were adjusted for inflation using the Consumer Price Index by calendar year and reported in 2012 constant dollars.

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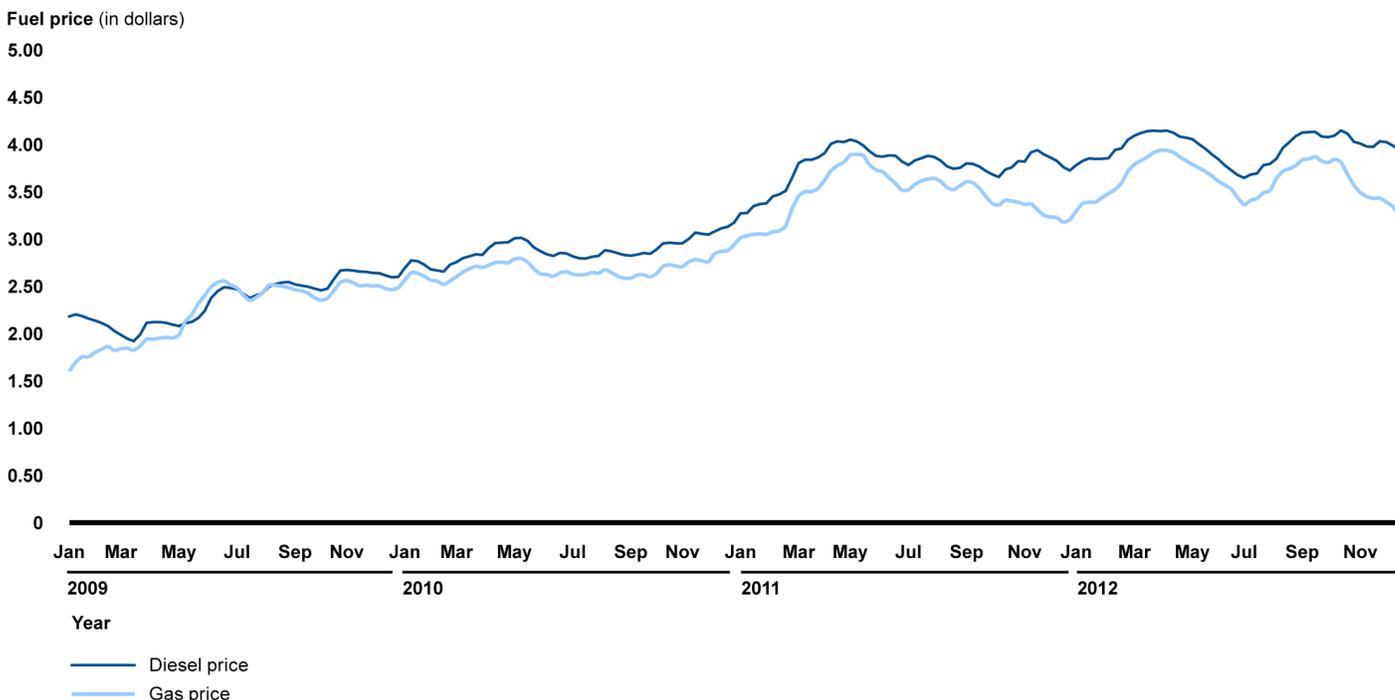
officials and 26 of 30 rural and tribal transit provider officials we interviewed identified fuel, wages, or maintenance costs among their biggest operating cost categories.

Fuel price increases in recent years likely contributed to increases in operating costs. Twelve of 30 rural and tribal transit provider officials identified increasing fuel costs as a reason for increasing overall costs. For example, the Southeast Missouri Transportation System, a regional rural provider in Missouri, said that the agency's fuel costs had doubled in recent years due to rising fuel prices and providing more lengthy trips. The price of diesel increased by 80 percent and the price of gasoline more than doubled per gallon from 2009 through 2012, according to national fuel price indexes<sup>31</sup> (see fig. 4). In contrast to this increase in fuel prices, 8 providers noted that wages have been fairly consistent or have gone down in recent years. For example, Amador Transit, a rural transit provider in California, said that wages had been frozen since 2009.

