COMMONWEALTH of VIRGINIA

Commonwealth Transportation Board

Nicholas Donohue
Chairperson

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Agenda item # 5

RESOLUTION
OF THE
COMMONWEALTH TRANSPORTATION BOARD

October 13, 2026

MOTION

Made By: Mr. Payne, **Seconded By:** Mr. Davis
Action: Motion Carried, Unanimously

Title: Policy for State Transit Operating Assistance Funding Formula Allocation

WHEREAS, Section 33.2-1526.1 of the *Code of Virginia* provides that the Commonwealth Transportation Board shall allocate twenty-four and one-half percent of the Commonwealth Mass Transit Fund to support operating costs of transit providers; and

WHEREAS, Section 33.2-1526.1 of the *Code of Virginia* provides that the Commonwealth Transportation Board shall establish service delivery factors, based on effectiveness and efficiency, to guide the relative distribution of such funding; and

WHEREAS, the Department of Rail and Public Transportation has consulted with the Transit Service Delivery Advisory Committee in the development of this performance based allocation process; and

WHEREAS, the Commonwealth Transportation Board adopted an initial policy on the performance-based state transit operating assistance funding formula on March 21, 2019; and

WHEREAS, the Department of Rail and Public Transportation has solicited input from the Transit Service Delivery Advisory Committee, localities, transit agencies, and other stakeholders in the identification of new policy recommendations by conducting five (5) Transit Service Delivery Advisory Committee meetings and nine (9) in-person or virtual stakeholder workshops from March 2026 to July 2026; and

WHEREAS, the Transit Service Delivery Advisory Committee unanimously supported the policy recommendations developed by the Department of Rail and Public Transportation.

NOW THEREFORE BE IT RESOLVED, the Commonwealth Transportation Board hereby adopts the following policy for the allocation of operating funding pursuant to subdivision C of 33.2-1526.1 of the *Code of Virginia*:

1. Of the total available State Operating Assistance revenues available each year, 5% will be set aside to be used for Performance Allocations as defined by Section 4 below.

2. The remaining 95% of the State Operating Assistance revenues will be used as Base Allocations and will be further broken down by area type (i.e. cohort) as defined by the Federal Transit Administration (FTA): Large Urban, Small Urban, and Rural areas.
    a. Large Urban areas will receive 81% of these funds
    b. Small Urban Areas will receive 12% of these funds
    c. Rural areas will receive 7% of these funds

    The list of transit agencies within each cohort and the Base Allocation revenue distribution percentages will be reviewed at least every three (3) years or following a decennial census, whichever comes first.

3. Base Allocations for each transit agency will be determined using a Sizing Metric, customized for each cohort, as defined below:
    a. Large Urban: Operating Cost (40%), Ridership (30%), Revenue Hours (15%), and Revenue Miles (15%)
    b. Small Urban: Operating Cost (45%), Ridership (25%), Revenue Hours (15%), and Revenue Miles (15%)
    c. Large Urban: Operating Cost (50%), Ridership (20%), Revenue Hours (15%), and Revenue Miles (15%)

    Base Allocations in the Sizing Metric will be capped at 30% of each agency's audited expenditures and any excess revenue generated by applying the cap will be added to the Performance Allocations fund. A three (3) year average dataset will be used for each metric identified in this section.

4. Revenues in the Performance Allocation fund will be broken down by area type using the same definitions and distribution percentages as identified in Section 2 above. Once the Performance Allocation fund revenues are identified for each cohort, agencies within those cohorts will be evaluated for good performance using various cost efficiency, cost effectiveness, service productivity, and service utilization metrics as defined below:
    a. Large Urban: Passengers per Hour, Passengers per Mile, Passenger Miles Travelled Per Hour, and Passenger Miles Travelled per Mile
    b. Small Urban: Passengers per Hour, Passengers per Mile, and Passenger Miles Travelled per Mile
    c. Rural: Cost per Hour, Cost per Mile, and Cost per Passenger

A 60th percentile target will be applied to each performance metric to determine which agencies will receive Performance Allocations and that 60th percentile target figure will be reviewed by the Transit Service Delivery Advisory Committee and DRPT at least every three (3) years to evaluate appropriateness. A single year dataset will be used for each metric identified in this section.

5. Total State Operating Assistance allocations for each transit agency will include a Base Allocation plus a Performance Allocation if the agency meets or exceeds the thresholds identified in Section 4.

6. On an annual basis, the Department of Rail and Public Transportation will run the formula, as described above, in full prior to analyzing the data to identify significant, unforeseen anomalies. If significant anomalies in the formula are identified, DRPT will work with the transit agency who experienced the anomaly to better understand the underlying data and the potential need for Stability Allocations. The Director of the Department of Rail and Public Transportation will have the discretion to recommend Stability Funding for agencies who experience significant anomalies and will report these recommendations to the Board, the Transit Service Delivery Advisory Committee, and stakeholders. If utilized, Stability Funding will be drawn from the Performance Fund.

BE IT FURTHER RESOLVED, the Board hereby directs the Director of the Department of Rail and Public Transportation to take all actions necessary to implement and administer this policy and process, including, but not limited to preparation of program guidance and outreach consistent with this resolution.

BE IT FURTHER RESOLVED, the Board hereby directs the Director of the Department of Rail and Public Transportation to analyze the outcomes of this process on an annual basis and to revisit the process at least every three years, in consultation with the Transit Service Delivery Advisory Committee, transit agencies, and local governments prior to making recommendations to the Board.

BE IT FURTHER RESOLVED, that the Policy for the Implementation of Performance Based State Transit Operating Allocation approved by the Board on March 21, 2019, is superseded by this revised policy and is hereby rescinded.

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CTB Decision Brief
Title: Policy for State Transit Operating Assistance Funding Formula Allocation

Issue: HB 1539 (2018 General Assembly Session) requires DRPT to review the State Transit Operating Formula policy framework every three years, in consultation with the Transit Service Delivery Advisory Committee (TSDAC). In the 2026 review, DRPT identified proposed improvements that simplify the formula methodology, enhance transparency and predictability of funding allocations, and directly reward transit agencies for good performance.

Facts: Section 33.2-214.4 of the Code of Virginia provides that the Commonwealth Transportation Board shall develop a process for the distribution of state transit operating funds that incorporate service delivery factors. DRPT presented proposed policy changes to TSDAC on July 7, 2026, and received unanimous endorsement (with one abstention) on the following changes:

- *Create a Performance/Conditional Allocation Set Aside:* of the total state transit operating revenues, set aside 5% for performance/conditional allocations. The remaining 95% of revenues will be used for sizing/base allocations.
- *Subdivide Sizing/Base Allocation Revenues into Cohorts:* sizing/base allocation revenues under this program will be subdivided by area type with 81% of these revenues going to Large Urban areas, 12% to Small Urban areas, and 7% to Rural areas.
- *Customize Sizing/Base Allocation Metrics by Cohort:* sizing/base allocations will be determined using metrics customized by cohort.
- *Customizing Performance/Conditional Allocation Metrics by Cohort:* performance/conditional allocations will be determined using metrics customized by cohort.
- *Address Anomalies through Stability Funding:* allow the DRPT Director to recommend stability funding for agencies that experience formula anomalies.

Recommendation: DRPT recommends that the CTB approve the Policy for the Implementation of State Transit Operating Formula.

Action Required by CTB: Approve the Policy for the Implementation of State Transit Operating Formula.

Options: Approve, Deny, or Defer.