

**SENATE FISCAL AGENCY
 MEMORANDUM**

DATE: April 13, 2020
TO: Members of the Michigan Senate
FROM: Michael Siracuse, Fiscal Analyst
RE: Federal Stimulus Acts in Response to the Coronavirus Pandemic: Transportation Aid

Introduction

House of Representatives bill (H.R.) 748, the Coronavirus Aid, Relief, and Economic Security (CARES) Act provides Federal aid to states for a wide-range of programs. The purpose of this memorandum is to discuss briefly the portions of this aid package set aside for transportation-related programs and industries, with a focus on the impact to the State of Michigan. For a broader analysis of the CARES Act and other Federal stimulus actions, see the Senate Fiscal Agency's Federal Stimulus Acts in Response to the Coronavirus Pandemic memorandum, published March 31, 2020.

CARES Act for Transportation - Overview

The CARES Act sets aside aid for transportation programs directed to transit programs, Amtrak, the airline industry, and airports. Of the \$25.0 billion in Federal aid allocated for transit systems, Michigan's share is \$351.1 million, with nearly three-fourths of that amount going to Urban Transit systems. An as-yet-unidentified amount of aid to Amtrak will include some additional funding for Michigan's subsidy payments. Michigan's airports, large and small, qualify for operational assistance, but individual airport award amounts have not been announced.

Transit Programs

Of the \$25.0 billion set aside in the CARES Act for transit programs, Michigan's share is \$351.1 million spread out in four main areas:

1. Urbanized Area Formula Grants - \$258.5 million.
 - The priority use of these funds is for operational expenses for urban transit systems; however, all expenses normally eligible under the Federal Section 5307 program are eligible. These expenses include the costs necessary to operate, maintain, and manage a public transportation system, including salaries and fuel costs. The grants do not need to be matched by individual transit agencies, and they do not expire. The funds can cover only transit agency expenses incurred on or after January 20, 2020.
2. Growing States - \$22.8 million.
 - Under the Federal Section 5340 program formula, states receive grants based upon their population size compared with other states.

- Combined with the Federal Section 5307 Program funds (identified above), transit agencies in the following cities are expected to receive the corresponding amounts:
 - Detroit - \$133,892,582
 - Ann Arbor - \$20,803,052
 - Flint - \$19,049,485
 - Grand Rapids - \$28,359,064
 - Kalamazoo - \$9,074,494
 - Lansing - \$18,343,421
 - Battle Creek - \$3,957,490
 - Bay City - \$3,819,425
 - Benton Harbor/St. Joseph/Fair Plain - \$2,375,782
 - Holland - \$4,136,466
 - Jackson - \$3,724,164
 - Midland - \$2,970,243
 - Monroe - \$2,126,086
 - Muskegon - \$7,194,325
 - Port Huron - \$6,544,640
 - Saginaw - \$5,550,311
 - South Lyon/Howell - \$4,972,704

3. Formula Grants for Rural Areas - \$66.2 million.

- These grants are intended to cover the operational expenses of rural transit systems under the Federal Section 5311 program in the same way as the urban grants, above. The grants will cover operational expenses, do not need to be matched, do not expire, and can cover operational costs incurred on or after January 20, 2020.
- The CARES Act also sets aside \$30.0 million for Public Transportation on Indian Reservations under the 5311(c)(1) program. Two Native American Communities in Michigan will receive these funds. The Bay Mills Indian Community will receive \$42,654, and the Sault Ste. Marie Chippewa Indians will receive \$347,765.

4. State of Good Repair Grants - \$3.6 million.

- Grants provided under the Federal Section 5337 program provide capital assistance for maintenance, replacement, and rehabilitation of high-intensity fixed guideway systems to help transit agencies maintain assets in a state of good repair. The CARES Act will distribute over \$7.5 billion nationwide through statutory formulas. Michigan has a limited amount of fixed guideway transit systems compared with states like New York and California, which is the reason for the small amount of funding provided under this program.

Aviation

The CARES Act provides relief for the airline industry of \$61.0 billion in a combination of grants and loans to cover air carriers and contractors for wages, salaries, and benefits. Of this amount, \$25.0 billion is set aside as grants for passenger air carriers, \$4.0 billion for cargo carriers, and \$3.0 billion for airline contractors. As these Federal appropriations will be paid directly to the industry, Michigan will not see a direct benefit from these grants; however, the CARES Act does

include \$10.0 billion in direct aid grants to publicly owned, commercial airports to prevent, prepare for, and respond to the impacts of the coronavirus disease 2019 (COVID-19) public health emergency.

Individual airport grant determinations for this \$10.0 billion have not been made, but eligible recipients include all commercial airports identified in the Federal Aviation Administration's National Plan of Integrated Airports System. Over 100 Michigan airports could be eligible for this aid. The grants will not require matching funds and can be used for any expenditure normally permitted by the Federal Revenue Use Policy for airports ("Revenue Use Policy", 64 Federal Register (FR) 7696, as amended by 78 FR 55330).

Amtrak

The CARES Act provides \$1.018 billion in grants to support the nationwide Amtrak system. Nearly half of this amount, \$492.0 million, is designated to the Northeast Corridor; the remainder is designated to the national network. The CARES Act also specifies that states may not be required to pay Amtrak more than 80% of the cost for use of Amtrak facilities, and sets aside \$239.0 million of the total grant amount to cover state assistance payments nationwide. It is not known how much of this amount will go toward Michigan's current year support payments to Amtrak. For context, Michigan's operating assistance payment to Amtrak was \$19,599,207 in FY 2018-19.

Commercial Trucking

None of the recent Federal aid packages (H.R. 6074, H.R. 6021, and H.R. 748) provide direct aid to the trucking industry; however, the Federal Motor Carrier Safety Administration (FMCSA) has acted twice in the last three weeks to help commercial drivers continue to operate during the health crisis.

On March 19, 2020, the FMCSA relaxed logbook requirements and hours restrictions for commercial drivers with loads that include supplies related to direct assistance to the COVID-19 emergency. Drivers do not have to take additional time off for rest or to update their logbooks when carrying emergency supplies. On March 24, 2020, the FMCSA waived license renewal and annual medical certification requirements until June 30, 2020.

Conclusion

The bulk of the aid set aside for transportation programs in the CARES Act is designed to keep the nation's airline, transit, and commuter rail systems operational, with multiple aid packages intended to backfill revenue holes retroactive to January 20, 2020. The aid will remain available until it runs out, but at this time there is no indication of when that will occur.

/mh

c: Christopher Harkins, Director
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