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<sup>31</sup>Gasoline and diesel prices were adjusted for inflation using the Consumer Price Index by calendar year and reported in 2012 constant dollars. Real fuel-price indexes came from the Energy Information Administration.

**Figure 4: Average Fuel Prices per Gallon, 2009 through 2012, in 2012 Constant Dollars**



Source: GAO analysis of Energy Information Agency data. | GAO-14-529

Operating costs have increased despite recent purchases of new vehicles. In general, newer fleets have lower maintenance costs and increased service reliability. According to data from the rural NTD, the national average vehicle age decreased by almost 7 percent from 2009 through 2012, in part, because rural and tribal transit providers purchased over 2,000 vehicles in fiscal year 2010 alone, largely with Recovery Act funds. Specifically, Recovery Act funds accounted for about 60 percent of rural and tribal transit providers’ capital expenditures and funded \$263 million in capital expenditures in fiscal year 2010, the highest level of capital expenditures in our 4-year review period.<sup>32</sup> Additionally, 9 of 15 state transportation agency officials said that Recovery Act funds helped

<sup>32</sup>Our previous work found that about 23 percent of Recovery Act funds for urban and rural transit were used to purchase vehicles. GAO, *Recovery Act: Funding Used for Transportation Infrastructure Projects, but Some Requirements Proved Challenging*, [GAO-11-600](#) (Washington, D.C.: June 29, 2011).

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them purchase new vehicles. For example, one state transportation agency official said the agency was able to purchase 311 vehicles for rural providers with Recovery Act funds. We have previously found that federal agencies with vehicle fleets that own vehicles with maintenance costs that exceed the resale value may incur higher overall maintenance costs and require a larger fleet to accommodate ongoing repairs.<sup>33</sup> Recovery Act funds used to replace aging fleets may have helped lower operating costs and increase service reliability for rural and tribal transit providers as a result.

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## Demographic Trends Could Contribute to Future Unmet Need

Officials from roughly one-third of selected state transportation agencies (5 of 15) and rural and tribal transit providers (11 of 30) stated that unmet need existed within their service areas during times when transit was not operating, such as on evenings and weekends. Unmet need may also occur when transit providers have to deny a trip because, among other reasons, they have reached their capacity limit. Unmet need in selected areas may be the result of funding constraints, according to rural and tribal transit providers we interviewed. For example, officials from Chickasaw Nation Transportation Services, a tribal transit provider in Oklahoma, said that some shift workers in their service area could not use transit to commute to work because of a lack of evening service. Furthermore, 12 of 30 transit provider officials said that funding levels make it difficult to meet needs within their service areas. For example, officials from OATS, a large regional provider in Missouri, said that funding levels dictate how many demand response trips it can provide, and the agency has had to turn people away when there is no room in the schedule for an additional rider. Additionally, one state transportation agency official said that on average, demand response service is only available with the state about 2 days a week, in part, because rural transit agencies cannot afford to provide more.

Looking forward, an aging rural population and efforts to support “aging in place,” which occurs when elderly persons remain in their communities as they age, could increase demand for rural transit. National groups have reported that the average age of rural communities has increased because the elderly have remained in their homes, while the younger

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<sup>33</sup>GAO, *Federal Vehicle Fleets: Adopting Leading Practices Could Improve Management*, [GAO-13-659](#) (Washington, D.C.: July 31, 2013).

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population has left the area in search of employment.<sup>34</sup> For example, a provider in North Carolina said that the community's older adult population is growing because people are living longer, which has, in turn, increased their need for assistance. As stated above, the elderly are already an important rural transit rider group, and these ongoing demographic changes could increase demand for services. Officials from 2 state transportation agencies and 4 rural transit providers stated that they expected this growing demand for rural transit services to continue to increase in the future. For example, a state transportation agency official in Maine said that the aging population in the state will be a huge challenge in the future, and the state has had to develop a new statewide transportation plan to address this need. In 2011, we found that the transportation needs of older Americans may go unmet, particularly in rural areas.<sup>35</sup> Furthermore, in 2012 we raised state and local providers' concerns about how to meet the growing demand for transit dependent populations in the future given limited available funding.<sup>36</sup> Older Americans and other transit dependent populations in rural areas have essential transportation needs, such as a need to get to medical appointments and shopping, but without funding to cover increasing service costs, some transit providers indicated they may not be able to meet all their transportation needs. For example, Butte Silver Bow, a provider in Montana said that although there is growing need for rural transit for the elderly, the provider did not have enough resources to offer sufficient services.

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<sup>34</sup>Sarah Jennings, American Association of Retired Persons, *Improving Transportation Options for in Rural States and Tribal Areas Under MAP-21*, testimony before the Senate Committee of Banking, Housing, and Urban Affairs, 113th Cong., Sioux Falls, SD, March 28, 2013. Helen Kerschner and Jane Hardin, The Beverly Foundation and the Community Transportation Association of America, *Transportation Innovations for Seniors: A Report from Rural America* (July 2006).

<sup>35</sup>GAO, *Older Americans Act: More Should be Done to Measure the Extent of Unmet Need for Services*, [GAO-11-237](#) (Washington, D.C.: Feb. 28, 2011).

<sup>36</sup>GAO, *Transportation Disadvantaged Populations: Federal Coordination Efforts Could Be Further Strengthened*, [GAO-12-647](#) (Washington, D.C.: June 20, 2012). We are conducting ongoing work on transportation for aging populations.

## Selected Providers Face Operational and Funding Challenges and Tribal Transit Funding Changes Have Created Some Uncertainty

### Providers Identified Operational and Funding Challenges and Suggested Solutions

In providing transit services in rural and tribal areas, rural and tribal transit providers face an array of challenges. To identify and understand these challenges, we conducted over 50 interviews with officials from FTA, state transportation agencies, and rural and tribal transit providers. We summarized challenges that were consistently identified into two general categories—operations and funding. While these challenges were consistently identified in our interviews, the results of our interviews are not generalizable to all rural and tribal transit providers. Some officials offered their ideas about possible ways to address some of these challenges, including actions that providers or FTA could take.

### Operations

Nearly all rural and tribal transit providers identified challenges related to their operating environment, coordination with other transportation services, or activities to comply with federal requirements.

- **Operating environment:** Rural operating environments can create a wide range of difficulties for rural and tribal transit providers. Table 2 below summarizes the challenges we frequently heard related to operating in these environments as well as solutions transit providers have taken to address these challenges.

**Table 2: Frequently Cited Transit Challenges due to Operating in Rural Areas**

Challenge	Description	Suggested solutions
Recruiting and retaining drivers and mechanics	Hiring or retaining qualified drivers and mechanics can be difficult according to 24 of the 30 providers we interviewed. For example, rural providers in Montana and Pennsylvania found it difficult to compete with the wages offered by oil and gas exploration industries to qualified drivers.	Some providers noted that providing drivers with health insurance, retirement benefits, and meaningful work assisting members of their community had helped retain drivers. Other providers indicated they are hiring less experienced drivers and helping them learn needed skills.

Challenge	Description	Suggested solutions
Weather and road conditions	Fifteen of 30 providers noted that rural operating environments can be difficult both for routes and maintenance. For example, rural roads may be in poor condition—causing bus damage such as premature tire and suspension wear or cracked windshields—particularly in winter.	Several providers noted they have established operational protocols for harsh weather. Others indicated that improved maintenance facilities helped them to keep up with needed repairs.
Effectively planning service	Day-to-day dispatch and route planning can be difficult (14 of 30). Rural and tribal providers can operate in areas that are hundreds of square miles and sparsely populated. Coordinating the most cost-effective pick-up and drop-off routes for multiple riders can be logistically difficult.	While some operators mentioned that personal relationships between staff and regular riders helped coordinate rides, others cited various technologies (e.g., ride match software and Global Positioning Systems (GPS))—which can be purchased with rural transit program funds—as key to gaining operational efficiency.
Promoting transit	Eleven of 30 providers indicated that people in rural areas may not think of transit as a viable transportation option or that the service is only for the elderly or persons with disabilities.	Some transit officials indicated that efforts to promote transit and overcome stigmas, such as educating the public about transit’s benefits, could help overcome these perceptions.

Source: GAO analysis of interviews and other information. | GAO-14-529

- Coordination:** Officials from the majority of state transportation agencies (12 of 15) and some providers (11 of 30) identified coordinating transit services as a challenge despite the potential to enhance their services. In 2012, we found that state and local efforts to coordinate transportation services—such as coordinating councils, call centers, and regional planning—can be hindered due to challenges such as insufficient federal leadership, changes to state policies, and limited financial resources.<sup>37</sup> In our interviews with rural and tribal transit providers, officials cited related challenges. For example, the Navajo Nation extends across parts of three states, but the Navajo Nation Transit Service sometimes must only use buses purchased with funds it receives through a state transportation agency within that state’s boundaries, which creates route problems. In another situation, three providers explained that their states’ switch to state-wide brokerages for non-emergency medical transportation services funded by Medicaid has made it harder to coordinate transit services because, for example, regional transit systems that had previously coordinated service directly with one another now must work through the third party brokerage.<sup>38</sup> Alternatively, one provider in Washington State explained that coordination was easier because the

<sup>37</sup>GAO-12-647.

<sup>38</sup>We have a review of non-emergency medical transportation issues under way.

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state determined that fully funding regional cross-county connectors with state dollars was a good investment, and these funds helped the transit providers coordinate with each other. By linking their respective systems, ridership has exceeded forecasts and helped overcome service area boundary challenges. Other providers noted that establishing personal relationships and communication with the people at other transit providers nearby improved coordination.

- **Compliance:** While the majority of providers we interviewed said compliance with federal requirements related to operations was not especially challenging (17 of 30), a number of providers also said federal requirements or associated FTA oversight reviews could be streamlined to help reduce the resources that providers must devote to compliance activities (12 of 30). Additionally, some providers (11 of 30) indicated that collective procurement contracts, in which multiple transit providers purchase vehicles on the same contract, have made compliance with federal procurement rules easier and, potentially, save money. Also, FTA is currently developing final rules related to its transit asset management (e.g., requiring FTA grantees to develop a plan and report on the condition of capital assets such as buses) and public transportation safety programs, following a public comment period that ended in January 2014.<sup>39</sup> Many (18 of 30) rural and tribal transit providers either were unfamiliar with these pending changes or indicated that it was too soon to know the likely impact of these new rules on their operations. Officials for nine state transportation agencies or providers, however, expressed concern about whether FTA's final rules will be scalable for smaller transit systems that may not have the financial or technical resources to meet elaborate requirements.

## Funding

Many rural transit providers identified some type of funding challenge. Broadly, 20 of 30 rural and tribal transit providers we interviewed indicated that funding was one of their most daunting challenges. Specific funding challenges included the following.

- **Availability of capital funding:** Eleven of 30 rural and tribal transit providers identified capital funding as a challenge. These providers

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<sup>39</sup>GAO, *Transit Asset Management: Additional Research on Capital Investment Effects Could Help Transit Agencies Optimize Funding*, [GAO-13-571](#) (Washington, D.C.: July 11, 2013). Pub. L. No. 112-141 §§ 20019 and 20021, 126 Stat., 707, 709, codified at 49 U.S.C. §§ 5326, 5329; 78 Fed. Reg. 61252 (Oct. 3, 2013).

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expressed concerns over their ability to afford future vehicle replacements. As noted above, the Recovery Act helped rural and tribal transit providers to make substantial vehicle replacements in the last few years and helped reduce the average age of vehicles in the national rural and tribal transit vehicle fleet. However, as these vehicles age—the useful life of rural transit vehicles typically ranges between 5 and 10 years—there could be a concentration of vehicles needing replacement at about the same time, in roughly 2018 or so. Some providers (9 of 30) said that the capital funding program changes in MAP-21 could lead to less overall funding for rural transit, particularly noting the changes in FTA’s other programs that fund bus capital projects.<sup>40</sup> However, recent expenditures on capital projects from different funding programs suggest that a similar amount may be available in the current programs. The new Bus and Bus Facilities program provided about \$65 million in both fiscal years 2013 and 2014 to states for rural transit capital needs. In fiscal year 2012, about \$58 million from FTA’s now discontinued capital program was expended by rural and tribal transit providers.<sup>41</sup>

- **Obtaining state or local funding:** Eighteen of 30 rural and tribal transit providers emphasized that securing enough state or local funding for transit can be challenging. As previously discussed, rural and tribal transit may compete with other needs within a community, such as public safety, for funding. Constrained state and local budgets can make securing these funds difficult. Among the providers we interviewed, approximately half of rural and tribal providers (16 of 30) said that they face challenges in raising enough state or local funding to meet FTA local match requirements. Some (7 of 15) of the states we included in our review provide limited or no state funds for rural transit, which increases the pressure on rural providers to secure local funds. Several providers indicated that the match requirement helped encourage local investments in transit, but noted that it was still difficult to secure local funds. One provider in North Carolina told us that securing sufficient local funds to cover increasing or volatile costs can be difficult since federal and state grants have not increased

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<sup>40</sup>49 U.S.C. §§ 5309 and 5339.

<sup>41</sup>In 2012, according to rural NTD data, rural and tribal transit agencies expended about \$283 million on capital projects total. State and local funds accounted for about \$55 million, and FTA’s rural transit program accounted for about \$50 million for capital (compared to \$381 million for operating costs). Recovery Act funds accounted for about \$84 million.

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commensurately with operating costs. By contrast, some communities and providers have assured local funding through dedicated sources—such as dedicated property or fuel taxes—for transit.

- **Uncertain federal funding:** Short-term federal transportation authorizations and short-term appropriations acts create uncertainty that can be a challenge for long-term planning and managing cash-flow for states and rural and tribal transit providers. For example, several rural and tribal transit providers noted that they were hesitant to expand services or their fleet because of uncertainty in the level of future federal funding, which, as noted above, is critically important to many providers. Similarly, officials from the Georgia state transportation agency noted that partial year appropriations are more difficult to manage than full-year appropriations because they must distribute partial year funding to providers multiple times throughout the year. In our 2013 High Risk update on financing the surface transportation program, we concluded that Congress and the administration need to agree on a long-term plan for funding surface transportation.<sup>42</sup> FTA officials also acknowledged that the 2-year authorization of MAP-21 poses a challenge for rural and tribal transit providers.

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### The Consequences of Different Funding Levels under MAP-21 for Tribal Transit Program Grantees Are Unclear, but May Include Some Disruptions in Transit Services

The Tribal Transit Program was changed to a largely formula-based allocation of funds, and FTA expected this change to increase the stability and reliability of funding for tribal transit providers and thereby to provide better support for public transportation in tribal areas, the goal of the program. From fiscal years 2006 through 2012, funds were distributed on a competitive, discretionary basis to tribal transit providers that applied for funds. During this period, FTA awarded about 70 grants per year to nearly 200 total tribal transit systems. In any given year, a provider that applied, and had previously received funds, might or might not have been awarded funds or the amount awarded might not have been for the amount requested. According to national stakeholders, FTA officials, and some tribal transit officials we interviewed, the prior award process sometimes caused unpredictable funding levels for recipients. As previously discussed, since the MAP-21 reforms were enacted, program funding increased to \$30 million total, with \$25 million to be distributed through a new formula (\$5 million remained for a new discretionary

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<sup>42</sup>GAO, *High-Risk Series: An Update*, [GAO-13-283](#) (Washington, D.C.: February 2013).

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program). As established by MAP-21, the formula allocates 75 percent of funds based on vehicle revenue miles.<sup>43</sup> FTA officials explained that the formula should provide a more predictable source of federal funding because vehicle revenue miles are a straightforward means to provide funding in direct proportion to services. Likewise, 4 of 8 tribal transit officials we spoke with indicated the change to a formula could result in more stable and predictable funding that better sustains and supports tribal transit systems.

The change to a largely formula-based program in the Tribal Transit Program has dramatically altered funding levels for tribal transit providers. Under the new formula some tribal transit providers received much more funding and some received much less than they received in previous years, with increases or decreases of more than 50 percent common. We analyzed FTA discretionary grant awards from fiscal year 2009 through 2012 and formula grant awards in fiscal year 2013 and 2014. We found that 83 tribes received at least one grant in each of these two time frames. Of those 83, 30 tribes' formula-funding awards were at least 50 percent greater than their prior average discretionary awards. Two tribes received increases of over 1,000 percent.<sup>44</sup> By contrast, 32 received grant award reductions of 50 percent or more in average annual funding compared with what they had received previously in discretionary awards. According to FTA officials, tribal transit systems that received increased grant awards generally tended to be larger tribal transit systems, while those that received decreased grant awards generally were smaller tribal transit systems. This outcome, in part, reflects the formula's emphasis on vehicle revenue miles, which varies significantly given the different size and scope of services provided by tribal transit systems. For example, Lummi Transit, a relatively small system in Washington State, provided about 100,000 vehicle revenue miles of service and was awarded a discretionary grant of \$315,000 in fiscal year 2012. It was awarded about \$70,000 by formula for fiscal year 2014. Under the formula some tribal systems received very small awards, with two fiscal year 2014 awards of

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<sup>43</sup>49 U.S.C. § 5311(c)(3)(C). As noted above, 50 percent of Tribal Transit funds are distributed in proportion to vehicle revenue miles and 25 percent are distributed equally among systems with 200,000 or more vehicle revenue miles.

<sup>44</sup>All annual funding amounts were adjusted for inflation using the CPI per calendar year and are reported in 2012 constant dollars.

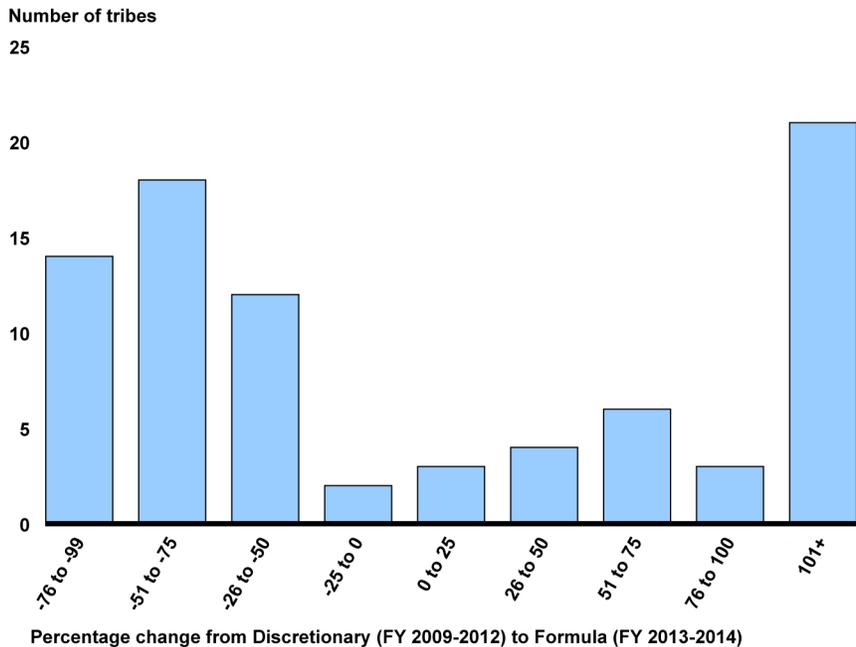
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less than \$1,000.<sup>45</sup> For example, the Poarch Band of Creek Indians received \$186 in fiscal year 2014 funding. Conversely, the Chickasaw Nation Transportation Service, a relatively large system in Oklahoma, provided about 1.1 million vehicle revenue miles of service and was awarded \$300,000 in 2012. In fiscal year 2014, it was awarded approximately \$1.2 million by formula. Smaller systems may provide relatively limited services aimed at essential transportation needs whereas larger systems may offer more developed and extensive services. Figure 5 below shows the percentage change in funding levels tribes received between the two programs by comparing average discretionary awards received from fiscal years 2009 through 2012 with average formula awards from fiscal years 2013 through 2014. About half the tribal transit providers we interviewed indicated they were surprised by the change in funding their system received under the new formula and were making adjustments and plans for the increased or decreased funds.

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<sup>45</sup>The administration's proposed 2014 surface transportation reauthorization would set a minimum grant award level of \$20,000.

**Figure 5: Average Increases and Decreases in Tribal Transit Funding Following Change from Discretionary to Formula Funding (Fiscal Years 2009-2012 versus Fiscal Years 2013-2014)**



Source: GAO analysis of Federal Trade Administration data. | GAO-14-529

Note: This figure includes only the 83 tribes with established tribal transit systems that received funding both under the discretionary and the formula funding programs. Tribes receiving planning grants were not included in this analysis.

With just fiscal year 2013 and 2014 funding cycles completed using the formula, it is unclear how these changes will affect tribal transit in the long term and whether the change to a formula will provide a more stable and reliable level of support to tribal systems of different sizes or result in service disruptions for some tribal transit systems that experienced funding declines. Among tribes we spoke with that saw increased funds, some are planning new projects, such as service expansions and bus procurements, but were reluctant to make plans because they were unsure funding at the new level would continue. Smaller systems may need to reduce or cancel services, according to two tribal transit officials that experienced reduced funding, resulting in decreased mobility for transit dependent people in tribal communities and less access to potentially critical services. An official from a tribal transit system in Alaska indicated that he anticipated the formula would result in severe funding reductions for transit for many Alaska Native Villages, which tend

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to be small and have low vehicle revenue miles. Consequently, he stated that the transit system may not remain viable unless new sources of funds can be identified. FTA officials also indicated that they anticipated when implementing the formula for the first time that it would result in very different funding levels for some tribal transit providers. Accordingly, FTA conducted outreach and meetings with providers to educate them about these likely changes.

Selected tribal transit providers and FTA have considered strategies to mitigate declines in Tribal Transit Program funding and are still in the process of adjusting to new funding levels. For example, officials for two tribal systems that we interviewed suggested that FTA use the \$5 million discretionary program to fund systems that experienced funding decreases in the new formula program. FTA officials stated that they considered this strategy, but instead are reserving discretionary awards primarily for starting new systems because the formula directs funds to existing systems. Additionally, tribal transit providers may also seek to be sub-grantees of rural transit program grants through state transportation agencies. For example, the tribal transit provider in Alaska that we interviewed that experienced a funding decrease under the formula subsequently applied for rural transit program funding through the state. FTA officials stated that tribes are encouraged by FTA regional staff and tribal liaisons to participate in the rural transit program as sub-grantees of the states. However, according to FTA and some tribal transit officials, accessing these funds may be challenging for tribes with strained relationships with state governments.

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## Agency Comments

We provided a draft of this report to the Secretary of Transportation for review and comment. The Department of Transportation did not have any comments on the report.

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We are sending copies of this report to the Administrator of FTA, the Secretary of the Department of Transportation, and interested Congressional Committees. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or any of your staff members have any questions about this report, please contact me at (202) 512-2834 or [wised@gao.gov](mailto:wised@gao.gov). Contact points

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for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix II.

A handwritten signature in black ink that reads "David J. Wise". The signature is written in a cursive, flowing style.

David J. Wise  
Director, Physical Infrastructure Issues

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# Appendix I: Objectives, Scope, and Methodology

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This report addresses the following three objectives:

1. How does Federal Transit Administration (FTA) fund, oversee, and otherwise support rural and tribal transit services in the rural transit program?
2. What is known about how services, ridership, and costs for rural and tribal transit have changed since 2009?
3. What challenges do rural and tribal transit providers face in providing transit service and what actions could address these challenges?

To determine how FTA funds, oversees, and otherwise supports rural and tribal transit services through the rural transit program, we reviewed FTA circulars, training, guidance materials, and legal decisions to determine its policy for implementing its rural transit program. Moreover, we reviewed State Management Plans, which state transportation agencies must submit to FTA; FTA's State Management Review workbook and related materials; and state transportation agency level oversight guidance. Finally, we interviewed FTA officials from Headquarters and FTA regional offices in Georgia (IV), Texas (VI), California (IX), and Washington (X) to discuss FTA's rural transit program funding and oversight processes as well as the federal role in rural transit. Regional offices were selected that provide oversight of and guidance for state transportation agencies that we visited (see below for details on these site visits).

To determine what is known about how rural transit services, ridership, and costs have changed since 2009, we analyzed data from the rural National Transit Database (rural NTD) for fiscal years 2009-2012. We selected this time frame because 2009 is the first year the data were sufficiently reliable for our purposes. To conduct this analysis, we first assessed the appropriateness and sufficiency of the data by determining the completeness of rural NTD reporting for each year and the reasonableness of certain measures over the 4 year period as well as by interviewing FTA officials on their data validation process and state transportation agency officials on their data collection processes. After determining that the data were sufficiently reliable at the national level for our purposes, we analyzed specific measures including: fleet size and age, type and amount of transit services provided, passenger trips taken, and operating and capital expenditures by funding source. Our review included both annual analyses for each year as well as assessing changes over the 4-year period. We did not analyze NTD data at the

provider level or for tribal grantees specifically due to concerns over data reliability within smaller subsets of transit provider groups.

To identify the challenges that rural transit providers face and any actions that could address these challenges, we reviewed relevant academic literature pertaining to rural and tribal transit in the U.S. and interviewed two national stakeholder groups—the Community Transportation Association of America (CTAA) and the American Association of State Highway and Transportation Officials (AASHTO)—that, respectively, work closely with rural and transit providers and state transportation agencies. Literature and interviewees identified some solutions to challenges faced, and we summarized these challenges. To assess challenges related to Tribal Transit Program funding, after determining these data were sufficiently reliable for our purposes, we analyzed FTA award data from 2009 through 2014 to calculate changes in funding levels experienced by tribal transit providers.

To address all three of our objectives, we conducted interviews with 15 state transportation agencies as well as 30 rural transit providers, 8 of which were tribal systems. Some of these interviews included site visits and some were teleconferences. We nonstatistically selected state transportation agencies to provide a range of the number of rural or tribal transit providers in the state, total state grant amounts, and FTA regions. Using these criteria, we selected state transportation agencies in Arizona, California, Georgia, Oklahoma, Texas, and Washington for site visits and state transportation agencies in Colorado, Maine, Michigan, Missouri, Montana, New York, North Carolina, Pennsylvania, and South Dakota for teleconferences. Once the states were chosen, we selected rural or tribal transit providers within each state to interview using the following criteria based on data found in the 2011 NTD: total operational expenditures, fleet size, and the type of service provided.<sup>1</sup> In addition, for the site visits, we considered logistical feasibility given the long driving distances between rural locations. Using these criteria, we selected 15 rural and tribal providers for site visits and an additional 13 rural and tribal providers for teleconferences. Finally, we interviewed officials with two tribal transit providers not in selected states (Idaho and Alaska) based on changes in funding these tribes received following the MAP-21 reforms. Because we

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<sup>1</sup>The 2011 rural NTD was the most current information available at the time of interviewee selection. The 2012 rural NTD data were not yet available.

used a non-generalizable sample of transit providers, findings from these interviews cannot be used to make inferences about other rural or tribal transit providers. However, we determined that the selection of these transit providers was appropriate for our design and objectives and that the selection would generate valid and reliable evidence to support our work.

We conducted this performance audit from June 2013 to June 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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# Appendix II: GAO Contact and Staff Acknowledgments

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## GAO Contact

David J. Wise, (202) 512-2834, or [wised@gao.gov](mailto:wised@gao.gov)

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## Staff Acknowledgments

In addition to the contact named above, the following individuals made important contributions to this report: Heather MacLeod (Assistant Director), Russ Burnett, Tom James, Bert Japikse, Delwen Jones, Sarah Jones, Terence Lam, Jeff Malcolm, Grant Mallie, Josh Ormond, Steve Rabinowitz, and John Stambaugh.

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